

# DRAFT FINAL REPORT

## The Role of Private Sector in Development FWC COM 2001 LOT 5

October 2010



*“The role of the Private Sector is absolutely vital in the Development of poor Countries”*  
*Louis Michel, European Commissioner for Development and Humanitarian Aid*

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*All ideas and opinions expressed in the present document are expressed strictly under the responsibility of the experts.  
These ideas and opinions do not necessarily reflect the positions of either DGDEV or the European Union.  
The report is intended as a medium for reflection and although it is based on factual information,  
the data is procured from a multiplicity of sources of varying age and reliability.  
Any errors and all omissions are entirely imputable to the Team Leader.*

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## INTRODUCTION

The vastness and complexity of the task entrusted to our team has been daunting, but highly stimulating, and the three experts have taken up this challenge with enthusiasm.

It may be of interest to highlight some of the outstanding points that have characterised the process \_both in terms of methodology and in terms of substance\_ of this study.

The first point that needs to be made is that our work has already shown that there exists intense interest from the SC members as well as a great deal of generous contribution in time, documents, ideas and support.

We wish to thank the management and staff of DG Development for their sustained and continuous guidance in our work, and all members of the Steering Committee for their strong commitment to the study and their very supportive help.

We also want to offer our particular gratitude to those correspondents<sup>1</sup> from several organisations, which have gone to great lengths to offer information and documents.

The interest shown by the SC was also explicit from other actors (ODA and non – ODA alike), as was demonstrated by the high level of constructive involvement by the Member States, Private Enterprises, NGOs and various other stakeholders of development.

The present report, as a presentation of the study's findings, is an ongoing process and a collective piece of work. Once the study is over, it is hoped that the “ownership” of the ideas and tools suggested will be manifested by a follow-up of the topics of reflexion and a continuing correcting and updating of the data in the three databases.

The second point to highlight is that the concept of Private Sector IN Development requires clear explanation at all stages, in order to avoid confusion with Private Sector Development (PSD).

The former, i.e. the topic of this study, seeks to define, analyse and facilitate the use of Private sector collaboration by public sector or ODA actors as a means to further their own development objectives (such as social or economic development, public goods, MDGs, humanitarian impact etc..)

Such partnerships (or collaborative instruments) are therefore opposed to the simple use of Private Sector organisations (as “suppliers” in purchasing, contracting or tendering).

Needless to say, if such instruments can be targeted at any ODA or Public Aid objective(s) or target(s), since the topic “Private Sector IN development” is about the method (strategy, instruments, modalities) rather than the substance of the Development Assistance.

The tools and instruments identified in the study on “Private Sector IN Development” can naturally be applied to PSD as well as any other development target.

It is worth noting that, even when they are not targeted mainly towards PSD, the very nature of the collaborative development work between ODA and Private Sector (both local and from rich Countries) will have a strong impact in terms of capacity building and efficiency of the Private Sector Partners from Recipient Countries collaborating within the collaborative instrument.

This key distinction has been a major topic of discussion during all meetings and interviews, and will most certainly continue to require clarification and explanation in the course of future efforts by the EU to seek development-oriented partnerships with the Private Sector. Chapter 3.1 of this report offers some brief clarification on the subject.

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<sup>1</sup> In particular : UNDP, AIDCO, UNIDO, CEOE.

The third topic of importance is the absolute necessity to seek conceptual and semantic precision in the course of the research and in the expression of results, and in particular in the drafting of any Private Sector Collaborative instruments' contractual documents.

Concepts such as “Private Sector”, “CSR” or “even “Development” may appear so obvious as to need no clarification, experience shows that their commonality can lead to confusion or misunderstanding.

Some terms may need clarification : since this report is the fruit of a largely economic perspective, the general bias will be towards economic meanings, rather than sociological.

As a simple example, there has been some debate about the Private Sector and its ability to supply Public Goods : it must be clear that a Public Good is “an environment, an infrastructure, a service or a product which serves the population of a Country” (economic sense), rather than “...which belongs to the State” (cf chapter 2.3).

Hence, it is irrelevant where lies the ownership or means of supply of a Public Good (health, education, transport, decent environmental, social & labour condition etc..).

Nor is the notion of Public Good an “absolute value” whereby any supply falling short of universal supply would somehow limit the “Public Good value” of such a supply.

Another excellent example of semantic ambiguity is the concept of “beneficiary” in ODA and in EU contexts whose multiple meanings is a threat to clarity of meaning, purpose and objective. In this report, the word will not be used to qualify any private partners (since they are partners, not suppliers or contractors), but will only be applied to Countries or Clusters.

Even more importantly, it must imperatively be stressed that “Private sector”, as defined in this study includes enterprises (including independently managed Public Sector enterprises) of any size and other organised entities, from both the developed and the developing world, without distinction and untied : i.e. within the EU, from any Member State.

Chapter 1.2 seeks to propose its conceptual framework of core concepts.

Building on this semantic issue, and on the recommendation of several members of the SC, it must be clearly established that, throughout the study, the term “Private Sector” (in the broad definition recommended by the experts) applies to organisations from both the recipient Countries and from Donor Countries without any distinction.

In fact one of the characteristics of the collaborative instruments analysed in this study, is their intrinsic openness to heterogeneous partners, of differing characteristics and from any origin (whether EU 27 and / or ACP or recipient Country).

Similarly, minimum distinction should be made in relation to size (MNCs to SMEs), profit-orientation (businesses to NGOs) or level of experience (high-capacity to novice).

Such voluntary diversity, whether in the Consortium Model or in the Challenge Fund Model (described in 4.2), is frequently a key to instruments' success.

A fourth key element that the team has frequently identified in the course of its numerous meetings is the institutional anxiety that any change to existing ODA modes and instruments can sometimes generate.

Reactions to the simple suggestions that ODA models and Commission Development tools may need to be adapted to the changing world can be a source of stress and resistance.

Let it be clearly expressed here that the point of this study is not to initiate a revolution in the Commission's Development approaches or to replace the EU's existing Development Instruments, but only to seek the possibility of developing one or several new collaborative

instruments using Private Sector partners, taking counsel and inspiration from others' successful experiences.

Lastly, the public perception of the risk of State Aid, i.e. "Public money going to the Private Sector" and the fear of market distortion", which are both legally and politically delicate.

It needs to be clearly addressed in any design and implementation of partnership programmes or instruments. All existing instruments analysed by this study (and all ongoing reflexions on the topic by ODA actors) have identified this as a core issue, and found different ways to ensure a transparent and ethical approach.

The core answer lies in the clear distinction of exactly what ODA funds are financing: they do not finance "Private Sector actor(s)", (whether local or from developed Countries). They dedicate funds to those specific and identified parts of their project that are development-oriented.

This signifies taxpayer money is only paying for "topping-up" to facilitate desired results, or to allow private resources to serve a public good or address a market failure. ODA is therefore only paying for the leverage of business resources towards Development or MDG-oriented goals. The same reasoning applies to the related issue of "tied aid", which is an obsolete concept today.

The EU itself has created "Facilities" serving PPPs, using a model with many common points to the "consortium-type instrument" (described in Chapter 4.2), to allay the fears of illegitimate transfers of public funds towards private enterprises.

The team's initial awe in front of the ToRs' ambitions has given way to the progressive realisation that systematic and organised collaborative work can slowly make headway and that, in the given time frame, can lead to the desired result : a concrete and pragmatic contribution to the European Commission's concerted efforts to lead its ODA towards more effective Policies, Strategies, Instruments and programmes.

The general analysis of developing Countries, through their unique and collective characteristics, should allow an attempt at Clustering, particularly for ACP Countries, in a sort of economic "periodic table of elements".

Above all, is it imperative that the purpose of such a work should not be idle theoretical intellectualisation or the ideological formalisation of west-centric visions of the world. On the contrary, the ultimate objective of this Clustering is to allow a more focused and tailor-made set of financial tools and Development instruments that are optimum for a given set of needs, which are common to groups of Countries.

This study, even once finished, remains a "work in progress", because it is intended as a first reflexion towards a major collective effort by all stakeholders towards improving ODA's effectiveness and efficiency in the coming decades.

Its aim is therefore to offer a number of factual elements (such as databases), as well as a framework for interactive discussion and collective decision-taking.

Similarly, the typology of Partnership Instruments proposed in chapter 4.2, (Consortium Model and Challenge-Fund Model) makes no claims to be an exhaustive scholarly exercise.

Quite to the contrary, it principally seeks to facilitate the stakeholders' group work towards practical solutions, rather than establish a theoretical classification.

The context of 2010 is not only hugely different from that of the 1990s; it is even fundamentally changed from the pre-2008 situation. European Commission’s usage of its vast resources in multilateral ODA (as well as management of some bilateral funds) must radically evolve, in the face of probable internal and external new challenges.

While the EU may not have been the first to embrace systematic collaboration with the Private Sector, its sheers size and the massive amounts involved simultaneously urge for extreme caution, sound reflection and political courage.

It is hoped that the ultimate result of this modest work will allow virtually overcoming the caution, actively contributing to the reflection and passionately supporting the courage.

**Oliver Clark (TL)**  
**Steven Hornshaw**  
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## EXECUTIVE SUMMARY

The present document reports on the study carried out by a team of three experts on the broad issues relative to the EU's possible strategic evolution towards designing, developing and implementing Development tools that collaborate with (rather than contract to) the Private Sector, in particular with regards to the MDGs.

Its theme is Private Sector IN Development (distinct from PSD) and it seeks to offer, rather than theoretical or scholarly abstractions on such a topic, a number of specific results :

- \_ Contextual description of the global environment in which the evolution of the EU's Development instruments is being undertaken
- \_ Analysis of the other Donor actors in the field of Development (traditional ODA, "new Donors" and others), as well as the Recipient / beneficiaries of Development Assistance
- \_ Focused description or analysis of several points (CSR, PSD, Savings / FDI/ Remittances, Aid for Trade, blended funding, etc..) tangential to the specific Development Instrument issues, that have strong impact on the profile, targeting, application and impact of the possible instruments.
- \_ A database of ODA instruments from ODA actors throughout the world, that are based on such collaborative partnerships
- \_ A database, made from reliable sources, containing possible parameters to facilitate a Clustering of recipient Countries
- \_ A database of Private Sector Instruments targeting MDGs
- \_ A typology of Private Sector Partnership instruments, based on observation and analysis of practical examples and their characteristics
- \_ A Strength / Weaknesses Table, dedicated to the two defined models, in the context of the EU's Development Strategy
- \_ A Graphic document illustrating the Political Unions of Africa.
- \_ Perceived advantages, field applicability and intrinsic qualities of the types of Private Sector Collaborative instruments identified \_in the framework of the EU \_
- \_ A number of avenues of pragmatic reflection towards concrete actions focused on the EU's objective
- \_ Outstanding issues that require further study by all stakeholders of the EU's efforts, or specific analysis by external expertise
- \_ Recommendations as to the following steps to follow in the direction of new Development instruments which could be more integrated to the global economy.

This study has had the exalting privilege of initiating, with great assistance from all stakeholders, a long and complex process, ultimately leading to the broadening of the EU's toolbox of development instruments.

It is hoped that the stakeholders will take ownership of the fruits of the work accomplished, summarized in this report, and will continue to build upon some of the tools presented herein (in particular the Clustering Database and the proposed instrument typology).

The general recommendations provided in Chapter 6 are made under the sole responsibility of the experts, remain subject to further construction. It is hoped that such a collective effort will continue and lead to a real and profound evolution in strategies, instruments and institutional culture within the EU Development Policy.

## 1 OBJECTIVES AND METHODOLOGY

### 1.1 Objectives

The objective and purpose of the study is to assist the Commission in better framing and promoting the role of the business community in development, both as an actor and a partner. The study might also feed into a possible new Communication on Enhancing Growth and Competitiveness in Partnership with Business: a Strategy for Business in Developing Countries and to improve the EU capacity to foster growth in developing Countries and contribute to the achievement of the Millennium Development Goals through leveraging private funding, promoting business and public-private partnerships and involving the private actors into the Country and regional Development strategies more widely.

### 1.2 Definitions of the study's focus

The focus of the study, as it was defined in the ToRs, explained by DGDev and developed by the team of experts is about exploring the vast field of possible Development strategies, methods and instruments that are based on true partnership between ODA actors and Private Sector actors.

This is fundamentally different from the “client-supplier” type of relations prevalent in traditional ODA, and goes far beyond from the “client-beneficiary” relation in PSD-type programmes.

Private Sector IN Development is about “piggybacking” on the “the Private Sector”, considered as a subject not an object of Development efforts.

The real conceptual difference between Private Sector IN Development and PSD should not hide some strong linkages between these two concepts.

Since ODA ambition is to leverage & scale up positive roles that private sector actors (North and South alike) have on Development & MDG achievement, it is important to improve capacity for private sector in programme countries, allowing them also to play such a role.

This EU objective equally calls for transparent and competitive markets that incentivize and enable “pro-development” approaches and inclusive markets (through IBMs etc..).

CSR is only the small tip of an iceberg, and the lead is already being taken by the entire “bottom Billion” business approaches<sup>2</sup> (BOP)<sup>3</sup>.

The study has analysed approaches and instruments in which the Private Sector is an autonomous partner in a relation of equals, with objectives that may not always be identical.

This question of possible heterogeneity of objectives leads to the issue of definition of the Private Sector (as detailed in chapter 3.1). Based on the analysis of partnership instruments, it has been found that the most adapted definition of the Private Sector is the broadest one.

The choice of partners should not be according to their nature (public, private, NGO or other entity) but to their capacity to contribute to results and objectives.

### 1.3 Data collection and Methodological approach

In order to achieve the above the team of experts used the research methodology presented in the interim report, using a large overview of instruments used for leveraging private funds or

<sup>2</sup> “Creating Value for All: Strategies for Doing Business With the Poor” (UNDP, 2008),

<http://www.growinginclusivemarkets.org/publications/global/>

<sup>3</sup> “Bottom of Pyramid” business models, addressing the poor as market for goods and services

partnering with Private Sector in the Development process and the Millennium Development Goals (MDGs).

The data and information collected for this interim report used both primary research (interviews with key parties) and secondary Research (analysis of published sources). The following methodology has been used to collect data:

#### **Desk research to collect information from the internet and from stakeholders**

- Information sources such as ADB, AfDB, World Bank, EU, IFC, UN Agencies, ACP Governments and institutions, Private Sector organisations, banks and Development agencies in EU, US and Japan are identified and used.
- Available and relevant information from other sources and the internet in the form of reports, studies, papers, statistics, articles etc. are identified, reviewed and analysed. We need to refer to Annexes: List of Reports, literature + List of internet addresses
- As the ToRs quite clearly point out in their Chapter 3 (Assumptions and risks), lack and fragmentation of data has been an obstacle on various specific subjects of the study, notably because of shortage of reliable data for Pacific Region.

#### **Field research**

- The Consultants have contacted and /or met all stakeholders in particular members of the SC. (cf Annex A6 List of meetings).
- They have identified possible and relevant possible information sources (organisations and institutions) to be explored or interviewed
- For the field research and after studying the previously collected information the Consultants have designed questionnaires or templates to be used for individual interviews. (See Annex A7 Questionnaire)
- They have interviewed as many relevant organisations and institutions as possible and discussed the issues of the project (See Annex A6, List of People met and interviews)

#### **Analyses and presentation**

- The Consultants have analysed the collected information from the desk and field research.
- They have involved, whenever necessary, DG Dev, other DGs and organisations in the Commission and relevant organisations to circumscribe, discuss and comment elements of the analysis.
- The analysis and findings of the study is presented in text, and tables, charts, graphs and diagrams making the study as thorough and readable as possible.
- Further, the study has, if /when appropriate, compare the findings and analysis etc. with similar studies e.g. from World Bank, ADB, AfDB, and other Development agency or stakeholders.

### **1.4 Design and creation of databases**

As required in the present study's ToRs, the vast quantity of data and information necessary to the study, and examined by the team of experts in the course of their analyses, was expected to be presented as a tool for future use by all interested parties.

Specifically, three databases were identified as meaningful to the reflexion of the Steering Committee and useful for other missions furthering the work initiated :

### **DRAFT Private Sector MDG Friendly September 2010**

Firstly a compendium of Private Sector Initiatives targeting the MDGs (attached in Annexes, as A1 ).

This list offers over 100 examples of Development-oriented programmes or projects designed, implemented and managed by a variety of Private Sector Actors, ranging from large multinationals to more modest enterprise, from both the Developed and developing Worlds.

#### **DRAFT Database for Clustering of ACP Countries September 2010**

Secondly, a database containing a broad spectrum of information concerning recipient ACP Countries, compiled and expressed with the objective of facilitating the analysis of possible “recipient Clusters”, and the selection of significant parameters towards such Clustering. This database is annexed to the study as A2.

#### **DRAFT ODA instruments using Private Sector actors September 2010**

Thirdly, a large selection of Development instruments (of variable nationality, sector, legal status, size and nature), who all have some degree of real partnership between Private Sector and ODA, in pursuit of objectives that at least include some Development goals. This database is the core of the reflexion of the typology of such partnership instruments. It is included in this report as A3.



## 2) PRESENT OFFICIAL DEVELOPMENT ASSISTANCE

### 2.1 Overall present official Development assistance (ODA)

ODA is under increased scrutiny not only because of the financial crisis, but also because the context has changed over the years and new approaches are called for by all stakeholders.

This is prompting donors to focus on increasing the effectiveness of ODA and implementing the Paris Declaration principles and the Accra Agenda for Action of 2008.

On the basis of the macro-economic data and the ODA information analysed by the team, (consigned in the databases annexed to this report: A1, A2 and A3), it is clear that ODA's modalities, its financial flows and its economic and political impact cannot ignore the major changes that the last few years has witnessed in the Donor community and in the Recipient Countries' situations.

Equally, traditional ODA donors (DAC Group) cannot take for granted their status vis-à-vis recipients and beneficiaries, nor their position in relation with the "new donors" community.

In the course of less than a generation, ODA transfers (even as absolute volumes have grown continuously) have now become marginal, including to many of the Countries that were once dependent on them for survival. Today, for instance, workers' remittances worldwide dwarf ODA volumes (as detailed in Chapter 2.5.3).

This has clearly changed the relationships built around ODA.

The European Commission and Member States are aware that though their Development efforts are considerable (over 56% of all ODA in the world is from the EU), they are not getting the return they deserve.

It is becoming urgent to establish collaborative relations with the increasing number of new stakeholders who are increasingly and more visibly involved in all sectors of Development.

These include Public Opinion & press, civil Society, Enterprises, CSR actors, Private Sector, Normative Institutions, Foundations, Scientific Community, Trust Funds, Philanthropic Institutions etc...

Without delving into undue pessimism, the internal Commission estimates for all donors that aid effectiveness between 2010 and 2015 could possibly be estimated to be around 90%, meaning that ineffective expenditure could be as high as 10% of total<sup>4</sup>.

Efforts are being undertaken to address the issue through

- i) reducing aid fragmentation due to member states constraints
- ii) use of recipients Country systems for alignment
- iii) conditionality for receiving aid
- iv) predictability of aid

In 2008 the European Commission launched The MDG Contract, a spin-off of budget support (EDF 10 aims to increase Budget Support to 44% of programmable funds, 25% of all available funding). It provided general Budget Support for 6 years instead of 3, including 1 Mid – Term Review rather than annual assessments and a minimum guaranteed aid level (70% of total commitment).

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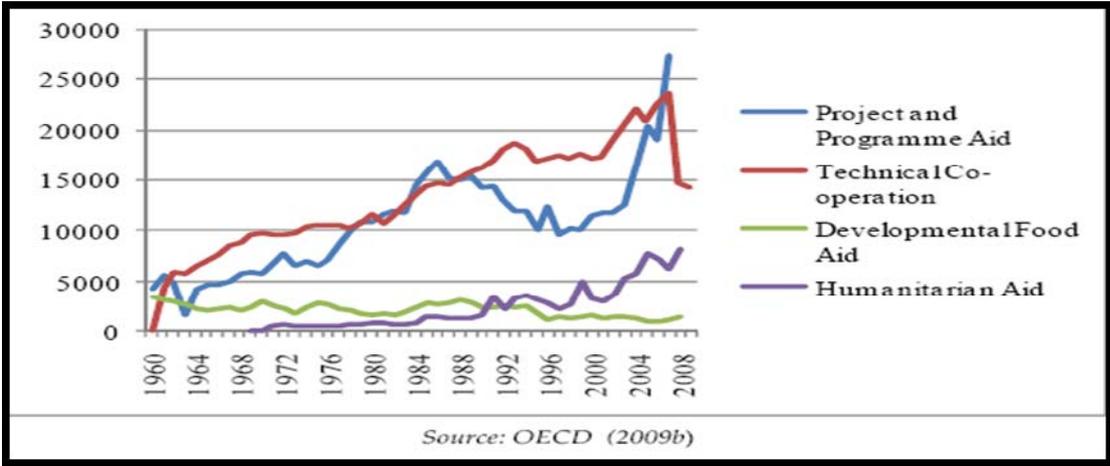
<sup>4</sup> B. T. Carisson, C. B. Schubert, S. Robinson (2009) "The Aid Effectiveness Agenda: Benefits of a European Approach"

The MDG Contracts are the subject of the Cotonou Partnership Agreement and operate in 8 African Countries collectively accounting for Euros 1.8 billion thus using 50% of GBS EDG 10 commitments and 14% of all EDF 10 national programmes.

**2.2 Visibility and measurability of results, impact and sustainability**

“In the next 5 years, focus on what works and make a radical break with what does not”

This paraphrased introduction of UNDP’s 2010 International Assessment : *“What Will It Take to Achieve the Millennium Development Goals?”*, sums up a general feeling in the International Community, in particular amongst those institutions and organizations that are dedicated to Development in general and the MDGs in particular.



**2.2.1) In a vast corpus of literature, three major perspectives on ODA effectiveness co-exist :**

In an in-depth study on the issue, “Aid, Institutional Quality And Taxation: Challenges For Foreign Aid”, the author’s<sup>5</sup> major finding can be summarized in four crucial conclusions :

- \_ Aid has an initially positive (and acceptably robust) impact on the institutional quality of the recipient Country
- \_ However, this effect is subject to strong diminishing returns, the turning point between a rate of ODA as a proportion of GDP of 3.8%
- \_ It does not look as if aid causes deterioration in the tax collection capacity of recipients: if there is an effect, it would be positive
- \_ However, this effect is conditioned by the institutional quality of the Country receiving the aid (in contexts of low institutional quality, the net effect would be negative)

The evolution of traditional ODA Donors has been heterogeneous in nature and in speed :

- \_ new (more shared) agenda centred on the MDG
- \_ new relationship frameworks between donor and recipient
- \_ new instruments and financing mechanisms (SWAPs and Budget Support)
- \_ new principles for aid effectiveness (Paris Agenda and Accra)

It is suggested by the extensive research carried out by the authors of this report that one of the ways to address the issues of declining aid effectiveness is to seek a higher leverage of

<sup>5</sup> “Aid, Institutional Quality & Taxation: Challenges For Foreign Aid” J-Antonio Alonso. Professor of Applied Economics. ICEI

ODA funds by using the synergies that partnerships with Private Sector organisations can create.

For the OECD Development Centre<sup>6</sup>, there is a very large potential for Private Sector and ODA partnerships, as demonstrated by many initiatives by bilateral donors to develop new financial tools and institutions to facilitate leveraging ODA funds. It also notes that emerging economies are in their turn becoming donors, albeit in a very different set of modalities.

Private Banks are amongst the first enterprises, to be aware of the wider developmental aspects of their work covering the cross – cutting issues and the need for sustainability and the importance of public goods. There is increasing dialogue leading to co-operation and maximisation of synergies.

As a simple example: social responsible investment funds have seen a growth of 260% in the past 15 years, as demonstrated by the CSR Council's statistics.

The OECD study concludes with six major recommendations :

- I. Create a conducive forum for ideas and best practice.
- II. Involve actors from developing Countries and emerging economies.
- III. Encourage South – South involvement in addition to North – South
- IV. Consider those projects already identified by Private Sector.
- V. It is recommended that foreign banks in developing Countries use risk sensitive models to determine the amount of capital allocated to different types of borrowers based on the Basel II rules<sup>7</sup>.
- VI. It is necessary to raise visibility and awareness of public / private collaboration potential;

### **2.2.2 Remittances: “under the radar” Development Capital flows of huge economic magnitude**

Migrant's remittances, over the past decades, have become increasingly important to developing Countries. While South-South migration nearly equals South-North migration, rich Countries are still the main remittances source, led by the U.S, according to the World Bank<sup>8</sup>.

*“Migration is sometimes used as a political pawn, and policies are too often based on anecdotes or misconceptions. By presenting the numbers and facts behind these stereotypes, this publication aims to paint a more objective picture of a crucial aspect of development,”<sup>9</sup>.*

As migrant remittances have ballooned in size, they have caught the attention of high level policymakers. For 2007, recorded remittances flows worldwide are estimated at \$318 billion, of which \$240 billion went to developing Countries. These flows do not include informal channels, which would significantly enlarge the volume of remittances if they were recorded.

*“In many developing Countries, remittances provide a life line for the poor. They are often an essential source of foreign exchange and a stabilizing force for the economy in turbulent times.”<sup>10</sup>*

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<sup>6</sup> Policy Brief No. 34 2008 Financial Actors And Donors in Developing Countries; By Javier Santiso

<sup>7</sup> en.wikipedia.org/wiki/Basel\_II

<sup>8</sup> Migration and Remittances Factbook 2008, Press release No. 2008/243/DEC. World Bank

<sup>9</sup> Uri Dadush, Director of the World Bank's Development Prospects Group and International Trade Department and chairs the World Bank's Working Group on Migration. Se online at: [www.worldbank.org/prospects/migrationandremittances](http://www.worldbank.org/prospects/migrationandremittances)

<sup>10</sup> Dilip Ratha, senior economist, World Bank, and author of the factbook with Zhimei Xu.

To illustrate the amplitude of the phenomenon, a few facts should suffice :

- Volume of South–South migration is as large as that of South–North migration, accounting for 47 % of the total emigration from developing Countries. South–South migration is larger than South–North migration in Sub-Saharan Africa (72 %), Europe and Central Asia (64 %), and South Asia (54 %).
- Smaller Countries tend to have higher rates of skilled emigration. Almost all the medical Doctors trained in Grenada and Dominica have emigrated abroad. St. Lucia, Cape Verde, Fiji, São Tomé and Príncipe, and Liberia are also among the Countries with the highest emigration rates of medical Doctors.
- In 2007, the top recipient Countries of recorded remittances were India, China, Mexico, the Philippines, and France. As a share of GDP, however, smaller Countries such as Tajikistan (36 %), Moldova (36 %), Tonga (32 %), the Kyrgyz Republic (27 %), and Honduras (26 %) were the largest recipients in 2006.
- Rich Countries are the main source of remittances. The United States is by far the largest, with \$42 billion in recorded outward flows in 2006. Saudi Arabia ranks as the second largest, followed by Switzerland and Germany.

As for FDI and Trade, this flow of Private-sector funds is increasingly understood to be taking a major role in Development, in particular in LDCs, in particular with regards to productive investment.

Apart from high impact on Development, business value-added and wealth-generation, from all these financial flows, they also have a very important role to play in Development as venues for human capital development, raised technical expertise, faster knowledge transfer and expansion of markets (internal and international).

They even have a significant impact (albeit more difficult to quantify) on other public Goods : better public dialogue, active civil society, improved Judiciary and Governance. Indeed, entrepreneurs and the emerging middle classes in a Country are frequently the first to manifest their frustration at illegitimate or abusive regimes.

Political freedom is always a consequence of economic freedom, rather than the reverse.

### **2.3 Private Sector contribution to development**

The Private Sector as an engine of economic growth is driven by increasing competition leading to wealth creation through increase of employment and income, through accelerated circulation of capital, products and services.

There is no useful distinction that needs to be made, from the point of view of ODA's partnership instruments, between the Private Sector operating from the recipient Countries and that operating from Rich Countries, nor indeed between any other distinction such as size, sector, status etc...

Provided it is legitimate, wealth creation is a source of development, and it certainly does not appear justifiable for ODA actors from rich Countries to decide business strategies for SMES from poor Countries.

Supporting collaboration with MNC in priority or focusing on MSMEs have both been claimed to lead to larger impact: in reality there is no simple rule linking a type of enterprise and a specific impact that can withstand the test of field analysis.

The Country Strategy Papers recognise that the Private Sector is a pre-condition to the eradication of poverty. The emphasis of interventions has been on the creation of an enabling operating environment for this to happen, with an emphasis on SMEs.

The Database on Private Sector Development Efforts towards MDGs (Annex A1) shows the Private Sector funding deemed to contribute to Development and the achievement of the MDG's of the recipient Countries.

In a specific analysis of the Private Sector's expenditure and FDI towards ACP countries (by industrial sector) split between Africa, Caribbean and Pacific regions, aggregate numbers clearly demonstrate that investment over the past five years has grown massively in nearly all sectors and regions, as the Cluster Database demonstrates.

Besides the remarkable growth of expenditure in their core business sectors by the Private Sector, expenditure on CSR is small but rising.

The same Annex A.1, attached to this report, is dedicated to providing a list of examples of programmes and instruments developed and used by the Private Sector that are targeting economic social or humanitarian Development in developing Countries, with particular emphasis on MDGs.

The contribution of the Private Sector to Development objectives goes far beyond its strictly economic impact.

It contributes, sometimes with greatest impact, to major provision of "Public Goods" in a Country or Region.

As observed in the report's introduction, the concept of Public Good is not linked to ownership, but to usage. Hence, a privately-owned hospital is a Public Good, exactly as a Public one, whereas a State-owned mining Corporation is an enterprise, albeit not a private enterprise. Economically, there is no essential distinction between a public service owned by the Public Sector and the same service owned by the Private Sector : the water distribution industry is probably the most obvious example of this reality.

Naturally "Good Governance", "Independent Courts" or "a Free Press" are also Public Goods, even though they have no "Capital" or "owners" in the formal sense of the term.

A Sound economic environment is of course a much a consequence as a cause of private sector's activity (whether local or transnational), before it becomes a cause of it.

Similarly, Private Sector is a key element of Competitiveness factors such as Innovation, R & D, adoption of new technologies, environmental technologies, ICT-productivity etc..

Even Security and conflict-prevention, inasmuch as they usually contribute to securing economic relationships, economic integration, and to some extent social cohesion are Public Goods "par excellence".

They are frequently correlated to a high degree, to the private sector's integration, either inside a given Country or even regionally. It is a well known dictum of business to avoid wars with your clients. EU experience in post-conflict environment illustrates that business may effectively contribute to a country's stabilisation, growth and social inclusion (the cases of post-conflict Western Balkans and regions in Africa).

Regarding PSD as an ODA instrument to induce Development Objectives, policies to support the Private Sector need to focus on the following:

- I. access to credit at favourable rates;
- II. ensuring a conducive business enabling environment
- III. careful liberalization of trade;

IV. scaling up of investment in infrastructure; and promotion of technology transfer and diffusion.

V. enhancing the productivity and competitiveness of key sectors/value chains

However Private Sector actors can also be used \_per se\_ in a much more focused manner than PSD: Private Sector can also become an actor in Development, and in particular in the attainment of the MDGs.

## 2.4) The Millennium Development Goals

### 2.4.1) Reaching the MDGs : collaboration is imperative between ODA and other actors

UNDP, at the mark of five years away from the MDGs' deadline, has sought to identify bottlenecks and conditions that have the largest impact on achievement.

In addition, during the MDG Summit (UN General Assembly, 2010), UNDP has catalogued<sup>11</sup> how the private sector, primarily through core business activities (IBMs etc..) can contribute to MDGs.

It has reached a number of significant conclusions<sup>12</sup> regarding characteristics required of ODA strategies, programmes and instruments in order to accelerate MDG attainment. To synthesize these conclusions, such actions must :

- Support Country-led Development and effective governance;
- Foster inclusive and pro-poor economic growth;
- Increase public investments in education, health, water, sanitation and infrastructure;
- Scale up targeted interventions, including social protection and employment programmes;
- Invest in expanded opportunities for women and girls and advancing their economic, legal and political empowerment;
- Enhance access to energy and promoting low-carbon development;
- Accelerate domestic resource mobilization to finance the MDGs;
- Ensure the global partnership creates an enabling environment for the MDGs, particularly delivering on ODA commitments.

Such important recommendations, to which the present study emphatically adheres, are certainly in phase with the numerous possibilities offered by new instruments based on collaboration and partnership with Private Sector actors in Development.

The mutualisation of effort in Development project can lead to Private actors and ODA actors taking distinct but parallel responsibilities, leading to twin results of Private Profitability and provision of Public Goods, (including local economic growth).

This would also ensure that the major issue of “public money serving private ends” can be addressed simply by clearly dividing the objectives that each partner is following and ensuring that ODA funds are tagged to strictly Development objectives (which is easy to determine), and that these objectives would not otherwise have been served or as broadly served (which is rather harder to determine).

### 2.4.2) The 2008 Financial crisis and its effect on ODA's MDG progress

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<sup>11</sup> <http://www.growinginclusivemarkets.org/mdgreport/>

<sup>12</sup> UNDP “What Will It Take to Achieve the Millennium Development Goals?” an International Assessment, June 2010

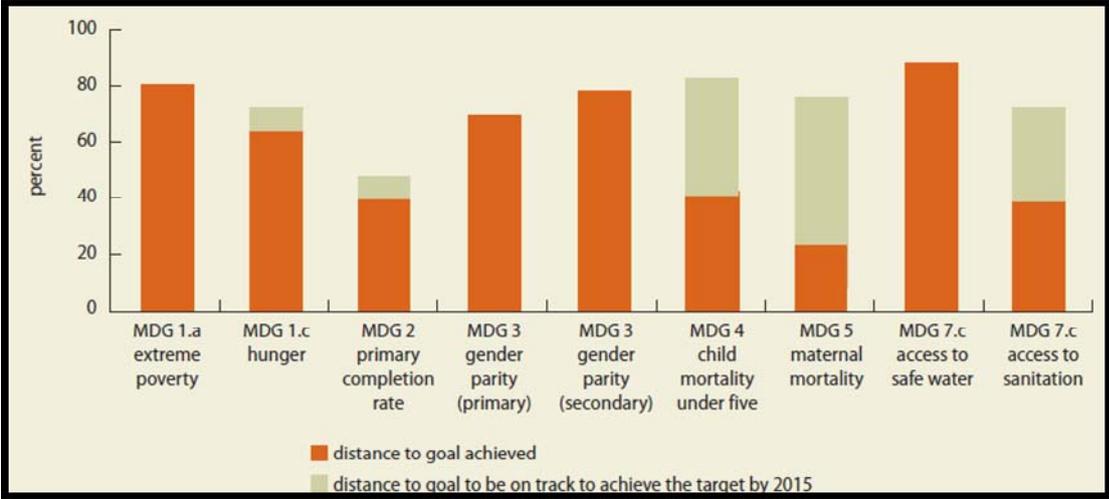
Any reflection on ODA partnering with Private Sector actors in the present context cannot ignore the key issues posed by the 2008 crisis and its asymmetrical impact on Global economies.

ODA increased by 30 % in real terms between 2004 and 2009. A total of \$119.6 billion, representing 0.31 % of the Development Assistance Committee (DAC) members’ combined Gross National Income (GNI) disbursed in 2009, up from \$64 billion in 1998.

It is too early to make projections, but at least some impact assessment is called for : the 2008 global financial crisis has had a significant impact on the situation of recipient Countries, albeit in a highly variable manner.

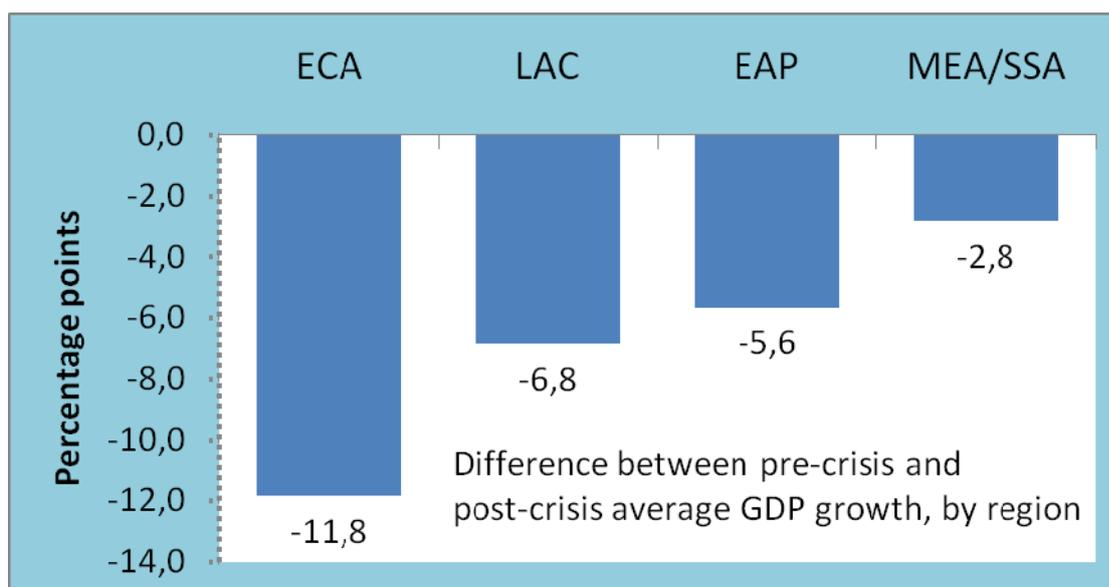
An excellent World Bank study<sup>13</sup> offers a few broad elements of analysis, specifically focused on the MDGs : before the crisis, global poverty declined 1% annually (52.2% in 1981 to 25.7% in 2005, at \$1.25/day), and poverty rates fell in all regions between 1990 and 2005. The “locomotive” for this were China and India, but progress was fairly well distributed elsewhere. Africa, the only region with high extreme poverty, saw its poverty rate falling significantly, by 7% between 1997 and 2004.

For other MDGs, Improvements were less clear, but still meaningful (specifically for universal primary education, gender equality in primary education, maternal mortality and access to water :



The 2008 crisis was exogenous, not due to local conditions, the international community contributed to safety nets and international financial institutions responded rapidly, but there was initial deceleration of growth. Even so, the impact on poverty will be long-lasting: In Sub-Saharan Africa, 20 million fewer people will escape extreme poverty in 2015 as a result of the crisis.

<sup>13</sup> Conference on Development Cooperation in Times of Crisis (June 9, 2010), World Bank, Ms. Revenga



LEGEND :

Europe and Central Asia = ECA

Latin America and Caribbean = LAC

East Asia and Pacific = EAP

Middle East and (North) Africa ME(N)A

Sub-Saharan Africa = SSA

## 2.5) ODA's improved impact through collaborative action & partnerships: "less is more"?

An increasing number of Development experts, in particular those with Private Sector background disagree with Geoffrey Sachs' or with Mr. Bono's approach to ODA: "more is better".

Over the past decades, ODA-dependency has not been reduced in global terms, as observed by the African Development Bank<sup>14</sup>. This situation is both the illustration of a structural fault in ODA allocation (using public money to reduce the need for public money), and a political fault in the relations established and maintained by ODA (dependence is not discouraged).

The optimum strategy for ODA's future is to Reduce, Replace, and Redefine the traditional aid instruments, and seek channels that mitigate the traditional Bilateral or multilateral relations between Recipient and Donor, with new and varied partners from all horizons and all interests.

One of the major players in Development, USAID, has sought to design partnership instruments in a systematic manner.

The GDA instrument described and studied in this report is of course essentially aimed particularly at the Private Sector, but even the Millenium Challenge Corporation (MCC), with budget of 7.4 B\$ in 2009, has clearly been designed to be inclusive of a variety of partners, besides the more traditional G2G relationships it is based on.

The very structure of the Programme Management (and its name : "Corporation") is a tribute by an organisation pursuing "Global Public Goods" to the abilities and competences of a more Private Sector type of Management.

<sup>14</sup> Source: AfDB/OECD/UNECA, *African Economic Outlook*, 2010

### **2.5.1) The EU, like other ODA actors, is moving towards collaboration with the Private Sector**

Europe is recognized as the largest ODA provider (just as it is the largest humanitarian Assistance provider through ECHO) and the fastest growing<sup>15</sup>.

However, because of the many changes affecting the general context of global financial flows and the ongoing evolution of relations in the geo-political context, the European Commission must adapt its strategies, processes and instruments.

Such changes include the possibility of designing and implementing new Development-oriented collaborations with Private Sector Partners, which will allow higher impact, visibility and legitimacy in today's global context.

This major trend among traditional ODA actors (EU and non-EU alike), that the European Commission must embrace, is based on several key related issues:

- a) observation that Private Sector actors (including enterprises, Foundations and numerous other funding agents) are now major (or sometimes dominant) actors in Development
- b) acceptance that ODA flows today cannot remain entirely aloof from other financial flows (savings, FDI, Trade etc..)
- c) understanding that recipient Countries have highly variable degrees of ODA-dependency and also have access to a broader spectrum of ODA and other sources of Development-oriented funds or TA
- d) recognition that achievement of MDGs objectives cannot be the result of ODA alone.

The “Bilateral Donors’ Statement in Support of Private Sector Partnerships for Development”<sup>16</sup>, signed by several major ODA donors, including many from the EU 27, clearly states that Development-oriented collaboration with the Private Sector is no longer an experimental or marginal approach to development Work, even from traditional ODA actors.

On the basis of the above paradigm evolution, the EU has begun various efforts to envisage the introduction of new approaches and instruments.

In particular, it has been very attentive to many of the Members States’ experiments towards Inclusive Business Models.

Some such experimentations have been specifically designed to address Private-Sector contributions towards MDG achievements, using collaboration between all possible actors, from ODA and CSR to Civil Society and Faith-based groups.

Best practice in the “Bottom of Pyramid” business models show that companies whose core business specifically targets “the poor” as a market, frequently bring economic and social benefits that can contribute to the achievement of the MDGs<sup>17</sup>.

Similarly, business models based on increased local value-added or “climbing up” the value chain also demonstrate huge potential to create economic conditions that incidentally achieve several MDGs.

Results are optimised where there is co-ordination and /or complementary actions between ODA providers, foreign and national Private Sectors, host governments and other stakeholders and beneficiaries such as NGOs, Civil Society organisations etc...

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<sup>15</sup> Barder, Gavas, Maxwell, Johnson, Madrid Conference, 2010

<sup>16</sup> [www.sida.se/Global/Nyheter/Bilateral%20Donor's%20statement.pdf](http://www.sida.se/Global/Nyheter/Bilateral%20Donor's%20statement.pdf)

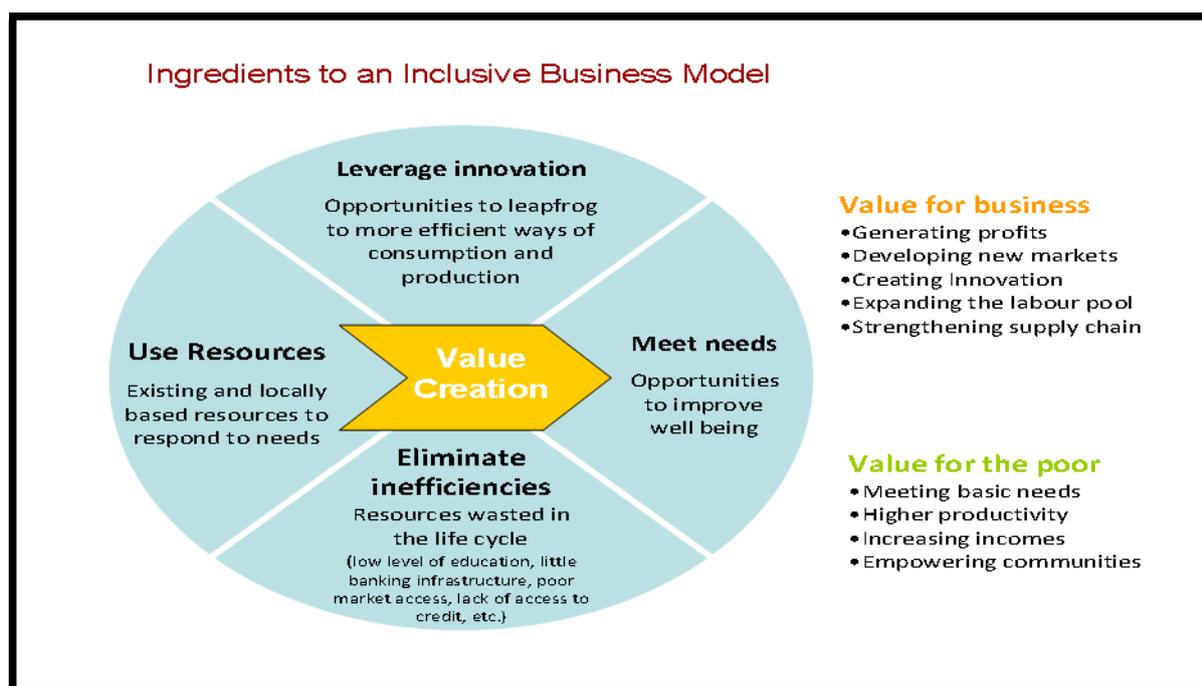
<sup>17</sup> The MDGs: Everyone's Business (UNDP 2010) - <http://www.growinginclusivemarkets.org/mdgreport/>

This includes facilitating these various actors to come together in Public–Private Collaboration to build “inclusive markets” and sector-specific strategies, thereby enabling and incentivizing such business models and value chain approaches.

Collaborative instruments are win-win-win : if new market-based solutions, including IBMs, are to be scaled up, it will require ODA support and an enabling framework. This should also include collaborative action on issues such as:

- \_ Promoting a fair and competitive global market that is non-discriminatory
- \_ Establishing regulatory frameworks that uphold property rights, accelerate entry to the formal economy and root out corruption
- \_ Providing capacity building and general education
- \_ Facilitating access to finance and investment risk mitigation instruments, in particular for SMEs
- \_ Securing the necessary investments into core infrastructure

An excellent study funded by the European Commission<sup>18</sup> has identified and analysed the general situation of novel instruments and reached conclusions similar to most ODA organisations: it is necessary to involve Private Sector actors as partners, in order to maximize leverage and efficiency of public funds towards Development goals.



In this report, around 20 initiatives were analysed and mapped, among these, the following were considered the most relevant:

- ACUMEN Fund
- Africa Enterprise Challenge Fund
- Ashoka – Support Social Entrepreneurs and Full Economic citizenship
- CSR Europe
- Empretec (UNCTAD)
- Development market place (World Bank)
- UNDP PSD Strategy – Promoting Inclusive Market Development

<sup>18</sup> Identification study for innovative flagship programmes” (2009), EuropeAid.

- UNIDO ICT programme
- UNIDO Corporate Social Responsibility Programme

The present study has added a number of additional instruments to the database examined, in particular from Private Enterprises of varying sizes, EU Member States, USA and Japan. However, many such models are redundant, since they take inspiration from each other and generate \_in turn\_ copies of their “best practices”.

This demonstrates the fact that a broad consensus is forming, at least on basic principles of effective interaction for Development Goals, between ODA and Private Sector.

To give but one tiny example, the Private Sector response from Ireland to the needs of the Earthquake in Haiti was higher in volume and faster in mobilisation than the Irish Government’s response. ODA and Private sector Development and humanitarian work are not in opposition, but need to work together to maximise impact.

ECHO sometimes applies such collaborative approaches with private Sector actors to some of its humanitarian objectives with success.

### **2.5.2) Intermediate collaborative Strategies & Instruments for ODA & Private Sector**

Other Partnership-related theoretical perspectives, positioned between the classical and the more modern could be defined as intermediate and are based on increased Synergies between ODA and investment in developing Countries and a sharing of the Development responsibilities on the basis of capacity and interest.

This is the approach originally illustrated during the OECD Global Forum on International Investment<sup>19</sup> in New Delhi.

Even in the field of non-Development oriented European Institutions, there is an ancient but growing trend towards more direct involvement with Private Enterprises, and towards supporting even SMEs in their business ventures between the Developing and the Developed World (or even South-South business activities).

This is illustrated by the role of institutions such as EIB, EBRD, bilateral Development Banks or national Risk Mitigation Agencies to support an increasingly geographically active Private Sector in its investments abroad.

From initial research, the TA Team has already identified that PSD (or business Development) very much exists on a spectrum with no discreet breaks but on a continuum. At one end of the spectrum there is PSD driving change with little host and/or donor government intervention. The other end of the spectrum is where PSD is initiated, driven, encouraged, and controlled by the host and/or donor government with varying degrees of involvement of the donor community.

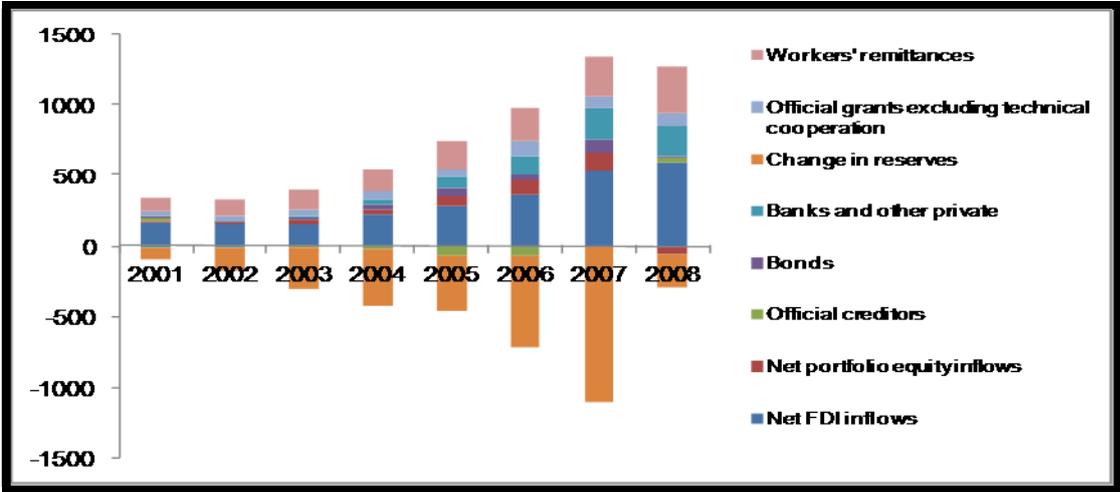
An example of effective instruments is FP7 (even if it is not a development instrument), in which partners, from a large variety of legal statutes (Government Institutions, Multinationals, Private or public research Laboratories, trading Companies, SMEs or even NGOs) can basically design the structure through which they want to pursue their collective and /or individual objectives.

A simple graph<sup>20</sup> will illustrate the two major factors relative to ODA’s necessary evolution: firstly its relative weight is declining (even if absolute volumes increase) and secondly there is

<sup>19</sup> Pierre Jacquet, French Development Agency. « Investment for Development : Forging Partnerships » 2004, New Delhi, India

now higher variability, volatility and interaction between all private funds towards Developing Countries.

It also shows the importance of henceforth “invisible money” from remittances (see § 3.12 below).



CSR is frequently perceived to be the most significant involvement action in development, because it is specifically devoted to non-profit development. Previously criticised as “window dressing” and “PR”, such CSR projects and activities frequently have an impact that is disproportionate to the investments made. On the sponsored recipient or “cause”, it usually offers high impact results and visibility inasmuch as this is a highly valued objective for the donor.

To the donor, it offers any number of benefits, from tax breaks to motivated staff and from corporate Image-building to potential Development of value-chain partners.

The exponential increase of CSR is linked to several factors :

- \_ mainstreaming of CSR so that it is “snowballing” larger classes of participants
- \_ better integration of CSR into core business strategies and profit-seeking
- \_ “bottom billion” strategies, frequently with excellent margins, are being generalised

One fairly obvious trend in CSR is the very strong movement away from “charity” type actions for PR or image, and an increasingly seamless integration with corporate business policies. In the Private Sector, it frequently appears that business and Development objectives have merged with little effort.

Business policy has absorbed all or most of the CSR objectives and found little difficulty in doing so, even if there remains a lot of scope for generalisation of CSR practices, as is explicit from the UN’s focus on the subject<sup>21</sup>.

In both Private Sector Collaborative models identified in this report, the CSR dimension is crucial in terms of impact, even if it is not necessarily the core objective of the partners.

This is the basic principle of “piggy-backing”, where the Development impact is “woven into” the fabric of the Private Sector’s actions, either spontaneously or with ODA encouragement.

In both cases, ODA funds are highly leveraged, since the Private Sector financing covers at least the entire “business” dimension of the project : ODA money is at most dedicated to the

<sup>20</sup> Source: World Bank, Global Development Finance 2010

<sup>21</sup> Mandate given to Professor John Ruggie, Special Representative of the UN Secretary-General

marginal cost (the residual cost and /or the economic marginal cost), of mitigating risk, correcting market failure or ensuring Development impact expansion.

As an additional point extending the issue of ODA-Private Sector Partnerships' contribution to development, it must be stressed that the broad definition of the latter encouraged by this study also extends to a number of partner categories that includes Development actors such as Foundations, NGOs, Civil Society organisations etc...

If this is considered as difficult to envisage by some traditional ODA actors, it may be useful to point out that the Mo Ibrahim "Africa Governance Fund", the Ford Foundation or the Bill and Melinda Gates Foundations cannot be discounted as major Development actors today, whatever their legal status.

Today, such Private Sector are just as likely to finance ODA, than the other way around.

Conversely, the definition of Private Sector actors envisaged as partners for such instruments \_however wide it can be \_ should ensure that illegitimate and illegal organisations are excluded, as well as some industries deemed to represent a major image risk for the EU (weapons, tobacco, off-shore tax haven etc...).

### 2.5.3) New ODA actors

Many Countries have entered the previously closed world of ODA, using variable approaches. The phenomenon of new ODA actors is consequently in itself a factor of change in the global ODA context. Their arrival has blurred the distinction between trade, politics and ODA, in a way that makes it fairly pointless in today's context to cling on to such categorisations.

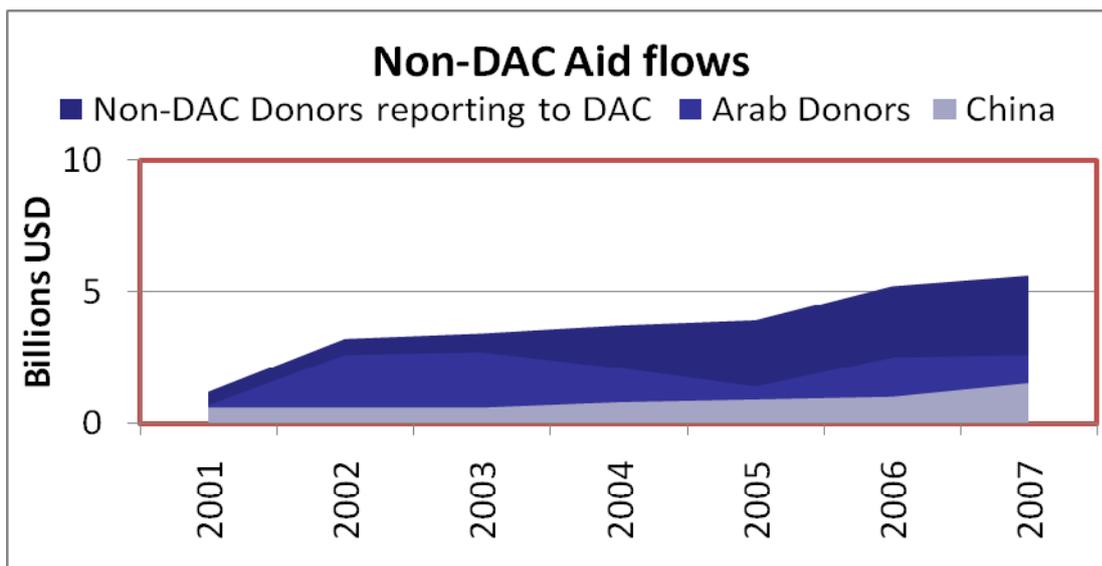
For instance South Korea and Singapore are recent ODA Countries on a classical approach, while Brazil and China are important investors & traders but not always traditional ODA providers. Even Venezuela, for all its internal Development issues, has clearly been active in highly targeted ODA (supplying oil to perceived allies).

The new actors do not feel bound to the past decades of ODA's culture, and may not accept wholeheartedly the philosophical, political and economic basis that has been relatively undisputed until now.

The strategic differences in ODA approaches between Countries are highly significant in terms of the instruments they choose to apply : for new entrants, trade and industrial cooperation are more directly applicable, more economically attractive and allow better political relations than classical ODA (see the issue of conditionality § 6.6).

However, this "new blood" is also a real opportunity for traditional ODA actors in several ways :

- \_ it enlarges the number of donors and the financial means serving Development objectives
- \_ it increases the spectrum of ODA approaches and instruments [*some of which could be used for own benchmarking*]
- \_ it enables constructive dialogue between Countries that may be economic or political rivals
- \_ it possibly favours multilateral efforts and facilitates global objectives
- \_ it increases competition between ODA donors and stimulates impact (although that may be perverse in Government to Government (G2G) relations, as during the cold war)
- \_ it strengthens the case for the ODA effort and reduces ODA" isolationism"



In the past few years, several West African Countries (Senegal, Gabon, Ivory Coast, for instance) have actually cancelled implementation of European Commission TA or infrastructure projects, because other actors (mainly Chinese) did the work required cheaper (direct grants or simple loans), faster (less procedures), better (quality is no longer a major differentiator). Numerous examples exist and have had a salutary influence on creating interest in IBMs.

The traditional relation between recipient and donor is deeply modified by the fact that a choice now exists on a micro-scale (at project level), rather than at macro scale (our friend or their friend).

As the table to the right illustrates, many recipients today have the ability and capacity to “pick and choose” their donors (within the ODA community or even outside it), in function of their needs, of the political context and of the identified characteristics of the donor.

<b>Foundations</b>	Risk-takers Focus on results Private Sector connection
<b>New donors</b>	Flexible & less hassle Own experience Respect ownership
<b>Charities</b>	Support communities Opportunistic Close to the ground
<b>New multilaterals</b>	Specialised Learn systematically Multi-stakeholder
<b>Official agencies</b>	Long term financing Institutional change

For instance, for large infrastructure projects (roads, dams etc...), certain Countries will choose to work with traditional DAC donors when they benefit from political goodwill, but will select a more business-based deal with a new donor (China, Brazil, Venezuela) if the political cost is perceived to be too high. Conversely, many Countries have a policy of “outsourcing social services” if they feel that a particular donor is willing to finance running costs on a continuous basis.

Such “donor selection” system puts pressure EU Countries’ strategies, to find the most efficient modalities (instruments) and the most effective economic sectors (targets) to foster sustainable economic growth and reduce poverty, on a Country by Country basis.

Clearly the link between ODA and Governance, CSR and other conditionality such as the Washington Consensus is strongly related to the generalisations of new ODA actors in the field of Development.

Apart from the Institutional actors, the population itself is a crucial new “actor, not factor”: in its newly exposed role as a local economic actor (bottom billion or BOP, see § 6.1) and also as a colossal source of revenue and even Development Capital.

## **2.6) Private Sector-specificity of Trade and ODA “Aid for Trade Strategies”**

Trade is a unique field of the economy and of ODA Economic focus, because it has characteristics that fundamentally differentiates it from all other economic activities.

The issue also remains a very sensitive one, because Trade Barriers by ODA donors (even though they have declined incommensurably over the decades) are still arguably far more harmful to ODA recipients Development than all ODA transfers combined.

Aid for Trade policies consequently remain a unique and fundamental aspect of ODA’s impact for a variety of reasons related to the nature of Trade :

- \_ Unlike Mining<sup>22</sup>, Industry and Services in many Countries, it is overwhelmingly Private-Sector driven and independent of State intervention (and even informal in a large proportion)
- \_ It is both very micro-economic (trade actors are SMEs as easily as MNCs) and macro-economic (because it touches on National Sovereignty and State revenues)
- \_ As the driving force of globalisation, it is essentially an international activity
- \_ Although traders have no defined national economic objectives, their collective actions have a major short-term impact on aggregate indicators of a Country
- \_ Trade is closely and fairly precisely monitored (scrutinized !) by Commercial treaties, Regional and International Common Market, each party’s Customs and the International Trade bodies (OMC etc..)

It remains true, according to the EU’s 2010 “Aid for Trade Monitoring Report”<sup>23</sup>, that “the overall AfT concept, its objectives and its practical implications are still not sufficiently understood by recipients of ODA and active donors: In 49 out of 77 partner Countries (64 %), EU Delegations and EU Member State embassies report that some are not sufficiently informed about the AfT initiative (or the EIF in the case of LDCs), or that the AfT initiative in general lacks visibility in the Country”.

For the partnership models, trade issues remain topical, but are more simply addressed by the partners themselves, for instance by including a partner with specific commercial interest in the commerce of a product or service.

Factually, a huge proportion of projects based on ODA partnership with Private-Sector actors have a core economic logic based in part on Trade (whatever the ODA partner’s own sectorial or geographical strategies). This is a strong confirmation of the fact that Trade issues reside at the crux of Public Sector’s and Private Sector’s preoccupations.

It is therefore an ideal leverage point for ODA funds to “punch above their weight” and carry positive influence on Private Sector’s Capital investment, Value-chain integration, PPPs or even on CSR-oriented Company & NGO strategies.

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<sup>22</sup> Nevertheless Private Sector Mining Enterprises have often been a driving actor in CSR : cf .Extractive Industries Transparency Initiative (EITI) or the Kimberley Process

<sup>23</sup> “Aid for Trade Monitoring Report 20102\_EN\_autre\_document\_travail\_service\_part1\_v1 »

## 2.7) Regional dimension of new ODA partnership models

Just as Trade, as seen above, has a disproportionate role on Development; it also has a disproportionate impact on integrated Regional Development through multiple factors:

- \_ Improved exploitation of competitive advantage,
- \_ Circulation of goods and services,
- \_ Value Chains & Cluster development,
- \_ Economies of scale,
- \_ Specialisation and sub-contracting etc...

In Africa, in particular, weak regional integration is one of the major factors of insufficient value-added production, Trade, and therefore of wealth creation capacity.

For instance, African Organisations, even though they have formally facilitated regional integration (COMESA, SACU, ECOWAS, CEMAC etc...), have not significantly increased macro-economic impact of improved exchanges. Similarly Maghreb Countries (AMU members), today, trade less with each other than they did in the 1960s. (See annex A2 “Clustering Database”.)

This situation has a major social, economic and political cost.

The EU, even more so than bilateral ODA actors, has a crucial role to play in fostering the major Development role that trade can play in Developing Countries.

It also has unsurpassed leverage to encourage, design and create Regional Development in the Developing World by the increase of free circulation of goods, capital and people, by increasing the fluidity of the value chain and by raising the wealth-creation capacity of populations by enlarging their access to markets.



### 3) PRIVATE SECTOR INVOLVEMENT IN DEVELOPMENT

#### 3.1) Defining “Private Sector”

It is imperative, at this stage, to select a suitable definition for the Private Sector, since the concept is absolutely central to the analysis and to any practical recommendations for the European Commission.

As an example, ACP Secretariat uses a typology-based definition of Private Sector in terms of (i) business/enterprise start ups (ii) existing SMEs- FDI and indigenous (iii) Large indigenous and FDI (iv) Trade.

Other organisations have definitions and groupings (and consequently ODA approaches) based on economic size, nature of capita ownership (FDI or not), profit-orientation etc...

From the expert’s extensive research, a broad conclusion can be made : the choice of partners should not be according to their nature (public, private, NGO or other entity) but to their capacity to contribute to results and objectives.

Even more crucial, defining “Private Sector” partners should positively encourage actors from any EU Member State Country or any Developing Country, with special emphasis on South-South collaboration.

The definition of the Private Sector, as mentioned above (Chapter 1.2), is a crucial question. Based on anecdotal evidence as much as from general recommendations from ODA actors using partnership instruments, the overwhelming consensus is that there is no intrinsic problem with a broad definition, quite to the contrary : success is correlated to the instruments’ ability to use any constructive actor towards the Development objective.

The Private Sector definition most suitable, therefore, is essentially “any organisation that is not Public Sector”, whether from the developing or the developed World.

This may include Multinationals, SMEs, as well as Chambers of Commerce, Universities, Laboratories, NGOs, Foundations, Associations, Civil Society organisations and in some cases Philanthropic or Faith-based groups & informal Clusters.

Regarding the selection parameters applied to the partners of such instruments, there is ongoing debate amongst experts and field management about the optimum profile or profiles.

The first absolute principle is that there should be no distinction between private partners on the basis their “Donor Country” or “recipient Country” origin.

Secondly, a crucial element of the value-added of Private Sector partnership instruments, (specifically in the Consortium Model), is precisely the ability to put together Private Sector actors who would not habitually have the opportunity of exploring the synergies between their respective objectives, however different.

Very large industrial Groups with worldwide operations are very precious partners in such instruments for their reactivity, long-term investments and the resources they can dedicate to success (they frequently need no funding). On the opposite end of the spectrum, very small and local organisations (even non profit-seeking) may bring tremendous value to a partnership through access to cultural knowledge, understanding of specific social strata or unexploited markets or resources.

A Multinational Food Conglomerate may therefore have real business interest in making deals with a rural women’s cooperative, and they both could find it highly beneficial to use the expertise of a neighbouring Country’s HACCP laboratory : without the leverage and top-up money from an ODA actor, such a mutually beneficiary and development-rich partnership can

never be expected to materialise. Heterogeneity of partners is therefore a key element of the instruments' success.

With generalisation of BOP (Bottom of Pyramid) business models<sup>24</sup>, such situations are increasingly frequent and firms are aware of the business potential of IBMs based on novel partnerships. ODA should be the catalyst for such instruments to operate.

As a general rule, the less distinction is made in relation to size (MNCs to SMEs), profit-orientation (businesses to NGOs) or level of experience (high-capacity to novice), the better. Such voluntary diversity, whether in the or in the Consortium or the Challenge Fund Model (described in 4.2), is frequently a key to instruments' success.

It must be pointed out that this also signifies :

\_ There should be no funding-dependence on nationality of any of the partners (whether from recipient Country or EU Country).

\_ There should be no imperative of "ownership" or "leadership" of a project, within a partnership instrument.

Even if many initiatives originate from a fairly well defined profile, it is important that the partnership instruments should be perceived as open as possible.

An important issue which calls for clarification is the "tying" of ODA to origin of the Private sector partners. Besides the very debatable legal standing of such procedures within the Union, it is clearly inconceivable in the framework of any EU instruments. In fact, the trend is for increasingly "untied" instruments and for close collaboration between ODA actors themselves (SIDA, DFID or ADA work with USAID or CIDA projects on a regular basis without any hindrance).

Lastly, besides the technical, economic and legal definition of the categories of partners encouraged to participate in either one of the collaborative models of projects, the European Commission will also need to address the question of designing formal requirements from the partners in terms of corporate or institutional behaviour.

Existing sets of rules exist, if only because many Development actors are designing their own (such as SIDA's "Rights Perspective"<sup>25</sup>) and because CSR actors frequently have established such rules. On a more global scale, the UN Global Compact<sup>26</sup>, ILO "Conventions"<sup>27</sup> & "Decent Work Agenda"<sup>28</sup>, OECD's "guidelines for Multinational Enterprises"<sup>29</sup> or the EU's own CSR Guidelines in preparation clearly indicate that the CSR framework for partners in such instruments would not be short of ethical references.

An obvious hurdle or difficulty of the European Commission's objective to collaborate with the Private sector is the access to the private Sector actors. Notably with regard to its capacity to cooperate with private actors at Headquarters and EU Delegations, both in terms of organisation and staff.

Whether large MNCs in rich Countries' industrial areas, Enterprises in Priority EU 27 Regions or even more inaccessible SMEs in Developing Countries, it is imperative to consider that reaching out to the potential partners is a crucial part of the task.

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<sup>24</sup> "Unleashing Entrepreneurship: Making Business Work for the Poor", UNDP, Prahalad, Hammond (2002) and : "Serving the World's Poor Profitability", Harvard Business Review

<sup>25</sup> [www.sida.se/.../Sida.../Sida.../Right-Based-Approach-RBA-112/](http://www.sida.se/.../Sida.../Sida.../Right-Based-Approach-RBA-112/)

<sup>26</sup> [www.unglobalcompact.org/](http://www.unglobalcompact.org/)

<sup>27</sup> [www.ilo.org/ilolex/english/convdisp1.htm](http://www.ilo.org/ilolex/english/convdisp1.htm)

<sup>28</sup> [www.ilo.org/global/...the.../WhatisDecentWork/.../index.htm](http://www.ilo.org/global/...the.../WhatisDecentWork/.../index.htm)

<sup>29</sup> [www.oecd.org/dataoecd/56/36/1922428.pdf](http://www.oecd.org/dataoecd/56/36/1922428.pdf)

A major dimension of any Commission collaborative Instruments with the Private Sector will therefore be to create the relational network needed to establish contact, communication channels and work linkages with such Private Sector Organisations.

FP7, for instance has dedicated huge effort and means to such outreach, with significant success.

Another complementary strategy should be to extensively use Business Organisations, Industrial Federations, Chambers of Commerce, Trade and Commerce Institutions and other Private Sector oriented bodies to diffuse, inform and possibly even co-manage such instruments.

Besides the immediate result of reaching out the instruments' proposals to target partners, such a method would also have the virtue of establishing more effective networks between these intermediate bodies and increase capacity-building where useful (exactly as PSD would be naturally a induced effect of such instruments),

### **3.2) Enterprises: from “niche participants” to “mainstream actors” in Development**

DFID has been one of the leaders in using Private Sector actors, in conjunction with ODA to serve Development objectives. Along with USAID and other fast-moving ODA actors, its strategies have progressively evolved from means-based collaboration towards objective-based partnerships, frequently using instruments that are borrowed from Private Sector approaches, such as “challenge funds” (see chapter 4.2 for definition)

Numerous approaches, over several decades, have been tested and used by Enterprises and other Private Sector actors. A 2003 study<sup>30</sup> by IBLF and UNDP has established a useful framework for analysis of these operating modes, which are broadly classified as :

1-Core Business Operations and Value Chains

2-Social Investment and Philanthropy

3-Public Advocacy, Policy Dialogue and Institution Strengthening

An adapted document has since been adopted as the main UN Framework for engagement of the Private Sector<sup>31</sup>.

Mr Maxwell, of ODI<sup>32</sup>, has analysed the present trend, and has identified four successive generations of business engagement in Development :

- I. The first generation mainly consisted of social investment under the heading of CSR,
- II. The second with the acknowledgement of minimum labour standards and other norms embodied in the UN Global Compact.
- III. The third generation has seen companies engage in new ways with supply chains especially, but also with customers and other stake-holders.
- IV. The fourth generation will see something new again: genuine and deep engagement in transformative economic and social change.

The Fourth generation, presently underway with all ODA actors has important consequences :

- strong synergies between business and Development – in other words, that there are ways of doing business that benefit local communities and national economies, that are also good for business profitability and sustainability.
- such benefits can be measured, using a mixture of quantitative and qualitative measures.
- governments and donors have a role to play in kick-starting and incentivising best practice.

<sup>30</sup><http://www.undp.org/partners/business/resources/Business%20MDGs%20Framework%20for%20Action%202nd%20edition.p>

<sup>31</sup>[http://www.unglobalcompact.org/docs/news\\_events/9.1\\_news\\_archives/2008\\_09\\_24/UN\\_Business\\_Framework.pdf](http://www.unglobalcompact.org/docs/news_events/9.1_news_archives/2008_09_24/UN_Business_Framework.pdf)

<sup>32</sup> Harnessing the power of business for Development impact: towards the fourth generation

- Public-Private dialogue and partnerships to establish the markets and operating environments that enable and incentivize inclusive business approaches
- scaling up remains a major challenge.
- the debate could benefit from stronger connections to other Development topics.

It may be opportune to expand briefly on the theoretical background of such a trend. The BOP approach is based on companies developing innovative approaches to profitably engage with low-income communities across the world. IBMs (“Inclusive” or “Innovative” Business Models) are sustainable business solutions that expand access to goods, services, and livelihood opportunities for the poor in commercially viable ways.

Such Enterprises (the “Fourth Generation”) are obviously ideal partners for collaborative instruments and would mark a key shift toward a more responsible business and genuine Corporate Development Responsibility, resulting in higher sustainable development impact.

It must be noted that the instruments typology proposed by the authors of this report is based on a less theoretical approach (i.e on the orientation or the objectives of the ODA actors), and more on a pragmatic & results-oriented approach (i.e the operating mode of the instruments themselves).

Naturally, these two approaches, however different, are not opposed but complementary : this report (as required by its ToRs) seek foremost to offer applicable and concrete guidelines for the evolution of the EU’s Development instruments.

Principles of successful partnerships :

- \_ Partners reaching Social Benefits through joint action (in pursuit of their own interests)
- \_ Seeking new approaches and innovative solutions to Developmental problems
- \_ Multisectorial approach : at least two development-oriented actors from different sectors
- \_ Voluntary participation of all stakeholders
- \_ Repartition of costs and benefits of the actions undertaken
- \_ Maximizing synergy to ensure the wealth created is larger than the sum of its inputs

This type of analysis explains the phenomenon of evolution towards multi-partner collaborative projects and common work with profit-seeking businesses.

#### 4.0) EXISTING DEVELOPMENT INSTRUMENTS FOR PRIVATE ACTORS

As per the study's described methodology, meta-analysis based on interviews, reports and internet-based information yielded a large number of instruments' characteristics and allowed a critical description and a basic typology.

The draft Database containing a list of such ODA –Private Sector instruments (whether they target Developed or Developing Country Enterprises) is attached to the report.

The purpose is not to create sterile theory or make lists, but to identify operational strategies, modalities and instruments that the EU can seek inspiration from and add value to as the world's largest ODA donor. To do this it must adapt such instruments to its own competences and needs and to those of recipient Countries.

The very strong trend towards collaborative Development partnerships with non-ODA actors points towards a number of possible types of EU strategic directions.

##### 4.1) Overview of instruments for fostering Private Sector involvement in development

The Report of The Commission for Africa<sup>33</sup> advocates support for business Development as part of its coherent package for Africa, supporting three Private Sector Development instruments to stimulate entrepreneurship in Africa.

To be effective in this undertaking there needs to be a variety of instruments with coherence between grant based and fully commercial instruments. The criteria to be met by the instruments should be :

- i) demand driven by business that can make the transition between instruments
- ii) a facility to enable businesses to access a combination of finance, mentoring and advisory services with small grants offered not long term subsidies to address market failures. Mentoring is seen as crucial
- iii) build on good practice combining innovation and risk taking
- iv) use grants to complement that which PSD support the Private Sector can provide
- v) address the issue of how to scale up and replicate best practice and disseminate information
- vi) target resources where maximum impact can be leveraged
- vii) offer a coherent package that offers value added but non conformity between instruments

There is broad consensus on the fact that the Private Sector alone has demonstrable potential to generate sufficient local economic activity and growth to reduce poverty and attain the social well-being that is quantified by the MDGs.

Indeed, multiple analyses of optimum repartition between ODA and Private Sector show that Private Sector actors have the highest impact on employment and income generation where government ensures and enables regulated and safe environment. To support development of the business, in parallel to improving business environment, a variety of instruments and funding modalities are necessary.

#### 4.2 Basic Typology of ODA – Private Sector partnerships

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<sup>33</sup> Also known as the Blair Commission for Africa

A study for the German Ministry of External Cooperation, carried out by GPPI<sup>34</sup> entitled “Engaging Business in Development Results of an international Benchmarking Study”, like this study, studied a number of interesting models of partnership programs :

- \_ Industrial Cooperation Program<sup>35</sup>, (CIDA)
- \_ B2B Program<sup>36</sup> (DANIDA)
- \_ Business Linkage Challenge<sup>37</sup> (DFID)
- \_ Development Grant Facility (World Bank)
- \_ PPP Program (Sustainable Economic Development Dept. of Dutch Min. Foreign Affairs<sup>38</sup>)
- \_ Global Development Alliance<sup>39</sup> (USAID)

It has established a typology based on 3 identified objectives of partnership models:

- \_ Probing Business Opportunity
- \_ Fostering Sustainable Business
- \_ Corporate Development Responsibility

Such a typology, based on observed programs’ objectives, can be usefully completed by a different typology, as suggested by the present study, based more on field approach and in particular on the type of “private-sector” relation established.

While the present study makes no claims to being scientifically complete or even exhaustive, it has examined over a hundred programs (See Draft Database for ODA instruments using Private Sector actors), and feels legitimate to propose a preliminary rough division of these models as suggested by existing instruments.

It is important to point out that this typology is only considering real collaborative partnerships between public and private actors. This could be defined as situations where the non-ODA actors are full partners or even leaders in a group or a consortium constituted only for reasons of self interest (commercial or not) rather than to carry out sub-contracting or a non-decisional management position for an ODA-driven programme.

In such a situation, the Private Sector actors can be (and possibly should be) the driving force, following their own interests in the partnership, with the ODA actor being a secondary or even marginal element of the partnership’s purpose(s) and objective(s).

A typology of existing instruments conforming to this partnership model has to scan through a very large spectrum of examples, ranging from one extreme: “purely profit-seeking business deals with a marginal input from ODA” all the way to more structured instruments, “programs sponsoring the CSR participation of companies”. Between these extreme models there exists a wide range of possible ODA modalities of action.

Analysis of the numerous partnership instruments examples operating in a sustainable and efficient way suggests that there exists (at least) two broad and common categories of possible

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<sup>34</sup> Global Public Policy Institute : GPPI Research Paper Series No. 8 (2007)

<sup>35</sup> <http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/JUD-1129121142-N6V>

<sup>36</sup> <http://www.um.dk/en/menu/DevelopmentPolicy/BusinessCooperation/businesstobusinessprogramme>

<sup>37</sup> <http://webarchive.nationalarchives.gov.uk/+http://www.dfid.gov.uk/Working-with-DFID/Funding-Schemes/Closed-funds/Business-Linkages-Challenge-Fund/>

<sup>38</sup> <http://www.minbuza.nl/en/home>

<sup>39</sup> [http://www.usaid.gov/our\\_work/global\\_partnerships/gda/](http://www.usaid.gov/our_work/global_partnerships/gda/)

approaches to Development collaboration between ODA and Private Actors: these could be identified as the “Consortium model” and the “Challenge Fund model”.

In order to define the concepts, it is suggested that a brief description be offered in this chapter of some of the more typical examples of successful instruments within these two categories.

The “**Consortium Model**”, as illustrated by the EU’s FP7<sup>40</sup> or the USAID’s Global Development Alliance<sup>41</sup>.

The usual core characteristics of this general type are:

- \_ Group (consortium) of partners from non-ODA backgrounds
- \_ Frequently fairly informal, open to new partners and unexpected developments
- \_ Always entirely results-oriented and based on satisfaction of partner’s expressed objectives
- \_ Partnership can be temporary or medium-term, ODA input is usually short-term (seed)
- \_ Partners enter the partnership each for their own specific benefit (of any nature)
- \_ Specific interests of partners may not be Development impact, but there is opportunity for it
- \_ ODA input only there to facilitate and provide leverage to the Development impact
- \_ No difference between profit or non-profit motive : ODA pays the Development impact
- \_ Partners possibly very heterogeneous in origin, size, interests, needs, objectives and inputs
- \_ Strong focus on capacity building and South-South cooperation
- \_ ODA processes and administration should serve the project, not other way around

The “**Challenge Fund Model**”, as employed for instance in many variants by DFID<sup>42</sup> and the Alliance for a Green Revolution in Africa<sup>43</sup> (AGRA).

The usual core characteristics of this general type are :

- \_ Originally used by NASA and US Army to get better, cheaper and faster results from open competition for a specific objective result
- \_ Based on the concept of competition between various participants to achieve a desired result
- \_ Open to a variety of participants and looking for novel ideas and approaches rather than conformity to a model or process
- \_ In this case: Development results are “object of the challenge”
- \_ “Challenges” are usually fairly open and dynamically managed
- \_ One incentive is success and access to funds from a limited (but frequently large) fund, but other reasons are usually predominant
- \_ Access to funds is proportional to success (however defined at origin)
- \_ Usually fairly flexible in terms of administration and evolution of the challenge

In both of these instruments types, the Private Sector entity’s involvement can take a variety of aspects :

- 1) Undertaking its core business, with incidental or additional results in ‘development’ benefits being paid by ODA actor
- 2) Incorporate a deliberate Development dimension to the corporate activities, either integrated or parallel to business activities
- 3) Planning and implementing Business Strategies that target specifically Development objectives

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<sup>40</sup> [http://cordis.europa.eu/fp7/home\\_en.html](http://cordis.europa.eu/fp7/home_en.html)

<sup>41</sup> [http://www.usaid.gov/our\\_work/global\\_partnerships/gda/](http://www.usaid.gov/our_work/global_partnerships/gda/)

<sup>42</sup> <http://www.dfid.gov.uk/>

<sup>43</sup> <http://www.agra-alliance.org/>

#### **4.3) Financing mechanisms adapted to IBMs and Private Sector Partnerships**

The specificities of new ODA – Private Sector collaborations call for new and Programme-specific ODA financing mechanisms, in part to allow heterogeneous sources of funds to operate the multiple partners.

This in itself is major change in the fairly rigid categorisations that are inherent to traditional ODA bilateral or even multilateral Aid.

Most successful programmes \_whatever their specific design and structures\_ which operate on the basis of ODA leverage of Private funding rather than strictly ODA funding have needed to develop processes and procedures that are both more flexible & responsive to partner’s needs and able to manage smaller and more fragmented units of financial support.

Another key component of effective Partnership-based programmes is their flexibility in terms of project conception, composition and management : because in the business world, there is less of a perception of need for classification, categorisation and specialisation, such actions are usually pragmatic and results-oriented.

Desirable Financial instruments, to leverage Private Sector funds, should be those financial instruments designed to exploit an effort that is already being undertaken and expand or orient it so that it serves a Development objective.

For instance :

- \_ reach a group, a social strata or a geographical area that would otherwise be ignored
- \_ “piggy-back” on a Private Sector tool, to carry out a Development objective
- \_ benefit from economies of scale or from better diffusion
- \_ increase the access to a communication medium or a logistical infrastructure
- \_ broaden a market for services or goods for the poor (both as client and supplier)
- \_ address a market failure
- \_ create or facilitate value chains (from the bottom up or top-down)
- \_ scale up Private Sector efforts.

The fact that this trend is underway is demonstrated by the greater involvement of the Private Sector : to serve the need to fill some of the funding gaps, financial markets have already created new financial instruments for Development (flexible Grant Schemes, Variable conditional loans similar to Islamic banking products, Hybrid financing, blending packages of loans & grants, Challenge Funds etc.)

#### **4.4) Working models of ODA partnerships with Private Sector Actors**

The Database attached to this report (Annex A3) contains a large variety of ODA instruments that are based on collaboration with Private Sector Entities (both local and from the EU) of various types, and lists a number of their essential characteristics.

These range from the most traditional types of collaboration (sub-contracting, PSD, support to intermediate Organisations etc..) to programmes that are practically led and coordinated by the Private Sector partners, in which ODA plays a simple role of catalyst to overcome a market failure, of “partnership broker” or of leverage funding.

This situation allows and encourages an increasing number of Development programmes in which the ODA actor’s core role is limited to specific tasks that it alone can perform :

- \_ Design of novel funding mechanisms (the best example being hybrid financing or blending of Grants and Loans)
- \_ Seeking the “market failure” situations or identifying the non-business hurdles that ODA can overcome
- \_ “Marketing” the availability of the programme
- \_ Establishing a (usually flexible) legal and economic framework for the programme to operate in
- \_ Facilitation, partnering, brokering, supporting the relationship between parties
- \_ A variable degree of administrative involvement, (sometimes limited to establishing conditions for participation and to the strict imperatives of Public funds management)

The ODA partner usually also has a less formal role, inasmuch as it can act as the mentor or even the arbitrator in situation of friction and/or stalemate.

In the framework of this study, it is this latter category that is the major focus of reflection : this is warranted by the necessity for ODA to evolve towards integration into today’s context as well as by the remarkable and general success of such models, as practiced by several ODA actors.

#### **4.5) Culture : Results-oriented & Process-oriented, the best of both worlds**

The Private Sector is by necessity “Results-oriented” whereas the traditional ODA actors are frequently “Process-oriented”: this truism, even if it is a simplistic generalisation does point out one of the major strength of the Development models based on close collaboration and partnership between the two.

In the partnership instruments of different types and of many origins that were examined by the study, several other synergies were perceived as highly desirable by the administrators and operators of the projects.

For instance, attitudes varied as to the perception of delay (an administrative requirement rather than a technical issue), the value of money (one of many inputs as opposed to a parameter of achievement) or the nature and formulation of accountability (subjective hierarchical evaluation versus objective quantification).

The combination of these different perspectives and attitudes can become a highly valuable element of the partnership instrument’s capacity to reach its objectives (even multiple objectives) by drawing upon the talents and skill of a variety of groups and individuals, rather than “thinking inside the box”.

The value of such cross-fertilisation for project management effectiveness can be confirmed by a number of ODA actors (DFID is a prime example) who have found it profitable to seek, in their HR policies, the competences of people from totally different backgrounds from Development work.



## **5) CLUSTERING OF ACP COUNTRIES**

The issue of where to apply possible the various EU Private Sector partnership instruments envisaged is of course a topic of major importance, even if it has not been included in the present study's tasks.

Before implementation and even before final instrument design can take place, the European Commission must deal with delicate geographical analyses on topics such as :

- \_ ACP's special status,
- \_ The distinction of LDCs, Countries in conflict (or post conflict) and other categories
- \_ The usability of Regional Structures (Economic Zones, Political Unions etc.. as described in Annex A8 and A9)
- \_ The special Status of OCTs (Overseas Countries and Territories).

Nevertheless, the principle of establishing distinct "Clusters" of recipient Countries to which such instruments would be applied in a specific way has been proposed and has been a core element of the Study's focus.

One major justification for the EU's active role in such collaborative instruments, (even if Member States are already active with such models), is the value-added that the Union can bring towards regional projects and the political weight it can wield in Multilateral Cooperation fora, Regional Development instruments, International PPPs etc...

Clearly, the clustering of targets for such instruments must take into account such an ODA "division of labour" dimension between the Union and Members States, In other words, the Union should focus on whatever targets and use whatever instruments in which it has value added in comparison to Member States

Considerable time has been dedicated during the mission, to identify, collect and present data, and it not always been feasible to obtain data for every country (from WB, IMF, UNDP or countries' own statistics). In general, data from certain Pacific and Caribbean Island are either missing or too outdated to be used.

In the Annexed Database (Annex A2), all available data is presented in a spreadsheet format, (for instance relative to natural resources, degree of indebtedness, business climate rating etc.) Other data (Business Climate Rating, country risk rank and corruption index and logistic performance index, and in the economic dependency \_primarily migrant remittances data for some countries\_ are frequently not available.

Due to the unavailability of information (or lack of harmonisation of data) for nearly half of the ACP countries concerned, and in order to avoid over-complex comparison of dissimilar data, information in the database does not include parameters such as : infrastructure quality and logistics networks, even though they would presumably have a bearing on possible Clustering (and on regionalisation of ODA instrument).

The same reason applies to information on trade from ACP countries (for instance. trade composition and degree on dependence).

In the recommendations below (Chapter 5.6), a Study specifically dedicated to the Clustering issue would require significant time to be able to address the information shortage and compatibility problems

### **5.1) Cluster Database<sup>44</sup> and Clustering**

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<sup>44</sup> See enclosed excel database: Data for Clustering of ACP Countries

One of the major results of the Study has been to identify, collect, organise and present data or information to carry out the various analyses linked to Clustering of ACP Countries. This information is presented in the annexed “Database for Clustering” (Annex A2).

This requirement of the mission’s ToRs has led to a large amount of research and allows a documented presentation of such Clustering possibilities.

In line with the accepted methodology of the project, the team’s reflections, added to the strong involvement of many stakeholders, has generated from this analysis a number of Cluster approaches and possible results on the basis of :

- \_ Competitiveness factors (e.g.: investment climate, territorial features, commodities dependency etc..)
- \_ Domestic capital stocks (notably savings)
- \_ Dependency on foreign financial flows (ODA, FDI and migrants remittances)

There are myriad possible options for Clustering of Countries. The most common are:

- Geographical(region, group of Countries, territorial features)
- Area of the Country
- Size of population
- Natural resources
- Economic
  - Level of income: Low, Middle, High, e.g. developed or developing Country)
  - GDP per capita
  - Dependence of foreign capital flows: ODA, FDI, Migrants remittance
- Conditions of living
  - Life expectancy
  - Literacy (% of the population who can read and write)
  - Human rights

The Clustering analysis in this report will primarily be based in the context of the possibilities for the Private Sector in EU Countries to be involved in business and therefore directly or indirectly to participate in the economic Development of the Country.

The consultants will not go into security issues or political considerations, but concentrate on the Private Sector interests of EU and local Enterprises as well as access to developing Countries based on information such as :

- Ease of doing business :
  - Starting a business
  - Employing workers
  - Getting credit
  - Registering of property
  - Protecting investors
  - Tax
  - Trading across borders
  - Enforcing contracts
  - Etc.
- Infrastructure and logistic
- Others

The consultants have accessed and presented a number of different criteria & parameters for Clustering, included in the Database (Annex A2), and extracted from a large number of reliable and recent sources of information.

Any EU Private Sector Enterprise, considering carrying out business activities in a given Country (whether for new materials, products, subcontracting, labour or markets) is clearly concerned about profit and business risk. Risk can be split up into :

- A) Business risk, not part of this study
- B) ACP Country-specific risk (for investment or business management)

Business in an ACP Country therefore calls for considering several types of parameters :

- Laws (e.g. expropriation of and access to own property)
- Infrastructure (electricity, and communication and transportation)
- Corruption, and theft and crime
- Regulations for running a business
- Access to educated workers
- Competitiveness
- Market and trade possibilities
- Access to suppliers and raw materials
- Infrastructure and logistic
- Etc...

All elements of Country risk are linked to infrastructures, macro-economic characteristics and guarantees that ACP national governments employ to lower such Country risk for business and Private Sector involvement.

In that respect, the EU Commission should develop and implement ODA instruments applicable to specific Countries or groups of Countries, in order to reduce the risk of investing and running a business in a developing Country for a limited number of years.

Offering such instruments to EU Private Sector in order to take over some of the non-business risk (investment protection, legal ownership, credit & currency risk etc...) will undoubtedly raise interest of EU enterprises to invest and enter business in the targeted developing Countries.

Once such a risk mitigation framework is in place, Private Sector actors will look at commercial competitiveness and market or trade opportunities, (which are not part of this study).

## **5.2) Clusters – criteria and parameters**

To circumscribe Clustering models, the following four Cluster models have been identified as relevant and useful :

### **1. Traditional:**

Geographical region, Country and Population size, Economic / Poverty situation etc.

### **2. Economic Dependence:**

Dependence on Foreign Capital flows, ODA, FDI and Migrant's Remittance & Domestic Savings

### **3. Business Environment:**

Clustering for evaluation of ACP Countries' Business Environments. (For instance where improvement of the Countries' Business framework could be improved with EU ODA assistance).

### **4. Country & Business Risk:**

Cluster for evaluation of Juridical & Economic transfer or political risk which companies face when investing in ACP Countries. EU could offer instruments for mitigating or sharing risk.

### 5.2.1) Cluster Simulator

As it has not been possible to create simple Clusters on the basis of clear and self-evident criteria and base the obtained results on undisputable factors, the study has taken the perspective that the reader can use the tool provided by the column below to make their own analysis.

The study has collected a huge amount of information and analysis, which the consultants cannot incorporate in the report. Such Data and information as has been identified and collected is made available \_when relevant\_ primarily in the form of Excel pages (annexes A1 to A3, in particular in the database for Clustering, A2).

For the assessment of each criteria, one can generally take all years into consideration, although more recent years can be considered to weigh more.

The consultants have therefore used the criteria and parameters defined above for the analysis of Cluster possibilities :

Criteria and parameters <sup>45</sup>	1 Traditional	2 Economic dependence	3 Business environment; Need for EU assistance for improvement of the framework	4 Country and business risk; EU could assist EU companies with instruments
A	Geographical Region (ACP): Aa: Africa Ab: Caribbean Ac: Pacific	Dependence of ODA, FDI, Migrants Remittance % of GDP: Aa: 0-15% Ab: 16-30% Ac: 31% and more	Ease of Doing Business: Aa: None or minor Ab: Need to change Ac: Strong need to change	A: High Country and/or Investment Risk Aa: High risk Ab: Middle Risk Ac: Low or no risk
B	Size of Country: Ba: Big Country Bb: Middle-sized Bc: Small Country	Dependence of ODA % of GDP: Ba: 0-10% Bb: 11-40% Bc: 41% and more	Legal rights and corruption problems Ba: Low Bb: Middle Bc: High	B: Investment transfer risk *) 1: Low 7: High
C	Size of population: Ca: 10,0 millions and more Cb: 1,0 and 9,9 millions Cc: less than 1,0 million	Dependence of FDI % of GDP: Ca: up to 5% Cb: 6-20% Cc: 20% and more	Infrastructure and logistics performance index: *) C1-5: 1: Low; strong need of improvement 5: No need	

<sup>45</sup> See Database for Clustering: page "Criteria for Clustering"

D	Natural Resources: Da: Access Db: Not access	Dependence on Migrants Remittance % of GDP: Da: 0-10% Db. 10-50% Dc. 51% and more		
E	Country Economy Level: Ea: Low income Eb: Lower middle Ec: Upper middle	Domestic Savings % of GDP: Ea: Negative up to 0% Eb: 0-15% Ec: 16% and more		
F	Geographical Situation: Fa: Access to sea Fb: Land-locked Fc: Island			

\*) As the study wants to change the evaluation of information as little as possible the two evaluations use numbers and not a, b, c.

## 5.2.2) Assessment of the criteria for Clustering

In the database for Clustering of the 79 ACP Countries (Annex A2, described above), all quantitative data is broken down along the parameters and criteria of the defined Clusters. Information has generally been available although it is lacking especially for many Pacific island states.

As the Clustering process has shown to be extremely complex, and has not always generated useful results or significant value added to the study's ultimate objectives, it is felt that the "Cluster simulator" is the appropriate tool to establish Clusters in accordance to specific needs, rather than to produce a general "all-purpose" categorisation.

## 5.3) Result of the 4 Cluster models

### 5.3.1) Traditional Cluster model

This Cluster model 1 and assessment of the criteria are to give an overall background of the 79 ACP Countries.

### 5.3.2) Economic dependence on ODA, FDI, remittances and savings

In the separate database for Clustering of the 79 ACP Countries, the available and quantitative data is broken down for ODA, FDI, remittances and savings (see under Cluster model 2). The database for Clustering shows that 17 Countries are heavily dependent (more than 31% of GDP) on ODA, FDI, and on Migrant's Remittance. All these Countries are small Countries and most of them are islands.

There are only 5 Countries (Burundi, Liberia, Micronesia, Solomon Islands and Timor-Leste) which are heavily dependent (more than 41% of GDP) on ODA, but 26 Countries receive between 11-40% of GDP in ODA.

8 Countries (Antigua & Barbuda, Cameroun, Congo, Djibouti, Grenada, Sao Tome & Principe, Seychelles, St. Kitts & Nevis) receive more than 20% of GDP in FDI and 22 Countries receive FDI between 6 – 20% of GDP.

Heavy dependence on Migrants Remittance (51% or more of GDP) characterises 9 Countries (Marshall Islands, Rwanda, Samoa, Seychelles, Sierra Leone, St. Lucia, St. Kitts & Nevis, Swaziland, Timor-Leste). Only 5 of the 79 states receive between 10 – 50% of GDP from Migrant's Remittance.

Domestic savings are nil or negative % of GDP for 6 states (Comoros, Eritrea, Grenada, Lesotho, Liberia, and Tonga). Whereas 20 states (Angola, Antigua & Barbuda, Bahamas, Barbados, Belize, Botswana, Cameroun, Chad, Congo (Brazzaville), Ivory Coast, Equatorial Guinea, Gabon, Malawi, Mauritius, Namibia, Papua New Guinea, South Africa, Sudan, Trinidad & Tobago and Zambia) have domestic savings of 16% or more of GDP.

### **5.3.3) Business environment - Need for EU assistance for improvement of the framework**

“Ease of doing business” parameters offers an overview of the need to improve the business framework (see under Cluster model 3A). EU could assist such specific Countries with instruments (laws and regulations) for upgrading the institutional framework.

Only 13 Countries have minor or no need to change the business framework (Antigua & Barbuda, Bahamas, Botswana, Fiji, Jamaica, Mauritius, Namibia, Samoa, South Africa, St. Kitts & Nevis, St. Lucia, St. Vincent & Grenadines, Tonga, Trinidad & Tobago, and Vanuatu). Over half (35 of the remaining 66 Countries) have a strong need to improve the institutional business framework.

In the database proposed in Annex A2, there is a specific page “ease of doing business – simulator” where the topic could be further analysed to come up with specific instruments for specific Countries.

Legal rights and corruption (Cluster model 3B) are both of high concern to businesses when they invest or enter into a new Country. The estimation shows that 25 Countries have nil or minor problems, but 18 Countries have many and /or major difficulties relative to legal rights and corruption.

Infrastructure and logistics performance (Cluster model 3C) is another key concern of businesses and in which the EU could assist in developing effective infrastructural and operational systems.

The study shows that all Countries need to improve their infrastructure and logistics. Most dramatically concerned are 8 Countries (Eritrea, Guinea-Bissau, Namibia, Rwanda, Sierra Leone, Somalia, Sudan and Timor-Leste) who have major hurdles in this field.

### **5.3.4) Country and business risk - EU could assist EU companies with instruments**

Enterprises and businesses should (and are used to) bear commercial risks entirely by themselves (they are accountable only to their owners by their results).

Where EU could provide assistance through new instruments is in the alleviation or mitigation of political, Country and currency transfer risk. In the database Cluster model 4 proposes an estimation of such a risk profile for each Country.

4A Cluster model shows the political risk (e.g. threat of nationalisation of business etc.) and only 6 Countries (Botswana, Bahamas, Namibia, Papua New Guinea, South Africa and Trinidad & Tobago) are considered as low or no risk. For the rest of ACP Countries, the EU could design instruments for businesses (both local and EU) and simultaneously assist Countries to be more business-friendly by reducing the investments risk.

4B Cluster model shows the transfer risk for e.g. repatriation of profits, currency risk etc. Only 12 Countries (Bahamas, Barbados, Botswana, Cook Islands, Fiji, Mauritius, Namibia, Palau, Papua New Guinea, South Africa, Swaziland, Trinidad & Tobago and Vanuatu) are assessed 3-4 on a scale of 1-7, where 7 is the highest risk.

It is only Trinidad & Tobago which is assessed 2.

EU instrument is highly needed by European enterprise to reduce risk (and also to assist Countries in reducing such risk).

#### **5.4) Why Clustering?**

As can be seen of the previous table in chapter 5.2, Clustering of the ACP Countries can be felt to be a complex and un-clear effort, which may not necessarily give meaning and direction to the general endeavour towards Collaborative or Partnership instruments.

Alternatively, if the information were available, the Consultant suggests a more straightforward approach where each Country in question can be objectively valued individually, on the basis of the following parameters (in a pre-determined order) :

- Importance to EU concerning supply of natural resources
- Importance to EU concerning trade
- Importance to EU private sector concerning (potential) investments
- Human, legal and labour rights situation
- Level of literacy
- Competitiveness
- Possibilities for expanding the (trade) business
- Post conflict and fragility

Besides the strictly human, economic or geographic quantitative parameters envisaged in the Clustering study of this report, the targeting of Countries or Clusters needs to take into account the existing EU management of geography-focused “Investment Facilities” (for Candidate Countries, ENP countries, Asia, Central Asia and Latin America).

These Facilities contribute to implementation of blending operations between EU grants and EIB-IFI’s loans. Their financial volume is small, but focused towards support of SMEs, job creation and infrastructures. These Facilities could easily be merged, in the framework of the new EU budget, into a single EU Investment Fund for third countries (for instance partly inspired by the Challenge Fund model, as described in the Report’s Conclusion).

#### **5.5) What sectors & what Countries to apply the new strategies to?**

Within the evolving ODA strategies, whatever specific instruments are identified and used, the issue of targeting remains.

Selection of what economic sector in what geographical area is fundamental to ODA’s impact, in particular in the context of collaboration with third parties, since the leverage of ODA can only “encourage” other actors and is therefore to be applied where it actually makes

a difference (it becomes a “catalyst”: small in volume, but without which a project is unlikely to happen).

### **Pinpoint the most binding constraint(s)**

A watershed 2006 economic IMF paper, entitled “A new approach to economic reform”<sup>46</sup> suggests that Development Assistance, rather than seek to “spread aid”, should “go for the reforms that alleviate the most binding constraints” and, hence, produce the biggest bang for the reform buck. In a low-income Country, economic activity must be constrained by at least one of the following two factors: either the cost of finance is too high, or the private return to investment is too low.

Naturally, this targeting calls for some analysis of competitiveness (industrial or otherwise) of Countries or Clusters. It also would facilitate the collaborative approach with Private Sector, inasmuch as ODA projects could encourage, support and mitigate risk for focused FDI, (being careful not to replace market-based decision-making and risk-taking from Enterprises).

The authors of IMF’s new methodology propose a decision tree methodology to help identify the relevant binding constraints for each Country or group of Countries (Cluster). This offers a new approach to economic development and the related instruments, much more contingent on the economic environment.

Countries, it is argued, need to figure out the one or *two most binding constraints* on their economies and then focus on lifting those. By focusing on the one area that represents the biggest hurdle to growth, Countries will be more likely to achieve success from their reform efforts.

### **5.6) Recommendations**

Clustering of ACP Countries, in the framework of design of collaborative instrument between ODA and Private Sector, has not proven to be a straightforward and objective aspect of this Study.

Besides the inherent limitations due to the incomplete and heterogeneous nature of the information, the choices that clustering requires are frequently uncertain in their social or economic consequences, and delicate in the relational nature of their political impact.

This fundamentally complex nature of clustering is the reason why the present study, while offering meaningful data and information, is recommending prudence and suggesting that a focused effort be dedicated specifically to the issue of clustering.

Indeed, it is rather unclear that such an approach yields substantial information to the ODA community, clear practical results in terms of effective Fund allocation or even a better understanding of the complexities of the recipient ACP community.

Good quality information is available for most Countries, especially for Sub-Saharan Africa, but information for Caribbean and Pacific Countries is frequently neither entirely reliable nor available. This is equally true for most of the other developing countries.

Lack of clear and harmonised information clouds the Clustering analysis, reduces the validity of the results and limits the weight of recommendations for a number of Countries.

The Clustering of the Countries has shown to be an extremely complex and difficult task, both in terms of data acquisition, and in terms of analysis.

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<sup>46</sup> Getting the Diagnosis Right Ricardo Hausmann, Dani Rodrik, and Andrés Velasco March 2006, Volume 43, Number 1,

The Consultants suggest to further develop this analysis on the basis of the new policy objectives that would results from the on-going reflections and consultations on the EU Development policy, notably with reference to the private sector involvement.



## 6) CONCLUSIONS & RECOMMENDATIONS

While there can be no definitive and monolithic conclusions at this early stage of the effort towards European Commission collaborative Private sector approaches, the study has identified several points of broad consensus and some fundamental conclusions.

In particular it is important to stress :

- the role played by the private sector in employment and income generation
- the impact on MDG achievement of private sector actions (profit-seeking or not) leveraged by ODA funding
- the huge variety of different Development actors who have become major factors in the economic, socio-political and environmental changes under way
- the converging evolution of philanthropic, CSR & other private sector actions and ODA's range of instruments and modalities.
- the large degree of awareness, in the public and the media, that ODA cannot remain aloof from the major economic and political trends that are re-shaping the structure and balances of ODA
- the existence of highly successful partnerships already in operation, including Traditional ODA actors and EU Member States
- the opportunity of revising the EU Strategy and methods, test and implement some European Commission Development instruments that are able to seek more effective results and better impact by collaboration with non-ODA actors

Conclusions and recommendations of the study need to be further developed having regard to the future context being influenced by the European Commission Budget Review 2011-2013, and the new orientations on the *Multi Financial Framework 2014-2020*.

In addition, the adoption of the Lisbon Treaty and the creation of EEAS are expected to generate a new administrative and policy framework, relevant in future dealings with ACP and emerging countries in Asia, Latin America, EU Neighbourhood and candidate countries.

### 6.1 The need for change in ODA strategies and instruments

All ODA actors are at one stage or another of such a vast change process, and there is an obvious imperative of concerted or at least coordinated reflection. The European Commission's effort in this field is therefore designed to share the experiences and the knowledge of all relevant actors in this "cultural revolution" in the sphere of ODA.

The key question being asked of all stakeholders is one of effectiveness first and efficiency second. To paraphrase the first sentence of this paper : "What works ?" and only then : "How to optimally implement that ?"

For traditional ODA actors, the linkage and partnership with new actors, using new instruments is often a difficult process to start with. Cultural and administrative differences are often source of friction and mutual incomprehension.

Equally, there is often a high level of frustration at the change in relation : ODA actors may find it unusual to treat other Development partners as equals in a common action or to accept a "minor" partner role.

Most importantly, the "culture of results" that prevails in companies is different from the "culture of process" that is common in Multinational and Public Institutions.

However, experience shows that such differences are not insurmountable, and call for the clear establishment of mutual interest in the success of a project.

## **6.2 ODA actors are adapting by similar and collective efforts**

There is no better methodology towards that objective than to start by collecting examples, good and less good, of the multitude of initiatives that have been going through the same need for change and possibly experimenting, analyzing and evaluating the results.

One major aspect which is of importance to recipient Countries is the necessity for less procedures and minimal conditionality.

OECD analysis<sup>47</sup> of the past decade of ODA, and in particular of the post-crisis situation identifies a growing scepticism with Aid. The crisis has consolidated need for a shift in the *modus operandi* of international aid – including the way the bilaterals operate, as well as the multilaterals.

Shifting wealth, (globally more than ODA), has significantly improved welfare in a broad number of developing Countries, as measured by income per capita, but there is a growing gap between strong and fairly strong recipient performers, those who are stuck, and those who have been left behind. It has made some Development Countries dependent on aid.

The general trend towards a higher involvement of non-Government actors (NGOs and / or Private Sector) in ODA, even though it may appear new, is actually an ongoing evolution that has been going on for several decades : in the 1960s, the mass of ODA (it was then fairly post-colonial in its approach), was managed by Government institutions. Today, a significant part of the management and manpower of ODA is actually Private Sector.

Proposals for such changes need to be clearly expressed and well supported by evidence, in order to ensure some degree of political consensus within the European Commission as well as vis-à-vis the entire Community of stakeholders. Any change is bound to generate fear and resistance, and so calls for justification, dialogue and possibly negotiation.

In summary; modification of the EU Strategy towards a higher degree of involvement of Private Sector actors and initiatives, while highly desirable, must ensure that a) the very high degree of political control over European public funds is maintained, that b) the EU's strong competition and anti subsidisation policies should be totally respected, and that c) public opinion should not be led to believe that the EU is financing business profits.

Regarding the important issue of conditionality of ODA, some broad principles should be retained as follows:

- Two particular circumstances in which conditionality is justified: Human rights and situations of very poor Governance.
- Need for less “overbearing relationship” with recipient (Kanbur, 2000).
- Eliminate *policy* conditionality altogether and reduce other conditionalities to a minimum, to increase ownership and policy space.

Similarly, on the smaller scale of ODA – Private Sector collaborative instruments for Development, the administrative and organisational structure should be highly flexible and pragmatic, in terms of most requirements :

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<sup>47</sup> “Aid in Times of Financial Crisis”. Andrew Mold, Senior Economist, OECD Development Centre,

- \_ definition of the “Private Sector actors” ,
- \_ status, size or origin of the partners
- \_ systematically untied nature of the ODA collaboration
- \_ acceptance of non-ODA project leadership.

Only on the issue of ethical governance should the European Commission display inflexibility with regards to the tenets of its core values and principles. Whatever instruments are designed, they should be clearly inspired and aligned to the UN Global compact.



### 6.3. Recommendations for ODA for Private Sector in Development

The typology determined by the present study has identified two major approaches likely to inspire the EU partnering with the Private Sector (see chapter 4.2). To summarize, these have very different approaches to creating conditions of collaboration between ODA and Private Sector, which can be expressed as the following characteristics :

	<u>Consortium Model</u>	<u>Challenge Fund Model</u>
<b>Example</b>	FP7 <sup>48</sup> , GDA <sup>49</sup> (USAID), Acumen <sup>50</sup> , SAFO <sup>51</sup> , S.M.I.L.E. <sup>52</sup> (Italy),	DFID Challenge Funds <sup>53</sup> , AGRA <sup>54</sup> , AECF <sup>55</sup> , FRICF <sup>56</sup> , Finnish “Local Cooperation Fund” <sup>57</sup> ,
<b>Partners</b>	Several or even numerous partners	Small partnership or single challenger
<b>Partner profile</b>	Varied in every way, heterogeneous, South-South encouraged	Frequently homogeneous style of partners responding to Challenge
<b>Relation</b>	Not necessarily close or symmetrical	Close
<b>Objective(s)</b>	Asymmetrical, diverse, heterogeneous	Clear common objective(s)
<b>Development results</b>	Can be major, minor or even incidental to the partnership	Central to the design of the Challenge
<b>Focus</b>	Each partner has different focus	One Development focus : the challenge objective
<b>Formality</b>	Can be ad-hoc, open & flexible	Contractually binding

<sup>48</sup> [cordis.europa.eu/fp7/home\\_en.html](http://cordis.europa.eu/fp7/home_en.html)

<sup>49</sup> [gda.usaid.gov/alliances/index.asp?s](http://gda.usaid.gov/alliances/index.asp?s)

<sup>50</sup> [www.acumenfund.org/](http://www.acumenfund.org/)

<sup>51</sup> [http://www.safonetwork.org/workshops/brussels/conclusions\\_sep06.pdf](http://www.safonetwork.org/workshops/brussels/conclusions_sep06.pdf)

<sup>52</sup> [https://isdi.esteri.it/ISDI\\_Redazione/Allegati/02%20%20DGCS.ppt](https://isdi.esteri.it/ISDI_Redazione/Allegati/02%20%20DGCS.ppt)

<sup>53</sup> [www.ibwe.at/pdf/FT1109/WS1/FT1109-WS1-Newnham.pdf](http://www.ibwe.at/pdf/FT1109/WS1/FT1109-WS1-Newnham.pdf)

<sup>54</sup> [www.agra-alliance.org/](http://www.agra-alliance.org/)

<sup>55</sup> [www.aecfafrica.org/](http://www.aecfafrica.org/)

<sup>56</sup> <http://www.dfid.gov.uk/Working-with-DFID/Funding-opportunities/Business/FRICF/>

<sup>57</sup> <http://www.finland.org.za/public/default.aspx?nodeid=40025&contentlan=2&culture=en-US>

<b>Funding</b>	Can be large, ODA not predominant	ODA funding compensating for own investment
<b>Management</b>	Usually internal to partners	ODA management of the fund
<b>Sustainability</b>	LT or ST, but can lead to new relations	ST or punctual for a successful specific result
<b>ODA role</b>	One of many partners	Challenge organizer
<b>ODA funds</b>	Topping up other sources of funds	“prize money” for winner of the challenge

It must be emphasized firstly that the typology suggested is in no way a list of possible work relations between Private Sector actors and ODA actors: it concerns only Development instruments, and within this group it seeks only to identify “families” of strictly collaborative approaches (as opposed to classical “client-supplier” models of various types).

Several instruments casually described by their proponents as ODA “partnerships with Private Sector” do not use specifically collaborative relationships : they may involve close or well-integrated work practices (or even monopsony relations), but the core relation remains a “client–supplier” relation.

This “collaborative” nature therefore excludes the relationships in which an enterprise is simply paid to carry out a task (which represents a large majority of present instruments).

Other, narrower perspectives can be used to define more numerous classes and more example-based definitions, but for the intents and purposes of this report, it is felt that these two types are sufficient to propose meaningful orientation for the European Commission’s immediate next steps.

The object of the study is not a theoretical classification, but a pragmatic result-oriented approach to actions that the Commission can take towards increased interface with the “real economy” in serving its Development objectives.

Secondly, although the proposed typology is a very broad classification, based on the study of existing instruments, it certainly makes no claims to being entirely exhaustive or complete.

The team of experts studied over a hundred such instruments from about 30 Countries or institutions, which, (even if it is large sampling) cannot be expected to be a complete inventory

The two general families described in this report are the result of an analysis of Development instruments that operate on the basis of an organic relation of real partnership. i.e. those in which ODA is pursuing its Development interests in the framework of Private Sector partners’ activities, who are themselves independently pursuing their own interests, irrespective of the nature of this interest (profit-making, commercial, CSR, philanthropic etc.).

Thirdly, it must be pointed out that the two type proposed are not “better” or “worse” than existing instruments in the absolute, rather they are more adapted to a number of economic and political environments which exist in today’s global context.

It is not envisaged to cancel or replace existing ODA instrument exclusively with such collaborative approaches, only to add to the European Commission’s arsenal of development tools, in order to increase the EU’s impact on MDGs and socio-economic Development (as well as visibility and political return for the EU itself).

The success of such Collaborative approaches with a large proportion of ODA actors (in and outside the EU) is testimony to their applicability, effectiveness and efficiency.

Lastly, the respective intrinsic qualities of each of the two models (“pros and cons” of the two types) are of course of great interest, but the numerous individual examples of such models are so diverse that it is hazardous and over-simplifying to label the “types” with unique

characteristics. Nevertheless, a few major generalisations can be established, on the basis of a basic Strengths / Weaknesses analysis (as table below).

<b>Comparative S/W Analysis for EU use of Collaborative approaches</b>	
<b>Consortium Model</b>	<b>Challenge Fund Model</b>
<b>Strengths</b>	<b>Strengths</b>
Flexible partnerships structures : “easy-in, easy-out” for Partners	Usually high speed to implementation of ideas and projects
Highly adaptable to local conditions, in variation in number or in characteristics of partners	Reactivity of Private Sector allied to ability of ODA to fund and support (sometimes large) structures
Frequently autonomous results : ODA actor(s) can exit the partnership	Focus can be very narrow, allowing a very high degree of effort on a specific topic, geographical area or Development need.
Long-lasting commercial relations can be established	Easy to fund multilaterally : scaling up is as simple as writing a cheque...
Requires participation from all partners, but not necessarily of a similar intensity or nature.	Administrative structure and costs are usually fairly low in relation to project size.
Partners chosen / selected on a cooptation basis, with low level of formality, on the basis of partnership’s interest	Normally the fund’s resources are entirely dedicated to a concrete result : impact is usually objectively quantifiable and visible
Members “bring what they have” to the partnership, not necessarily of high cost to themselves	In terms of administrative and financial management : funds can be dedicated as a “credit-line” (i.e Facility) rather than a fixed budget, with strict deadlines.
Highly suited to all Value-chain approaches, local or international	Very easy to adapt blended financial instruments to (combinations of : grants, loans, risk mitigation credits, trade guarantee schemes, Islamic banking etc..)
Large induced impact : Market expansion, “matchmaking”, enterprise Capacity Building, business networking, PR impact...	
Degree of involvement usually reflects the partner’s individual interests : if it is gone project “peters out”...	
ODA funds are strictly targeted at paying the “development-result” part (market failure, broadening of impact, piggy-backing” etc..) There is no transfer to Private sector unless there is such a result.	
Very adapted to South – South Development & regional integration results. i.e : regional approaches, local value-adding activities, regional Value Chain expansion and improved Terms of Trade.	

It must be noted that some “weaknesses” from the EU perspective are actually “strengths” in terms of specific project efficiency.

For instance the “involvement-to-relevance” linkage for partners, rapidly eliminates projects that have stopped to be useful, or exponentially grows projects that bring results to the partners. This may make them difficult to manage and plan for, but it also maximises fund allocation and “impact per funding unit”.

These issues are illustrative of some of the difficulties that such Collaborative approaches may encounter in the EU context, in particular in terms of “value of time”, “value of money”, “autonomy of decision” and “Project Management” culture.

<b>Comparative S/W Analysis for EU use of Collaborative approaches</b>	
<b>Consortium Model</b>	<b>Challenge Fund Model</b>
<b>Weaknesses</b>	<b>Weaknesses</b>
Major “cultural barriers” or communication problems sometimes need to be overcome (that’s also a “strength” )	Choice of challenge-topic is delicate to avoid excessive “narrow focus” or excessive “spreading” of participant’s efforts
Requires a high degree of autonomous & decentralised decision capacity from Donor / management, (need for strengthening the EU capacity)	Danger of “ad-hoc” challengers that are created only to draw resources with minimum results in the field
The ODA partner needs to be able to demonstrate speed, flexibility and adaptability	Moderate induced impact in the field from the preparation, research or preparation phases : the Challenge Fund’s results are distinct from the pre-implementation processes
Difficult (or impossible) to plan expenditure, growth, speed of evolution or even direction for the future	Experience shows that the instrument is less easily targeted to Recipient Country “Small Challengers”, because they are harder to reach and have less risk-taking capacity
High failure rate in relation to number of projects may not reflect the “value-created” on the whole. Impact assessment and measurement of success cannot be weakened by “funds dispersed” criteria.	For large-budget projects like infrastructure, the result of each “challenge” is normally a single project (but diffusion or scaling up can be possible)
Danger of mis-understanding _ by ill-intentioned PR_ about “Public money” being given to “Private Sector”.	

In both of these types, Private Sector involvement can take several forms and approaches:

- 1) Undertaking its core business that results in ‘development’ benefits
- 2) Planning and implementing Strategies that achieve the core business objectives and incorporate a deliberate development/corporate win/win
- 3) Partners are not strongly categorized or selected according to whether they are public, private, NGO or other entity : results are sought, not definitions
- 4) Desirable ODA Financial instruments to leverage Private Sector funds should be those financial instruments designed to scale up the efforts. New challenges today often require “topping-up” funding which may not always come from State budgets.
- 5) With greater involvement of the Private Sector and the need to fill some of the gaps, we see that financial markets have created new financial instruments for Development (flexible Grant Schemes, Variable conditional loans similar to

Islamic banking products, Hybrid financing, blending packages of loans & grants, Challenge Funds etc.)

There is a fair level of consensus on a few major recommendations relative to ODA partnerships with Private Sector actors, irrespective of the type of instrument employed :

### **Focus on partner companies' core business competencies**

This is directly correlated to implementation success, measurable impact and sustainability. Seamless integration of the programme's activities in the various companies' and partners' field of business (or at least in their fundamental competences, which may be implied in their core competences) explains a large part of "what works".

### **Leveraged capital for Development with a clear expression of interest between all partners**

ODA, private Actors and Development objectives interest must converge not only in the objective but even more so in the economics of a given project. The funds dedicated to the programme must reflect a concrete, achievable and measureable benefit (including profit, where applicable) to each party. This must be clearly expressed from the origin of the project, in a transparent manner, as a commonly accepted basis.

### **Adopt a value chain approach, to identify potential and roles for both large-scale companies and SMEs, both international and local.**

The business actors, active in either production of goods, services or trade must integrate vertically or horizontally in a way that creates "solidarity of results" in terms of profits. This is true inside the partnership, as per point above (II), but even outside the partnership where upstream or downstream businesses have a role to play in the business model and in the Development impact. This point is of local specific multiplier effect interest since it acts on local SME development. The CSR dimension<sup>58</sup> of this issue must also be taken into account. This is where Private Sector IN Development can meet Private Sector Development ; the impact of collaborative Instruments on Recipient Country enterprises can lead to PSD.

### **Strategic focus on the industrial and trade relations between EU and developing Countries<sup>59</sup>**

In the framework of the EU's new Development instruments, there is a clear logic in identifying and seeking some impact for the Union through value-chains, trade and manufacturing Clusters and logistical corridors. (cf the IMF "Binding Constraint" model, Chapter 5.5)

### **Link with local communities**

The commitment and management of the projects should preferably be driven by a leading private stakeholder (or a group of them) and involve, besides local business partners, significant local public institutions, NGOs and civil society as stakeholders, co-financiers or partners in the project.

### **Balance risks with co-funding and avoid any market distortion**

The well-identified inherent risk of any public money injected into any activity (which is in no way exclusive to such Development-oriented Partnerships), is to be taken into account in

<sup>58</sup> See DFID : Ethical Trading Initiative (ETI) assists companies to improve conditions for workers in their supply chains that span the globe

<sup>59</sup> The Lisbon Treaty provides to the EU a new exclusive competence on "foreign direct investment". The COM will have to develop an all-inclusive investment policy, and although investment promotion will probably remain under the competence of Member States, it is useful to reflect on the possible strategic industrial, technological and trade relevance of the partnerships.

the modalities, volumes and disbursement systems of any public assistance. However, the administrative and security procedures must be designed to be “safe by default” and as “light” as possible, in order to avoid any drag on partner’s specific interests (including commercial).

### **Address the reputational risk in terms of frauds and briberies**<sup>60</sup>

Since the EU’s reputation is politically sensitive great care must be exercised in addressing the issue of allocation of EU funds. This calls for a high level of care in the design of the funding mechanisms, and an outstanding Monitoring & Evaluation infrastructure.

### **Facilitate blending / combination of financial instruments**

The Financing needs of partnerships are various (loans, grants, equity, guarantees, trade finance, etc.) and may well evolve over the life of a project. The funding systems and all related administration must be able to provide ODA funding of various natures and integrate them to other sources of funds.

Procedures and accounting systems must be designed to be both flexible enough to adapt in reasonable time to each unique project & partner combination and formal enough to ensure that there is no sub-optimum financing from EU ODA.

It is suggested that a solution to such a complex requirement may be found in the inclusion, inside each partnership, of a financial partner with financial management tasks (effectively combine and control different instruments such as legal framework, administrative provisions, capacity building, know-how and technology transfer). This would outsource a possible cause of friction and would benefit all partners in a manner that ensures transparency and limits collusions with illegitimate interests.

## **6.4 Some outstanding Core Issues**

All the topic below have been identified in the study as major topics that have strong bearing on the feasibility, practicality and potential of future EU Collaborative approaches based on Private Sector partnerships.

Although, by definition, these points are not given an absolute answer in the study, they are approached and addressed in context, and analysis is given in the chapters above.

As the report has been subjected to intense and careful crowd-examination by all stakeholders during its finalization, it has been clearly confirmed that the topics below are crucial to all :

- \_ Definition of the Private Sector
- \_ Identification and definition of EU objectives
- \_ Guidelines & Safeguards about “financing the private sector”
- \_ Issue of “human rights & Governance” parameter to involvement
- \_ Expectations of each donor “partner” in Development Assistance programmes
- \_ Optimum “task sharing” between EU & Private sector (who does what best?)
- \_ Standardised evaluation tools for EU assistance, at programme & project level
- \_ Traceability of EU Fund allocated under others’ Donor’s management

Opinions may vary as to the optimum manner to design the instruments, prepare their implementation & funding and avoid the numerous pitfalls that will develop, but there is a very large consensus on the need for promoting such partnerships.

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<sup>60</sup> The management of a public-private initiative could be entrusted to a body/institution, which can ensure high standards of international accountability.

## 6.5 Recommendations and suggested next steps for the European Commission

The European Commission's efforts in seeking to conceive, develop and implement new multi-stakeholder partnerships with Private Sector actors are only just beginning, even if in many ways this trend has already begun (in EIB instruments and EU Facilities, for instance).

Clearly, part of the process toward collaborative modes with the Private Sector is cultural and the European Commission needs to develop a more comprehensive and collaborative engagement strategy regarding the private sector.

A useful step would be to establish a Business linkage Team within DG Development possibly in collaboration with other Commission's services.

Such a team would establish contacts, develop networks and expand the relations between the EU and the world of Private Enterprises, either through intermediate organisations or directly. It would also seek inputs from all actors of the Private Sector in relation to the Development strategies and instruments being developed.

A number of bilateral ODA Organisations (SIDA, DFID, DANIDA, BMZ, etc..) have established such "Business Linkage Team", in response to the same need. A difficulty encountered can be institutional ownership and mainstreaming of the issues and instruments within the rest of the organization. This could be addressed by "interactive" steering group involving heads of key departments and teams.

Regarding the continuation of the collective process towards design and implementation of new modalities and approaches, all DGs, and in particular DG DEV and the Steering Committee leading this effort are likely to need to narrow the field of their reflexions towards such approaches by focusing on two main avenues of further inquiry :

### A) Where to apply the approaches

(collaboration with Private Sector on a Country-by-Country basis, Clustering of recipient Countries, Choice of Local or Regional Objectives, definition of partners' profiles, identifying competitive sectors etc..).

### B) The question of experimental design of such approaches

(Progression towards the conception, modelisation and testing of an EU-specific instrument, based on partnership with Private Sector)

It is therefore recommended that deeper analysis be dedicated specifically to these two major topics in the coming months.

There is broad acceptance that the European Commission's value-added vis-à-vis the Member States would be more manifest in implementing approaches based on the Consortium Model, where the EU could better deploy its political leverage capacity. While the study reaches the same conclusion, it is nevertheless very clear that the time scale for implementation of these two instruments differs considerably.

In the short-term, and within a fairly short period, it could be envisaged to create an EU Challenge Fund based on models used by other donors who are successfully achieving their objectives.

Fairly easy setup, low cost and high impact of such a move would establish a well-noticed precedent and would offer the Commission a low-risk success : this in turn will facilitate future evolutions towards better integration of EU ODA into the challenges of the next decades.

Such a fund should target smaller Private Sector actors than the frequently very large and International Corporations participating in the EU's existing EU Africa Infrastructure Trust Fund, and should seek to focus on Regional Cooperation between Enterprises, increased linkages with EU Enterprises and more systematic industrial value-chain approaches. It could even be initially targeted at one or more specific sectors of interest to the EU's Trade and Industrial strategies.

Over a more extended period of time, the major impact of the EU's more systematic adoption of Private Sector Partnership instruments would clearly come from the careful design, focused setup and widespread implementation of "Consortia-type instruments".

These collaborative instruments would be based on :

- \_ Well-defined socio-economic, MDG and macro-economic objectives
- \_ As broad as possible a spectrum of funding scales, in particular aiming at segments not covered by existing EU instruments.
- \_ Simple and comprehensive monitoring and impact-assessment tools
- \_ Careful analysis of recipient Countries' (or clusters') major Development needs (i.e. binding constraints of any nature)
- \_ Geographic (Regional & Clustering) targeting, on the basis of parameters selected to address specific categories of needs (for Recipient Countries, for Trade facilitation and for potential consortium partners)
- \_ Possible sectorial or industrial focus based on economic priorities in terms of Business Value-Chains and EU Trade needs and requirements
- \_ A framework of CSR conditions and Fair business requirement for all consortium partners, inspired by (or conform to) ethical and regulatory norms prevalent in the EU

Beyond the strict brief of this study, it is also recommended that \_besides the increased collaboration with Private Sector encouraged above\_, the European Commission should seek to pool its efforts in such a direction with other Development Institutions that have experience of such a strategy.

This can be envisaged by continuing the excellent trend of joining financial resources with multilateral or bilateral ODA institutions in the framework of existing programmes & instruments, or by seeking their technical and operational inputs for the conception, design and implementation of new EU instruments, addressing different Development targets (Regional or Cluster-based, for instance).

Whether the Challenge Fund model or the Consortium model could seek partnerships with funding agents such as EIB, bilateral development finance institutions and regional banks to setup "lenders' groups".

Naturally, such a mutualised approach is not limited to actual funding (even though the risk of EU budget restrictions exists) : there is also ample scope for synergy in terms of expertise.

Additional collaboration for the funding and management of such instruments (upstream of the actual Development projects themselves), could take place with a wide spectrum of interested parties, notably with bilateral development agencies and UN agencies.

It could also seek collaboration for the dissemination and local management of such projects with Business Intermediate Institutions (Chambers of Commerce, Industrial Federations, Sectorial Bodies etc.) and with geographical relays (Regional Institutions, Local authorities, Associations of Municipalities etc..).

Such "management bodies" could take the form of PPPs themselves.

Management Structures for Collaborative Development instruments of this nature would generate better impact as they would combine financial resources with experience of more than one institution.



## DATABASES & ANNEXES

### **A1: DRAFT Private Sector MDG Friendly September 2010**

Database in e-format, (Excel spreadsheet), as described in Chapter 1.3

### **A2: DRAFT Database for Clustering of ACP Countries September 2010**

Database in e-format, (Excel spreadsheet), as described in Chapter 1.3

### **A3: DRAFT ODA instruments using Private Sector actors September 2010**

Database in e-format, (Excel spreadsheet), as described in Chapter 1.3

### **A4 : Sampling of relevant ODA – Private Sector Partnership Instruments**

Analysis of examples of the numerous partnership instruments, as described in chapter 4.2, operating in a sustainable and efficient way suggests that there exists (at least) two broad and common categories of possible approaches to Development collaboration between ODA and Private actors : these could be identified as the “Consortium model” and the “Challenge Fund model”.

Other Partnership Models exist, notably used by the French Development Institutions, which appear to use “ generis” instruments.

The “**Consortium Model**”, as illustrated by the EU’s FP7<sup>61</sup> or the USAID’s Global Development Alliance<sup>62</sup>.

The “**Challenge Fund Model**”, as employed in many variants by DFID<sup>63</sup> and the Alliance for a Green Revolution in Africa<sup>64</sup> (AGRA).

In order to define the concepts, it is suggested that a very brief description be offered in this chapter of some of the more typical examples of successful instruments within these two categories.

### **Africa Enterprise Challenge Fund (AECF)**

The Africa Enterprise Challenge Fund (AECF) offers grants on a competitive basis to Private Sector companies to support new and innovative business models in Africa. It is a Private Sector fund backed by some of the biggest names in Development finance.

<sup>61</sup> [http://cordis.europa.eu/fp7/home\\_en.html](http://cordis.europa.eu/fp7/home_en.html)

<sup>62</sup> [http://www.usaid.gov/our\\_work/global\\_partnerships/gda/](http://www.usaid.gov/our_work/global_partnerships/gda/)

<sup>63</sup> <http://www.dfid.gov.uk/>

<sup>64</sup> <http://www.agra-alliance.org/>

The fund aims to encourage greater participation by Africa's poor in markets, both as consumers, and as workers and producers. It is focused on funding practical projects that are both commercially viable and will have a developmental impact on the rural poor. Over the next seven years the AECF is expected to stimulate over US\$200 million in Private Sector investment in financial and agricultural markets across Africa.

The Africa Enterprise Challenge Fund is open to proposals from all Countries in Africa. It will focus initially on 13 Countries: Kenya, Uganda, Tanzania, Rwanda, Burundi, Ghana, Nigeria, Mali, Burkina Faso, South Africa, Mozambique, Malawi and Zambia. The fund operates from three regional hubs: Nairobi, Accra and Johannesburg. Multi-Country and regional projects are also eligible.

The Africa Enterprise Challenge Fund is administered by AGRA (Alliance for a Green Revolution in Africa). AGRA is an alliance created in 2006 by The Rockefeller Foundation and the Bill & Melinda Gates Foundation. It aims to improve agricultural productivity and smallholder farmer well-being throughout sub-Saharan Africa. The AECF is funded by DFID, the Consultative Group to Assist the Poor, the International Fund for Agricultural Development, the Netherlands Ministry of Foreign Affairs.

## **THE INVESTMENT CLIMATE FACILITY**

**The Investment Climate Facility for Africa (ICF)** works to remove the barriers that exist to doing business in Africa, recognising that a healthy investment climate is vital for the continent's economic growth.

We are a unique and unprecedented partnership between private companies, Development partners and governments, founded on the principle that African governments and the Private Sector need to work together to enable Africa to finally realise its very real investment potential.

We are the only pan-African body, based in Africa, explicitly and exclusively focused on improving the continent's investment climate. We work with receptive African governments to systematically remove constraints to investment in order to make the continent an even better place to do business.

ICF is committed to delivering tangible and sustainable change over a seven year time frame and will measure our progress solely on our contribution to economic activity.

## **UNDP : INCLUSIVE MARKET DEVELOPMENT APPROACH**

UNDP's Growing Sustainable Business<sup>65</sup> (GSB) initiative grew out of the Global Compact in 2002 and has been instrumental in informing the agency's 2007 private sector strategy on Promoting Inclusive Market Development. GSB provided a pioneering platform and brokerage function to enable companies to engage in pro-poor, commercially viable business activities in developing countries. Looking beyond social investments and philanthropy, the GSB mechanism is a service offered to companies that seek to develop commercially viable business projects within their core business or value chain with a view to increasing profitability and/or engaging in new markets. GSB, offered services to companies such as i) *brokerage* of relationships and dialogue, ii) *co-funding* of market and feasibility studies, iii) support for *project development* and iv) limited *technical assistance* to key partners of

<sup>65</sup> [www.undp.org/partners/business/IMD.shtml](http://www.undp.org/partners/business/IMD.shtml)

companies. The initiative has been implemented in some 19 countries, working with more than 60 companies.

Building partly on the GSB initiative, UNDP has developed a broader “Inclusive Market Development” (IMD) approach. While maintaining a strong focus on engaging companies of different sizes and on brokering development of inclusive business models, the approach takes a wider market sector (or value chain) development focus. The approach includes:

- i) identifying key market sectors that are important for the poor and that have opportunities for growth and investment, including a commitment from leading enterprises to strengthen the market sector;
- ii) assessing the targeted market sector and identifying constraints for its development
- iii) designing solutions that private and market actors can implement;
- iv) facilitating interventions to address constraints and develop inclusive business models;
- v) results measurement, exit strategy and knowledge creation.

A public-private partnership approach is taken throughout the process and UNDP mainly plays a brokering, coordinating role. In addition to working with market actors, appropriate outside partners are engaged to help address constraints at micro, meso and macro levels and to design inclusive business approaches. This includes working with specialized UN agencies, NGOs and others with a view to establish long term sustainable market solutions.

UNDP provides:

- Trusted brokering function between private-public-civil society, linking to Government and “evidence based policy dialogue”
- Resources for market assessments, capacity building
- Wide network of local and international partners to draw on, depending on constraints (including UN specialized agencies)
- Research, development of tools on inclusive business and inclusive markets<sup>66</sup>
- Global platform for companies to get visibility, learning and demonstrate leadership (UNDP is a partner in and hosts the Business Call to Action, see below)
- Wide country presence (135 countries);
- Development expertise (links to environment / climate change, MDGs); knowledge of poor communities

Private sector partners provide:

- Market driven, inclusive business approaches
- Technical expertise, technology
- Understanding of value / supply chains, market access channels
- Investment capital
- CSR resources

Business Call to Action (BCtA)<sup>67</sup> – As part of its inclusive markets and business focus, UNDP is a partner in and hosts the Secretariat for the BCtA, an initiative that challenges and supports companies to develop innovative business models that achieve commercial success and development benefits. Other partners include Governments of Australia, UK, USA, Netherlands and the Global Compact, IBLF, Clinton Global Initiative.

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<sup>66</sup> [www.growinginclusivemarkets.org](http://www.growinginclusivemarkets.org)

<sup>67</sup> <http://www.businesscalltoaction.org>

## The USAID GDA<sup>68</sup> :

Alliances are co-designed, co-funded, and co-managed by partners so that the risks, responsibilities, and rewards of partnership are equally shared. The mutual investment goal of 1:1 leverage (real average is actually 2,7:1 private funding !). They encourage innovative approaches with new partners and deliver a “public good”

USAID provides :

- Government relationships
- Development expertise
- Local and global networks
- Funding
- Convening power
- Long-term Country presence
- Policy influence
- Credibility and good will

Partners provide :

- Market driven approaches
- Access to global supply chains/ markets
- Skills, services and expertise
- Funding
- Technology and intellectual property transfer
- Communications and marketing
- Local business relationships
- Long-term Country commitment

This model of partnership relies upon market-based solutions to advance broader Development objectives. When successful, the resulting alliances are both sustainable and have greater impact providing opportunity for social and economic growth. For USAID, the Private Sector must be directly involved in development, and encouraged to stay involved to improve impact and sustainability. Alliances create Development impacts, beyond specific activities, by demonstrating working models of public-private partnerships. Experience shows that alliances with a strong business case are more likely to be high-impact and sustainable versus the more passive philanthropic contributions. GDA is an innovative public-private alliance model for improving social and economic conditions in developing Countries. It combines assets and experience of varied strategic partners, leveraging their capital and investments, creativity and access to markets to solve complex problems facing government, business, and communities.

It is a model for public-private partnerships, helping to significantly expand and deepen the impact of Development assistance by linking foreign assistance with Private Sector partners. This enables alliance partners -- corporations, foundations, and nongovernmental organizations (NGOs) -- to address jointly defined challenges to the long-term economic and social Development of some of the world's poorest Countries. Through such multi-stakeholder approach, USAID addresses issues and achieves solutions that no single actor could hope to tackle alone.

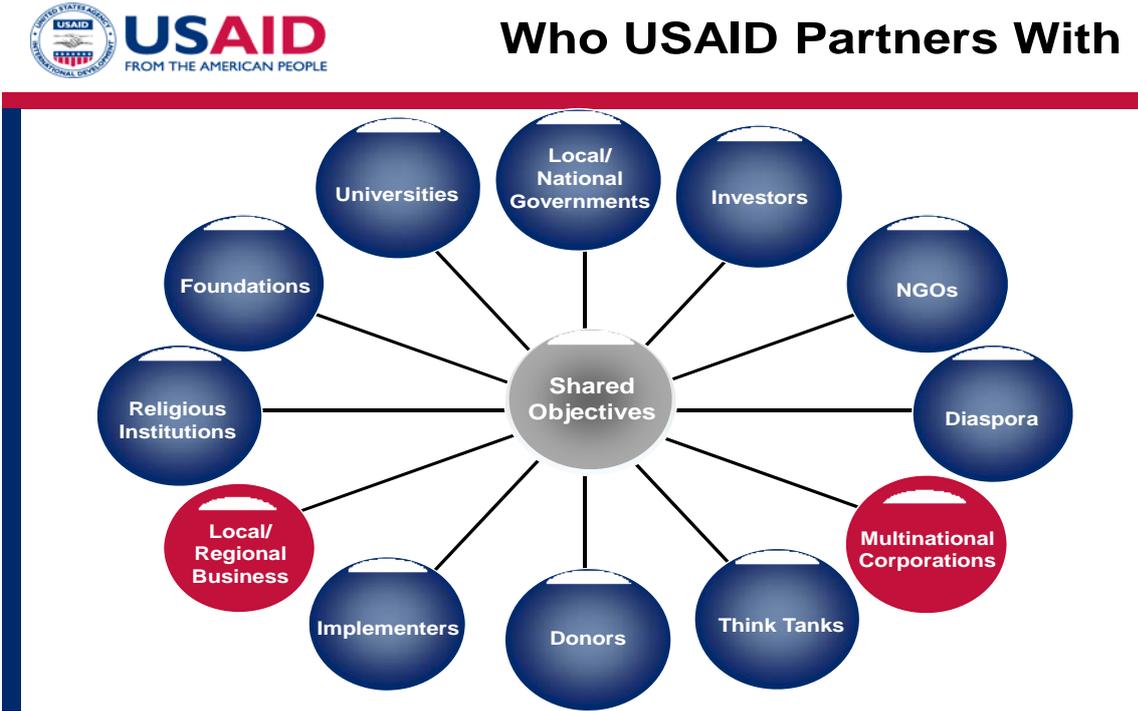
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<sup>68</sup> [http://www.usaid.gov/our\\_work/global\\_partnerships/gda/index.html](http://www.usaid.gov/our_work/global_partnerships/gda/index.html)

USAID has established itself as the global leader in alliance building. Since 2001, USAID has formed more than 900 alliances with over 1,700 distinct partners to leverage more than \$9 billion in combined public and private resources.

Across industry and sector, USAID is working in partnership with both global and local corporations to increase our reach and the effectiveness of Development projects.

A major and unique characteristic of GDA’s success is its speed, market-orientation, and flexibility and ability to work with a broad variety of partners : The display below<sup>69</sup> illustrates the comprehensive nature of who can be a partner :



**The FP7<sup>70</sup> :**

Knowledge lies at the heart of the European Union's Lisbon Strategy to become the "*most dynamic competitive knowledge-based economy in the world*". The '*knowledge triangle*' (Research, Education, Innovation) is a core factor in European efforts to meet the ambitious Lisbon goals. The Seventh Framework Programme (**FP7**) bundles all research-related EU initiatives together under a common roof playing a crucial role in reaching the goals of growth, competitiveness and employment.

Collaborative research projects that form the backbone of the framework programmes, are open to Private Sector partners, whether private research institutes, industry or SMEs. Some parts of FP7 – such as activities in support of small and medium-sized enterprises (SMEs) under the [Capacities](#) programme – are designed explicitly to meet the needs of the Private Sector and develop its capacity for innovation.

The broad objectives of FP7 have been grouped into four categories: **Cooperation, Ideas, People** and **Capacities**. For each type of objective, there is a specific programme corresponding to the main areas of EU research policy. All specific programmes work together to promote and encourage the creation of European poles of (scientific) excellence.

<sup>69</sup> PUBLIC PRIVATE PARTNERSHIPS, Doing Business through Partnership, Nancy Koos Richelle

<sup>70</sup> [http://cordis.europa.eu/fp7/understand\\_en.html](http://cordis.europa.eu/fp7/understand_en.html)

The amended FP7 proposals from the European Commission amount to a total of EUR 50 billion, partitioned as follows:

- Cooperation EUR 32,413 million
- Ideas EUR 7,510 million
- People EUR 4,750 million
- Capacities EUR 4,097 million
- JRC (non-nuclear) EUR 1,751 million
- Euratom (to 2011) EUR 2,751 million

Across all these themes, support to trans-national cooperation is implemented through calls for proposals, under six major headings :

1. Collaborative projects
2. Networks of Excellence
3. Coordination and support actions
4. Individual projects: Support for “frontier” research
5. Support for training and career Development of researchers
6. Research for the benefit of specific groups (in particular SMEs)

To support multi-financed large-scale initiatives, FP7 offers financial contribution to joint implementation of well identified national research programmes. There is also European Commission contribution to implementation of Joint Technology Initiatives for objectives that cannot be achieved through the funding schemes above. These JTIs will mobilise a combination of funding of different kinds and from different sources: private and public, European and national. This funding may take different forms and be allocated or mobilised through a range of mechanisms: support from the Framework Programme, loans from the European Investment Bank (EIB), or risk capital support.

### JICA’s ODA collaboration with Private Sector for Development

Japanese ODA is under the responsibility of several different Institutions, as per graph below<sup>71</sup> :

TYPE	Share (%)	Responsible Ministries & Agencies
Grant assistance	20	MOFA, JICA
Technical cooperation	30	MOFA, JICA (15%), Other ministries and agencies (15%)
Loans	25	MOFA, MOF, METI
Multilateral assistance	25	Mainly MOFA, MOF

#### Acronyms

MOFA Ministry of Foreign Affairs
MOF Ministry of Finance
METI Ministry of Economy, Trade and Industry
JICA Japan International Cooperation Agency

JICA’s partnerships with Private Sector actors aim at three major types of impacts : a) Improvement of Business Environment, b) Promoting Private Participation in Infrastructure, c) Collaboration with CSR and BOP Business.

<sup>71</sup> <http://www.mofa.go.jp/policy/oda/reform/paper0411.pdf>

The principle is to strengthen partnerships with private Corporations and businesses and supporting investment of the business environment in Developing Countries, thereby creating Win-Win-Win situations for developing Countries, Private Enterprises and ODA.

Japanese ODA strategy<sup>72</sup> for cooperation with the Private Sector is based on three tenants :

- Early restructuring of JICA's Private Sector Investment Finance.
- Active utilization of proposals from the Private Sector.
- Packaged assistance for infrastructure projects.

The objective of all JICA Collaborative Private – Public programmes is therefore Increase the presence of Private Sector in developing Countries and to encourage changes in activities of private Corporations towards Development Goals. Japan has designed a very large role of the Private Sector in Japanese ODA policy-making and project identification, planning, and implementation.

Trading companies, known as *sogo shosha*, have been playing a key role in Japan's economic cooperation. They are well placed to identify and formulate projects, their networks and range of activities overseas provide them with access to information and government officials, as well as giving them the capacity to use their operations in a Country as leverage in developing projects. They therefore have unique ability to put together project-financing packages combining ODA with private-sector financing.

Other actors in Private – Public Development partnerships are Public-interest corporations like foundations and associations established by corporations. They provide an additional link between the government and the Private Sector. Such associations as Keidanren thus play an important role in shaping ODA policies and the structure of the ODA system.

A number of technical cooperation activities are undertaken by Private Sector in collaboration with JICA. For example, in a program that began in 1987, ship, steel, and machinery builders are dispatched to government-related organizations and public enterprises in developing Countries to give technical instruction, jointly with JICA and the Employment Promotion Corporation.

JICA works with economic groups, labour groups, and private enterprises to ensure that volunteers can return to their jobs after volunteering overseas, and partially compensates employers for personnel and indirect expenses resulting from the employee's absence. It can be noted that, in line with private-partnership principles, Japanese ODA has been characterized by a much larger share of loans (hence a correspondingly smaller share of grants), relative to the DAC average.

Many private companies also have arrangements to enable employees to participate in JOCV activities without losing job status. Experts from the Private Sector accounted for 36% of all experts dispatched by JICA to developing Countries in 1995 (JICA 1996). Japanese enterprises also instruct trainees from developing Countries in Japan under JICA's training program.

In the "Development Study" part of its technical cooperation program, JICA awards grants for approximately 500 prefeasibility and feasibility Development studies per year. Current JICA rules limit foreign participation to 50 percent of any survey project, but these are open to all Countries.

## **DANIDA BUSINESS TO BUSINESS INSTRUMENT (B2B)**

<sup>72</sup> [http://www.mofa.go.jp/policy/oda/reform/pdfs/review1006\\_summary.pdf](http://www.mofa.go.jp/policy/oda/reform/pdfs/review1006_summary.pdf)

European companies applying for B2B support must be financially sound and have the necessary resources to enter into a long-term partnership. They must as minimum comply with the requirements set out below.

Local companies must meet following requirements:

- Legal registration and domicile in the B2B Country.
- Substantial local ownership or management.
- Experience in the field of business.
- Positive economic results and sufficient resources to engage in a partnership.

Danish companies must meet following requirements:

- Audited company accounts must show a pre-tax profit in at least two of the preceding three years.
- According to the audited accounts for the accounting period most recently completed, the equity must make up at least 15% of the balance-sheet total.
- The company must be credible and creditworthy, and not listed with "RKI Kredit Information A/S" as a bad debtor
- The Danish partner must have the necessary professional expertise in-house to complete the planned activities.
- Applicants must have successfully operated a business in the field covered by the cooperation for at least 5 years. Exemptions from this requirement can be made for emerging industries.
- Danish subsidiaries in B2B Countries, or any other company construction involving Danish ownership, cannot participate in the B2B Programme as local partner.

Requirements for support on multiple projects.

In order to qualify for support on *multiple projects*, the applying company must display positive results on ongoing or previous activities. In general, partner company/companies must be in the Project Phase, and be able to demonstrate positive developmental results, before an application for a new project/phase can be granted. Please note, therefore, that beyond fulfilment of written requirements, applicant companies' portfolio of existing, as well as past B2B projects will also influence assessment of applications

### **Danish Export Guarantee Fund (EKF) offers**

Exporters and financial institutions that have risks in connection with doing business in foreign Countries can be insured with EKF against commercial and political risks.

To be able to give credit is in international trade a competitive parameter equal to price, quality and expertise. Financing export can be necessary as it can be difficult for buyers in developing Countries to raise credit and sufficient liquidity to pay cash.

How big a part the business the EKF can cover depends among others of the type of guaranty, risk buyer and the Country.

EKF covers risks, which the private market (banks and insurance companies) either cannot or will not cover. EKF's activities are limited by a number of rules and regulations, but Danish companies are having the same conditions as other Countries export credit instruments.

For the EKF, Corporate Social Responsibility (CSR) contributes to the economical and environmental sustainability in the world and social responsibility. A substantial part of the CSR-politic is therefore to estimate the environmental risks in connection with the businesses EKF make guarantees for.

It is also important to EKF to know that there is not given any bribes in connection with the business. Exporters must therefore sign a non-bribe statement.

The investments guarantee instrument is to limit the political risk for Danish companies, investing in developing Countries. The instruments also cover the profit for the investment; The guarantee covers only against losses, due to specific political incidents such as nationalisation, expropriation and when it is impossible to take home profit from the investment. To achieve a guarantee the investment should contribute to promote the economics Development in the specific Country.

A guarantee will maximum run for 15 years and cover the risk up to 90% of the invested capital. Profit can be guaranteed up till 20% per year of the invested capital.

The yearly cost is 0,5% of the total guaranteed total amount plus.

The guarantee covers only losses due to political circumstances and will therefore not cover commercial risks. The investor must be a Danish Company.

The investment must be approved by the authorities in the specific Country. The Country shall be on the official list of developing Countries (OECD's DAC list) but the Country's GDP per capita must not exceed 3000 USD.

Commercial credits for goods and similar is not included in the instrument.

Loan can be guaranteed if they are long term, investment like loan. The period must be minimum 5 years and the profit shall be related to the company's profit.

Except for new investments the instrument can also include acquisitions and new capital e.g. as a part of a reconstruction of a takeovers for a economical unhealthy company even though the investor has not previously been involved in the company.

Investment guarantees again political risk and other risks, which are not included of the mentioned instrument, can maybe be included in the Danish Export Credit Fund and at the MIGA (Multilateral Investment Guarantee Agency), under World Bank. Further information can be found at [www.ekf.dk](http://www.ekf.dk) and [www.miga.org](http://www.miga.org)

## MIXED CREDITS

The Mixed Credit Programme offers interest free or low interest loans. A typical loan has 10 years maturity and is aimed at various sectors, e.g. water and sanitation, energy, infrastructure, health and education.

The overall objective of Danish Development aid is to reduce poverty, improve standards of living and contribute to economic growth in developing Countries. This is also the objective of the Danish Mixed Credit Programme that was established by the Danish Government in 1993 – a programme that offers interest free or low interest loans. The loans finance equipment and related services for Development projects in developing Countries. The immediate objective of mixed credits is to help mobilize funds for projects that are financially “non-viable” and, therefore, would not be carried out without financial subsidies. By offering a mixed credit facility, Denmark is able to support Development projects that cannot be financed on normal market conditions or solely by grant aid. The subsidy of a Danish Mixed Credit consists of up to three elements:

- Payment of interest – fully or partly
- Payment of the export credit premium and other financial costs
- Up-front grant to reduce the principal of the loan (only for projects in LDCs)

Most types of projects can be taken into consideration. However, experience shows that eligible projects are often found in the following sectors: water supply and sanitation, renewable energy, infrastructure, environment, health, and education. Maturity is normally 10 years.

## **UNIDO Subcontracting and Partnership Exchange (SPX)**

More than twenty years ago, UNIDO created the Subcontracting and Partnership Exchange (SPX) system to help local firms in developing countries identify the opportunities for supplying components for large company clients. The original network of SPXs provided an information portal with the following objectives:

- \* Collection of technical information on the manufacturing capabilities and capacities of their member enterprises in selected sectors, such as metal, plastics, rubber, electronics and industrial services.
- \* Establishment of a comprehensive, computerized databases of enterprise-level information, using an established nomenclature system
- \* Match-making services to link subcontractors with contracting enterprises seeking qualified and reliable partners to manufacture their products or provide them with services—in effect acting as a clearing house between those seeking and those providing industrial subcontracting, supplies and partnerships.
- \* Organization of international promotion events, such as partnership days, reverse fairs, where large outsourcing firms exhibit their products, and subcontracting fairs

A new approach involves actively engaging with the buying departments of large companies, identifying and mapping their requirements. A needs analysis is then carried out starting from this thorough understanding of their procurement strategies and plans. Potential local suppliers, in turn, complete a self-assessment exercise using a UNIDO benchmarking tool being developed. Self-assessment through a team of trained facilitators (to ensure uniformity for all self assessments) is provided to local firms as a service to help them assess their own competitive position and understand their weaknesses and gaps with respect to buyer expectations. This clear analysis can be used to develop specific upgrading and investment plans required to become competitive suppliers.

Suppliers benefit from an SPX Centre in the following way:

- \* They are receiving SPX services for facilitated self-assessment of their supply capacity, which is not available elsewhere especially in the case of SME suppliers
- \* They are receiving SPX services in investment project formulation with access to UNIDO tools such as COMFAR
- \* They gain access to a system which can directly link them to international buyers

Buyers benefit from an SPX Centre in the following way:

- \* They acknowledge the major saving in the cost of maintaining supplier data and doing supplier audits
- \* They see the potential for a reduction in long-term procurement cost through collaborative supplier development (import substitution strategies)
- \* They can mitigate their business risk through ongoing visibility on a broad supplier base
- \* They can emphasize their role as vehicles for effective social responsibility procurement
- \* They do not need to deal with multiple institutions but can use the SPX Centre as one single point of contact for subcontracting and FDI opportunities on local and global level.

Depending on the institutional set up of each country, the SPX Centre is located either in a private sector association (Chamber of Commerce, Manufacturer's Association, etc.) or a public sector institution (Investment Promotion Agency, SME Development Agency, etc.).

## UNIDO BUSINESS PARTNERSHIP PROJECTS<sup>73</sup>

UNIDO develops and implements its programmes in active partnerships with other UN organizations as well as with public and private development actors. The following are examples of initiatives that were initiated under the UNIDO Business Partnership Programme. UNIDO Business Partnership Projects generally fall under one of the following three themes: (1) Supply Chain Development, (2) Granting SMEs Access to ICT, and (3) Corporate Social Responsibility

- **Supply Chain Development**

The objective of those projects is to enhance the competitiveness of suppliers in selected industry sectors, by helping to enhance the capability to produce export-quality components as well as increase the number of SME suppliers producing such quality products.

- **Granting SMEs access to ICT**

With a view to bridge the digital divide and support local industrial development in developing countries through, UNIDO joins hands with large Transnational Companies (TNC) to facilitate the access to information and communication technologies.

- **Corporate Social Responsibility**

In the spirit of the UN Global Compact, UNIDO enters into partnerships with transnational corporations to (1) promote the uptake of socially and environmentally sustainable business practices across value chains, and (2) support responsible and sustainable business development independent of supply chain considerations. An example of the latter constitutes an alliance UNIDO formed with UNEP and BASF.

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<sup>73</sup> <http://www.unido.org/index.php?id=o73090>

## A5 : Acronyms

AAA	Accra Agenda for Action
ACP	Africa, Caribbean and Pacific Countries
AECF	Africa Enterprise Challenge Fund (DFID)
AECF	Africa Enterprise Challenge Fund
AECID	Spanish Agency for International Development Cooperation
AfT	Aid for Trade
AGOA	African Growth and Opportunity Act
ALLOI	Greek Development Assistance Agency
AMC	Advanced Market Commitments
ASEAN	Association of Southeast Asian Nations
AU	African Union
AWS	Austria Wirtschaftsservice Gesellschaft
BAS	Business Advisory Services
BIO	Belgian Investment Company for Developing Countries
BIT	bilateral investment treaty
BLCF	Business Linkages Challenge Fund
BMZ	German Federal Ministry for Economic Cooperation and Development
BOP	Base of the Pyramid
BoP	Bottom of Pyramid
BSOP	Basic Standard Operating Procedures
CAN	Andean Community of Nations
CDC	CDC Group plc
CDC	Capital for Development
CDR	Corporate Development Responsibility
CEC	Central European Countries
	Convention for the Elimination of all forms of Discrimination Against Women
CEDAW	
CF	Challenge Fund
CIDA	Canadian Development Agency
CIDA	Canadian International Development Agency
CIDA-INC	Canadian Industrial Cooperation Program
CIP	competitive industrial performance
CIS	Commonwealth of Independent States
COFIDES	Compañía Española de Financiación del Desarrollo
CONGDE	Coordination Body of Development NGOs
CPA	Country Programmable Aid
CPF	Country Partnership Framework
CSR	corporate social responsibility
DAC	Development Assistance Committee-OECD
DAF	Development Assistance Fund
DANIDA	Danish ODA
DED	Deutscher Entwicklungsdienst (German Development Service)
DEG	Deutsche Investitions- und Entwicklungsgesellschaft mbH
DFI	Development Finance Institution
DFID	UK Department for International Development
DGCD	Direction Générale de la Coopération au Développement (Belgium)
DGCS	Direzione General per la Cooperazione allo Sviluppo (Italy)
DGF	Development Grant Facility
DGIS-PSOM	Dutch Program for Cooperation with Emerging Markets
DGPOLDE	Directorate General of Development Policy Planning and Evaluation)
DTT	double taxation treaty

EAIF	Emerging Africa Infrastructure Fund
EAP	East Asia and Pacific
EBA	Everything but Arms
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECA	Europe and Central Asia
ECOSOC	Social and Economic Council of the United Nations
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EDFI	European Development Finance Institutions
EFP	European Financing Partners
EIB	European Investment Bank
EMU	European Monetary Union
EPA	economic partnership agreement
EPZ	export processing zone
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FASID	Foundation for Advanced Studies on International Development
FDCF	Financial Deepening Challenge Fund
FDI	Foreign direct investment
FINNFUND	Finnish Fund for Industrial Cooperation
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden
FMO	Netherlands Development Finance Company
FONPRODE	Development Promotion Fund
FSB	Fostering Sustainable Business
FSP	Fond de solidarité prioritaire (France)
FTA	free trade area/agreement
FTE	Full-Time Equivalent
GDA	Global Development Alliances
GDP	gross domestic product
GI	geographic indication
GM(O)	genetically modified (organism)
GNI	GNI Gross National Income
GPOBA	Global Partnership on Output-Based Aid
GSB	Growing Sustainable Business (DFID)
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German)
GVC	global value chain
I>D	Innovation for Development
ICO	International Coffee Organisation
ICP	Indicative Cooperation Programmes
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association (World Bank Group)
IFC	International Finance Corporation (World Bank Group)
IFF	International Finance Facility
IFIS	International Financial Institutions
IFU	Danish Industrialisation Fund for Developing Countries
IHL	International Humanitarian Law
IIA	international investment agreement
IIED	International Institute for Environmental and Development
ILO	International Labour Organization
IMF	International Monetary Fund
IP(R)	intellectual property (right)
IPA	investment promotion agency
IRR	Internal Rate of Return

ISIC	International Standard Industrial Classification
ISO	International Organization for Standardization
ISPA	Instrument for Structural Policies for Pre-Accession
IT	information technology
ITES	IT-enabled services
JV	Joint Venture
KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
LAC	Latin America and the Caribbean
LAC	Latin America and Caribbean
LDCs	least developed Countries
LIC	Low Income Countries
LICs	Least Industrialised Countries
LMIC	Lower Middle Income Countries
Lux Dev	Luxembourg Development Agency
M&A	merger and acquisition
MDBs	Multilateral Development Banks
MDGs	Millennium Development Goals
MEDA EC	European Commission programme for the Mediterranean Countries
MENA	Middle East and North Africa
MFA	Multi-Fibre Arrangement
MFA	Ministry Foreign Affairs
MfDR	Managing for Development Results
MFI	Micro Finance Institution
MIGA	Multilateral Investment Guarantee Agency
MPRG	Major Projects Review Group
MVA	manufacturing value added
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organizations
NIC	newly industrializing Countries
NIE	newly industrializing economy
NORFUND	Norwegian Investment Fund for Developing Countries
NPV	Net Present Value
OBA	Output-Based Aid
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OECD DAC	OECD Development Assistance Committee
OECF	Japanese Overseas Economic Cooperation Fund
OeEB	Oesterreichische Entwicklungsbank
OEI	Organization of Ibero-american States
OPIC	Overseas Private Investment Corporation
ORET	Development Oriented Export Transaction
PCD	Policy Coherence for Development
PIDG	Private Infrastructure Development Group
PPIAF	Public-Private Infrastructure Advisory Facility
PPP	purchasing power parity
PPP	Public-Private Partnership
PROPARCO	Société de Promotion et de Participation pour la Coopération Economique
PSD	Private Sector Development
PSP	Private Sector Participation
R&D	research and development
R+D+ I	Research and Development and Innovation
SA	South Asia
SAR	Special Administrative Region (Hong Kong, Macao)
SBI-BMI	Belgian Corporation for International Investment

SEZ	Special economic zone
SICA	Central American Integration System
SIFEM	Swiss Investment Fund for Emerging Markets
SIMEST	Società Italiana per le Imprese all'Estero
SITC	Standard International Trade Classification
SME	Small and Medium Enterprises
SOE	State-owned enterprise
SOFID	Sociedade para o Financiamento do Desenvolvimento
SPAE	Strategic Plans of Action for the Environment
SSA	Sub-Saharan Africa
Swedfund	Swedfund International
SWF	sovereign wealth fund
TCX	The Currency Exchange Fund
TFP	total factor productivity
TNC	transnational corporation
TNI	Transnationality Index (of UNCTAD)
TRIPS	trade-related aspects of intellectual property rights (also WTO TRIPS Agreement)
UN	United Nations
UN COMTRADE	United Nations Commodity Trade Statistics Database
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	Organisation des Nations unies pour l'éducation, la science et la culture.
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
USAID	United States Agency for International Development
WAIPA	World Association of Investment Promotion Agencies
WB	World Bank
WHO	World Health Organization
WIPS	World Investment Prospects Survey (of UNCTAD)
WIR	World Investment Report
WTO	World Trade Organization

## A6 : List of meetings & people met

Organisation	Person(s) - position	Date	Telephone / mail
BUSINESSEUROPE International Relations Department Brussels	Dr. Adrian van den Hoven, Director Ms. Anka Schild, Advisor	6/7-10	+32(0)2 237 6524  +32(0)2 237 6529 a.schild@businessseurope.eu
DANIDA Private Sector Development Copenhagen	Mr. Theo Ib Larsen, Senior Advisor, Technical Advisory Service	7/6-10	+45 3392 0214 thelar@um.dk
DANISH INDUSTRY DI International Business Development Copenhagen	Ms. Marie Gad, International Policy Advisor Mr. Peter Helk, Manager	13/7-10	+45 3377 3789 <a href="mailto:msh@di.dk">msh@di.dk</a>  +45 3377 3748 peh@di.dk
EIB	Bernard Ziller Catherine Collin	July/August July/August	00 352 4379 82974 00 352 4379 87756
EUROCHAMBERS Brussels	Dirk Vantghem; Director International Affairs Ms. Constanza Negri Biasutti, Senior Advisor;	8/7-10	+32(0)2 282 0869 vantghem@eurochambers.eu negri-biasutti@eurochambres.eu
EUROPE COMMISSION DG External Relations	Mr. Andrea Mogni, Policy Co-ordinator	8/7-10	+32 2 299 34 68 andrea.mogni@ec.europa.eu
EUROPE COMMISSION EuropeAid Co-Operation Office	Ms. Maria del Pilar Molina Sierra, Information, Communication	8/7-10	+32 2 295 60 09 maria-del-pilar.molina- sierra@ec.europa.eu
EUROPE COMMISSION DG Employment, Social Affairs and Equal Opportunities	Ms. Sue Bird, Policy Coordinator	8/7-10	+32 2 295 9452 Susan.bird@ec.europa.eu
EUROPE COMMISSION DGDev Infrastructure and Communication Networks	Paulus Geraedts	July/August	32 2 2980738
EUROPE COMMISSION DGDev Economic Dev Unit	Tijn Van Winsen	July/August	32 2 2990603
SABMiller Plc London	Ms Sue Clark, Director of Cooperate Affairs	20/7-2010	+44(0)20 7659 0100 Sue.clark@sabmillar.com
UNDP New York	Mr. Sahba Sobhani, Programme Manager	8/7-10	+1 212 906 5764 sahba.sobhani@undp.org
UNIDO Office Brussels	Mr. Christophe Yvetot, Representative to EU	8/7-10	+32 2 511 1690 c.yvetot@unido.org
World Bank, IFC, MIGA, Washington	Mr. Andrei Mikhnev, Programme Manager, Business Entry Reforms	7/7-10	+1 202 458 1970 amikhnev@worldbank.org
OVERSEAS DEVELOPMENT INSTITUTE - Private Sector Specialists.	Deborah Johnson Simon Maxwell Geoff Knott R Singh Karen Ellis	26/7- 2010 July/August July/August July/August July/August	d.johnson@odi.org.uk s.Maxwell@odi.org.uk geoff.knott@dsl.pipex.com r.singh@odi.org.uk k.ellis@odi.org.uk
U.S. Agency for International Development	Jerry O'Brien, Deputy Division Chief, Office of Development Partners   Private Sector Alliances	June 2010	<a href="http://www.usaid.gov/gda">http://www.usaid.gov/gda</a>   00 1 202-712- 4455

CEOC, Confederación española de organizaciones empresariales	Esperanza Rivera Cabello, Responsable de cooperacion para el desarrollo	July 2010	<a href="mailto:erivera@ceoe.es">erivera@ceoe.es</a>
AUSTRIA, Ministry for Foreign Affairs, Development Cooperation Policy	Reinhold Gruber	July 2010	43-(0) 501150 - 3830 <a href="mailto:reinhold.gruber@bmaa.gv.at">reinhold.gruber@bmaa.gv.at</a>
BASF Group, Ludwigshafen, Germany	Jan von Herff	July 2010	Phone: +49 621 60-45932, Fax: +49 621 60-49869, E-Mail: <a href="mailto:jan.von-herff@basf.com">jan.von-herff@basf.com</a>
	Xavier Leclair Communications and Government Relations	July 2010	<a href="mailto:xavier.leclair@basf.com">xavier.leclair@basf.com</a>
UNIDO, Vienna	Dr Lalith Goonatilake, Director Trade Capacity Building branch	17/8-10	<a href="mailto:l.goonatilake@unido.org">l.goonatilake@unido.org</a>
	Cormac O'Reilly, Strategic planning Advisor	17/8-10	<a href="mailto:c.oreilly@unido.org">c.oreilly@unido.org</a>
	Igor Volodin, Water Management Unit	17/8-10	<a href="mailto:i.volodin@unido.org">i.volodin@unido.org</a>
	Chakib Jenane, Senior Industrial Development Officer	17/8-10	<a href="mailto:c.jenane@unido.org">c.jenane@unido.org</a>
	Steffen Kaiser, Industrial Development Officer	17/8-10	<a href="mailto:s.kaiser@unido.org">s.kaiser@unido.org</a>
	Gilles Galtieri, Export Consortia Development Consultant	17/8-10	<a href="mailto:g.galtieri@unido.org">g.galtieri@unido.org</a>
	Dolf Gielen, Chief Industrial Energy Efficiency Unit	17/8-10	<a href="mailto:d.gielen@unido.org">d.gielen@unido.org</a>
	Mohamed Dhaoui, Officer in Charge BIT Service Branch	17/8-10	<a href="mailto:m.dhaoui@unido.org">m.dhaoui@unido.org</a>
	JP Landrichter, Resource Mobilisation and Management Unit	17/8-10	<a href="mailto:j.landrichter@unido.org">j.landrichter@unido.org</a>
	Giovanna Ceglie, Clusters and Business Linkages Unit	17/8-10	<a href="mailto:g.ceglicie@unido.org">g.ceglicie@unido.org</a>
	Sarwar Hobohm, Senior Strategic planning Officer, Organisational Strategy & Coordination Group	17/8-10	<a href="mailto:s.hobohm@unido.org">s.hobohm@unido.org</a>
	Mithat Kulur, Chief Investment and Technology Unit	17/8-10	<a href="mailto:m.kulur@unido.org">m.kulur@unido.org</a>
	AFD	Jean mark Bellot	Oct 7 <sup>th</sup> 2010
WSBI / ESBG Brussels	Ian Radcliffe	August 2010	<a href="mailto:Ian.radcliffe@savings-banks.com">Ian.radcliffe@savings-banks.com</a>
BUSINESSEUROPE Brussels	Anka Schild	August 2010	<a href="mailto:a.schild@businessseurope.eu">a.schild@businessseurope.eu</a>
World Savings Banks Institute, aisbl/European Savings Banks Group, aisb	Anne-Françoise Lefèvre, Head of WSBI Institutional Relations	August 2010	00 32 2 211 11 31, fax. + 32 2 211 11 99 , <a href="mailto:anne-francoise.lefevre@savings-banks.com">anne-francoise.lefevre@savings-banks.com</a>

Chambre de Commerce Internationale de Paris	François Seyrac Stephano Bertasi (Director Policy)	September 2010	0033149532890
Nestlé Public Affairs Manager	Cécile Duprez Naudy	Sept 29th	Tel : 0041219242948 Cecile.dupreznaudy@nestle.com
BMZ (Sektorvorhaben Nachhaltige Wirtschaftsentwicklung)	Hanna Bucher	Oct 7 <sup>th</sup> 2010	Hanna.bucher@bmz.bund.de
Irish Dept Foreign Affairs	Sean Hoy	Oct 7 <sup>th</sup> 2010	Sean.hoy@dfa.ie
Ministro degli Affari Esteri (Italia)	Pietro Paolo Proto	Oct 7 <sup>th</sup> 2010	Pietropaolo.proto@esteri.it
Belgium : Dir/. Générale de la Coordination au Développement	Maarten Lievens	Oct 7 <sup>th</sup> 2010	Maarten.lievens@diplobel.fed.be

## A7 : Questionnaire used as interview template

*(Extracts of the document)*

### **Objective of the questionnaire**

This questionnaire seeks to obtain information, knowledge and opinions from institutions, authorities, and individual persons and is a very important part of the effort entitled "*Study of the Role of the Private Sector in Development*".

The direct objective of this project is provide the European Commission with analysis, knowledge, ideas and propositions, to increase the role of the Private Sector in Development and to propose new ideas and instruments for Development involving the Private Sector in development.

As your participation and answer are of great importance to the study we hope and trust that you will use the opportunity to assist us.

### **QUESTIONS**

#### **1) Name of organisation:**

**Name of Managing Director:**

**Name of contact person (if not Managing Director):**

#### **2) Vision and goal for the organisation:**

#### **3) Organisation's main activities:**

**4) Have you any suggestions as to how to best define the "Private Sector" in the study, to make the results as concrete and practical as possible?**

**5) At what stage(s) of a Development project (from initial project conception all the way to final M&E) do you feel the Private Sectors value-added are maximum?**

**6) Do you know good sources of data for information for the "ODA programmes using the Private Sector" template?**

**7) What sort of standard parameters or common indicators could be used for evaluation of a programme's success?**

**8) What sort of resistance to this evolution is likely to be an obstacle to the EC's shift toward ODA models that rely on Private Sector engagement or partnerships?**

**9) Have you any knowledge or experience of specific "best practice models" for effective and efficient use of the Private Sector in Development programmes?**

**10) Do you fully agree upon the parameters included in the "Cluster database?"**

**a) Yes: \_\_\_ (If yes, got to 13)**

**b) No: \_\_\_ (if no, go to 11 and 12)**

**11) Which parameters in the "Cluster Database" do you want to leave out and why?**

**12) Which parameters in the "Cluster Database" do you want to add and why?**

**13) Do you know good sources of information (statistic etc.) for the "Cluster database?"**

**14) Do you have specific ideas, comments or information for the creation of "Clusters" of the ACP Countries, in the light of EC's Development policies, strategies, instruments & projects**

## A8: Political Unions of Africa

Document in e-format, attached

## A9: Description of trade and political agreements

### ANNEX:

#### ACP countries: Description of trade and political agreements

This annex will give a short description of identified ACP regions economic and trade blocks.

#### African Organisations:

Africa has by far the most organizations. This section of the annex will first give a general impression of the many and complex trade blocs of Africa. See also Annex 8.

The **African Economic Community (AEC)** is an organization of [African Union](#) states establishing grounds for mutual economic development among the majority of [African](#) states. The stated goals of the organization include the creation of [free trade areas](#), [customs unions](#), a [single market](#), a [central bank](#), and a common currency (see [African Monetary Union](#)) thus establishing an [economic and monetary union](#).

#### **Goals**

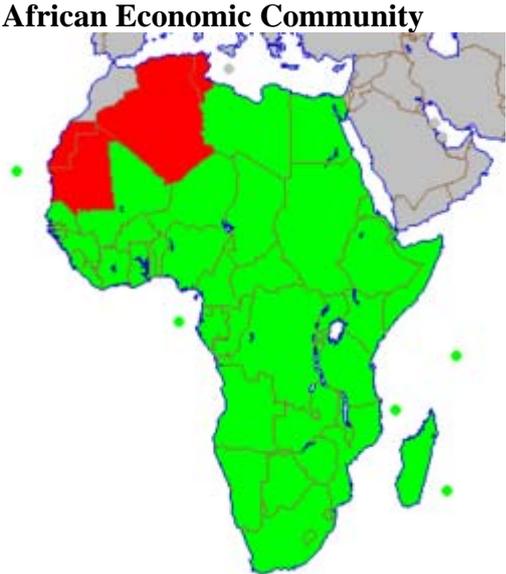
The AEC founded through the [Abuja Treaty](#), signed in 1991 and entered into force in 1994 is envisioned to be created in six stages:

1. (to be completed in 1999) Creation of regional blocs in regions where such do not yet exist
2. (to be completed in 2007) Strengthening of intra-REC integration and inter-REC harmonisation
3. (to be completed in 2017) Establishing of a [free trade area](#) and [customs union](#) in each regional bloc
4. (to be completed in 2019) Establishing of a continent-wide customs union (and thus also a free trade area)
5. (to be completed in 2023) Establishing of a continent-wide **African [Common Market](#) (ACM)**
6. (to be completed in 2028) Establishing of a continent-wide [economic and monetary union](#) (and thus also a [currency union](#)) and [Parliament](#)
7. End of all transition periods: 2034 at the latest

Currently there are multiple [regional blocs](#) in Africa, also known as Regional Economic Communities (RECs), many of which have overlapping memberships. The RECs consist primarily of [trade blocs](#) and, in some cases, some political and military cooperation. Most of these RECs form the "pillars" of AEC, many of which also have an overlap in some of their member states. Due to this high proportion of overlap it is likely that some states with several memberships will eventually drop out of one or more RECs. Several of these pillars also contain subgroups with tighter customs and/or monetary unions of their own:

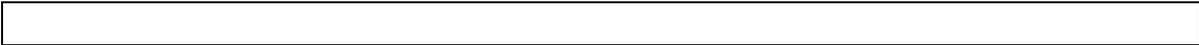
These pillars and their corresponding subgroups are as follows:

<b>Pillars</b>	<b>Subgroups</b>
<a href="#"><u>Community of Sahel-Saharan States</u></a> (CEN-SAD)	
<a href="#"><u>Common Market for Eastern and Southern Africa</u></a> (COMESA)	
<a href="#"><u>East African Community</u></a> (EAC)	
<a href="#"><u>Economic Community of Central African States</u></a> (ECCAS/CEEAC)	<a href="#"><u>Economic and Monetary Community of Central Africa</u></a> (CEMAC)
<a href="#"><u>Economic Community of West African States</u></a> (ECOWAS)	<a href="#"><u>West African Economic and Monetary Union</u></a> (UEMOA)
	<a href="#"><u>West African Monetary Zone</u></a> (WAMZ)
<a href="#"><u>Intergovernmental Authority on Development</u></a> (IGAD)	
<a href="#"><u>Southern African Development Community</u></a> (SADC)	<a href="#"><u>Southern African Customs Union</u></a> (SACU)
<a href="#"><u>Arab Maghreb Union</u></a> (AMU/UMA)	



 members of AEC pillar blocs  states signatories to the AEC Treaty, but not participating in any of the pillars

Source: Wikipedia



## Comparison regional blocs

African Economic Community					
Pillars regional blocs (REC) <sup>1</sup>	Area (km <sup>2</sup> )	Population	GDP (PPP) (\$US)		Member states
			in millions	per capita	
<a href="#">AEC</a>	29,910,442	853,520,010	2,053,706	2,406	53
<a href="#">ECOWAS</a>	5,112,903	251,646,263	342,519	1,361	15
<a href="#">ECCAS</a>	6,667,421	121,245,958	175,928	1,451	11
<a href="#">SADC</a>	9,882,959	233,944,179	737,335	3,152	15
<a href="#">EAC</a>	1,817,945	124,858,568	104,239	1,065	5
<a href="#">COMESA</a>	12,873,957	406,102,471	735,599	1,811	20
<a href="#">IGAD</a>	5,233,604	187,969,775	225,049	1,197	7
Other African blocs	Area (km <sup>2</sup> )	Population	GDP (PPP) (\$US)		Member states
			in millions	per capita	
<a href="#">CEMAC</a> <sup>2</sup>	3,020,142	34,970,529	85,136	2,435	6
<a href="#">SACU</a> <sup>2</sup>	2,693,418	51,055,878	541,433	10,605	5
<a href="#">UEMOA</a> <sup>2</sup>	3,505,375	80,865,222	101,640	1,257	8
<a href="#">UMA</a> <sup>3</sup>	5,782,140	84,185,073	491,276	5,836	5
<a href="#">GAFTA</a> <sup>4</sup>	5,876,960	166,259,603	635,450	3,822	5

1 The [Sahrawi Arab Democratic Republic](#) (SADR) is a signatory to the AEC, but not participating in any bloc yet

2 Economic bloc inside a pillar REC

3 Proposed for pillar REC, but objecting participation

4 Non-African members of GAFTA are excluded from figure

smallest value among the blocs compared largest value among the blocs compared During 2004.

Source: [CIA World Factbook](#) 2005, IMF WEO Database

### Short description of the regional trade blocs

#### 1: AMU

The Arab Maghreb Union (AMU) is a proposed economic integration of the five North African countries—Algeria, Libya, Mauritania, Morocco, and Tunisia—which make up the Maghreb, the Arabic term for the western region of the Arab world. Collectively, the Maghreb countries have a gross domestic product of \$300 billion, based on mid-1990s figures, which is similar in size to the economies of Argentina and Pakistan. As a whole, however, the Maghreb is quite poor on a per capita basis, as GDP amounts to only \$4,000 per each of the region's 80 million persons, a level comparable to that of Lithuania.

The plan for a common market by 2000 was set forth in a treaty of the five nations establishing the trading bloc in 1989. The Maghreb common market was to be modelled somewhat after the European Union's common market, as the AMU treaty was similar to the European Economic Community Treaty of 1957.

Progress toward establishing the Maghreb common market, however, has been much slower than anticipated. Although the first half of the 1990s saw 26 cooperative agreements in such areas as taxation, customs, and central banking, by the mid-1990s the process was far behind schedule. Despite the cultural unity of the Maghreb, which is predominantly Arabic-speaking and Muslim, with a shared historical sense of identity, there have been economic and political obstacles to integration. At the ten-year anniversary of the treaty's signing, there were serious questions about the AMU's future.

Source: Wikipeda

## **2. CBI: Cross Border Initiative**

### **The Cross-Border Initiative**

#### *Objectives and History*

The Cross-Border Initiative (CBI) aims to facilitate private investment, trade and payments between the countries of East and Southern Africa and the Indian Ocean which are members of the PTA, SADCC, and IOC. By so doing it is hoped to move these regional groups towards increased economic integration.

The CBI was jointly launched in early 1992 by the African Development Bank (ADB), the European Commission (EC), the IMF and the World Bank with financing from the US, Swiss and Canadian governments. The Initiative reflects extensive discussions between the cosponsors, the relevant regional institutions and public and private sector representatives of most of the Eastern and Southern African States (Burundi, Comoros, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Reunion, Rwanda, Swaziland, South Africa (in observer status), Tanzania, Uganda, Zambia and Zimbabwe).

**Involvement of the private sector.** Right from the outset, the focus was on finding out from the private sector what was hindering cross-border economic activity. This active participation of the private sector kept the proposed package practical, avoided ideological pitfalls, and helped to overcome some initial resistance by some of the regional organisations. Economic transactions and that they rally around the CBI. The one weakness has been the insufficient involvement of the international private sector, but that is now being remedied by instituting a dialogue with organisations such as the Group of Seven and the European Roundtable (organisations regrouping European firms interested in assisting the development of Africa).

Source: Wikipeda

## **3. CEMAC: Economic & Monetary Community of Central Africa**

The Economic and Monetary Community of Central Africa (or CEMAC from its name in French, *Communauté Économique et Monétaire de l'Afrique Centrale*) is an organization of states of [Central Africa](#) established by [Cameroon](#), [Central African Republic](#), [Chad](#), [Republic of Congo](#), [Equatorial Guinea](#) and [Gabon](#) to promote [economic integration](#) among countries that share a common currency, the [CFA franc](#).<sup>[11]</sup> UDEAC signed a treaty for the establishment of CEMAC to promote the entire process of sub-regional [integration](#) through the forming of [monetary union](#) with the Central Africa [CFA franc](#) as a common currency; it was officially superseded by CEMAC in June 1999 (through agreement from 1994).<sup>[12]</sup>

CEMAC's objectives are the promotion of trade, the institution of a genuine common market, and greater solidarity among peoples and towards under-privileged countries and regions.<sup>[3]</sup> In 1994, it succeeded in introducing quota restrictions and reductions in the range and amount of tariffs. Currently, CEMAC countries share a common financial, regulatory, and legal structure, and maintain a common external tariff on imports from non-CEMAC countries. In theory, tariffs have been eliminated on trade within CEMAC, but full implementation of this has been delayed. Movement of capital within CEMAC is free.<sup>[4]</sup>

Source: Wikipedia

#### **4. CILSS: Permanent Interstate Committee on Drought Control**

The **permanent Interstate Committee for drought control in the Sahel** (French: *Comité permanent inter-État de lutte contre la sécheresse au Sahel* , abbreviated as *CILSS*) is an [international organization](#) of countries in the [Sahel](#).

The CILSS was created in 1973 during the first great [drought](#) in the region with the aim of mobilizing the population in the Sahel and the international community to facilitate urgent need and the organization of works in various domains i.e. rain fed and irrigated agriculture, environment, transport, and communication. In 1995 it centered its activities on basic [food security](#) and the use of [natural resources](#).

List of countries that are a member Burkina Faso; Cape Verde; Gambia; Guinea-Bissau; Mali; Mauritania; Niger; Senegal; Chad.

Source: Wikipedia

#### **5. COMESA: Common Market for Eastern & Southern Africa**

The trade bloc COMESA has 19 member states. The **Common Market for Eastern and Southern Africa**, is a [preferential trading area](#) with nineteen member states stretching from [Libya](#) to [Zimbabwe](#). COMESA formed in December 1994, replacing a Preferential Trade Area which had existed since 1981. Nine of the member states formed a [free trade area](#) in 2000 (Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe), with [Rwanda](#) and [Burundi](#) joining the FTA in 2004 and the [Comoros](#) and Libya in 2006. COMESA is one of the pillars of the [African Economic Community](#). In 2008, COMESA agreed to an expanded free-trade zone including members of two other African trade blocs, the [East African Community](#) (EAC) and the [Southern Africa Development Community](#) (SADC).

Source: Wikipedia

#### **6. EAC: East African Community/Treaty**

The [East African Community](#) (EAC) is the regional intergovernmental organization of the Republics of Burundi, Kenya, Rwanda, Uganda and Tanzania with its Headquarters in [Arusha](#), Tanzania. The [Treaty for Establishment of the East African Community](#) was signed on 30 November 1999 and entered into force on 7 July 2000 following its ratification by the

original three Partner States – Kenya, Uganda and Tanzania. Rwanda and Burundi acceded to the [EAC Treaty](#) on 18 June 2007 and became full Members of the Community with effect from 1 July 2007. The EAC is one of the more naturally homogenous of the African trade blocks given the prevalence of Swahili as a common language in its member countries as well as their long history of regional cooperation, even going back to colonial times.

The EAC aims at widening and deepening co-operation among the Partner States in, among others, political, economic and social fields for their mutual benefit. To this extent the EAC countries established a Customs Union in 2005 and are working towards the establishment of a Common Market by 2010, subsequently a Monetary Union by 2012 and ultimately a Political Federation of the East African States.

Source: Wikipedia

## **7. ECCAS: Economic Community of Central African States**

At a summit meeting in December 1981, the leaders of the Central African Customs and Economic Union (UDEAC) agreed in principle to form a wider economic community of Central African states. ECCAS was established on 18 October 1983 by the UDEAC members and the members of the Economic Community of the Great Lakes States (CEPGL) (Burundi, Rwanda and the then Zaire) as well as Sao Tomé and Príncipe. Angola remained an observer until 1999, when it became a full member.

ECCAS began functioning in 1985, but was inactive for several years because of financial difficulties (non-payment of membership fees) and the conflict in the Great Lakes area. The war in the DRC was particularly divisive, as Rwanda and Angola fought on opposing sides. ECCAS has been designated a pillar of the African Economic Community (AEC), but formal contact between the AEC and ECCAS was only established in October 1999 due to the inactivity of ECCAS since 1992 (ECCAS signed the Protocol on Relations between the AEC and the Regional Economic Communities in October 1999). The AEC again confirmed the importance of ECCAS as the major economic community in Central Africa at the third preparatory meeting of its Economic and Social Council (ECOSOC) in June 1999.

Source: Wikipedia

## **8. ECOWAS: Economic Community of Western Africa**

The Economic Community Of West African States (ECOWAS) is a regional group of fifteen countries, founded in 1975. Its mission is to promote economic integration in "all fields of economic activity, particularly industry, transport, telecommunications, energy, agriculture, natural resources, commerce, monetary and financial questions, social and cultural matters ....."

Source: ECOWAS

## **9. IGAD: The intergovernmental Authority on Development**

The Intergovernmental Authority on Development (IGAD) in Eastern Africa was created in 1996 to supersede the Intergovernmental Authority on Drought and Development (IGADD) which was founded in 1986. In 1983 and 1984, six countries in the Horn of Africa - Djibouti, Ethiopia, Kenya, Somalia, Sudan and Uganda - took action through the United Nations to establish an intergovernmental body for development and drought control in their region. The Assembly of Heads of State and Government met in Djibouti in January 1986 to sign the Agreement which officially launched IGADD with Headquarters in Djibouti. The State of Eritrea became the seventh member after attaining independence in 1993.

Source: IGAD

### **10. IOC: Indian Ocean Commission**

The Indian Ocean Commission (COI), known as the Commission de l'Océan Indien in [French](#), is an intergovernmental organization that joins [Comoros](#), [Madagascar](#), [Mauritius](#), France (for [Réunion](#)), and the [Seychelles](#) together to encourage cooperation. It was started in January 1984 under the General Victoria Agreement. The official language of communication is French.

Objectives:

- diplomatic cooperation;
- economic and commercial cooperation;
- cooperation in the field of agriculture, maritime fishing, and the conservation of resources and ecosystems;
- cooperation in cultural, scientific, technical, educational and judicial fields.

The [Maldives](#) is an observer of the commission. The original ideas were to encourage trade and [tourism](#). Recently, cooperation has focused on marine conservation and fisheries management.

Source: Wikipedia

### **11. SACU: Southern African Customs Union**

SACU is the oldest still existing customs union in the world. <sup>[1]</sup> It was established in 1910 as a Customs Union Agreement between the then Union of South Africa and the High Commission Territories of [Bechuanaland](#), [Basutoland](#), and [Swaziland](#). With the advent of independence for these territories, the agreement was updated and on December 11, 1969 it was relaunched as the SACU with the signing of an agreement between the [Republic of South Africa](#), [Botswana](#), [Lesotho](#) and [Swaziland](#). The updated union officially entered into force on March 1, 1970. After [Namibia](#)'s independence from South Africa in 1990, it joined SACU as its fifth member.

Source: Wikipedia

### **12. SADC: Southern African Development Community**

On 14 August 2001, the 1992 SADC treaty was amended. The amendment heralded the overhaul of the structures, policies and procedures of SADC, a process which is ongoing. One of the changes is that political and security cooperation is institutionalised in the Organ on Politics, Defence and Security (OPDS). One of the principal SADC bodies, it is subject to the

oversight of the organisation's supreme body, the Summit, which comprises the heads of state or government.

In 2008, the SADC agreed to establish a free trade zone with the [East African Community](#) (EAC) and the [Common Market of Eastern and Southern Africa](#) (COMESA) including all members of each of the organizations.

Since 2000 began the formation of the SADC Free trade area with the participation of the SACU countries (South Africa, Botswana, Lesotho, Namibia, and Swaziland). Next to join were Mauritius, Zimbabwe, and Madagascar. In 2008 joined Malawi, Mozambique, Tanzania, and Zambia bringing the total number of SADC FTA members to 12. Angola, DR Congo and Seychelles are not yet participating.

Source: Wikipedia

### **13. WAEMU: West African Economic & Monetary Union**

Known as Union Economique et Monetaire Ouest Africaine (UEMOA). Aim - to increase competitiveness of members' economic markets; to create a common market  
Members - (8) Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo.

The West African Economic and Monetary Union (or UEMOA from its name in [French](#), Union économique et monétaire ouest-africaine) is an organization of eight states of [West Africa](#) established to promote [economic integration](#) among countries that share a common currency, the [CFA franc](#). UEMOA is a [customs union](#) and [monetary union](#) between some of the members of ECOWAS.

Source: Wikipedia

### **14. Commonwealth of Nations**

The [Commonwealth of Nations](#) is a [voluntary association](#) of 54 independent [sovereign states](#) (one of whose membership is currently suspended). Most are former [British colonies](#), or dependencies of these colonies. No one government in the Commonwealth exercises power over the others, as in a [political union](#). Rather, the relationship is one of an [international organization](#) through which countries with diverse social, political, and economic backgrounds are regarded as equal in status, and co-operate within a framework of common values and goals, as outlined in the [Singapore Declaration](#).<sup>[1]</sup> These include the promotion of [democracy](#), [human rights](#), [good governance](#), the [rule of law](#), [individual liberty](#), [egalitarianism](#), [free trade](#), [multilateralism](#), and [world peace](#), and are carried out through multilateral projects and meetings.

Source: Wikipeida

### **15. OHADA**

**OHADA** is a system of [business](#) laws and implementing institutions adopted by sixteen [West](#) and [Central African](#) nations. OHADA is the French acronym for "Organisation pour l'Harmonisation en Afrique du Droit des Affaires", which translates into English as "Organisation for the Harmonization of Business Law in Africa". The OHADA Treaty is made up today of 16 African states. Initially fourteen African countries signed the treaty, with two countries ([Comoros](#) and [Guinea](#)) subsequently adhering to the treaty and a third (the [Democratic Republic of Congo](#)) due to adhere shortly. The Treaty is open to all states, whether or not members of the [Organisation of African Unity](#)<sup>[1]</sup>.

The stated purpose of the initiative is to facilitate and encourage both domestic and foreign investment in the member states, and seeing as how most of the participating countries are former [French colonies](#), they draw chiefly on a modernized French legal model to achieve their goals. The laws promulgated by OHADA are exclusively business-related. The OHADA treaty has created a supranational court to ensure uniformity and consistent legal interpretations across the member countries, and the French influence in court proceedings is apparent<sup>[2]</sup>.

#### Member States



Map of Africa with OHADA member states in green. Other states of sub-Saharan Africa are dark gray. The Democratic Republic of Congo, an OHADA candidate state, is dark green.

Source: Wikipeda

## **16. FRANCOPHONIE**

**Francophonie** is an international organization of polities and governments with [French](#) as the mother or customary language, where in a significant proportion of people are [francophones](#) (French speakers) or where there is a notable affiliation with the French language or [culture](#).

Formally known as the *Organisation internationale de la Francophonie* (**OIF**) or the **International Organization of the Francophonie**,<sup>[2]</sup> the organization comprises 56 member states and governments, 3 associate members, and 14 observers. *Francophonie* may also refer, particularly in French, to the global community of French-speaking peoples,<sup>[3]</sup> comprising a network of private and public organizations promoting special ties among all Francophones.<sup>[4]</sup> In a majority of member states, French is not the predominant native language.

Source: Wikipeda

### **17. Council of the Entente (Entente)**

Established - 29 May 1959

Aim - to promote economic, social, and political coordination

Members - (5) Benin, Burkina Faso, Cote d'Ivoire, Niger, Togo

Source: Wikipeda

### **18. AFTZ: Africa Free Trade Zone**

The Africa Free Trade Zone (AFTZ) is a [free trade zone](#) announced at the [EAC-SADC-COMESA Summit](#) on Wednesday October 22, 2008 by the heads of [Southern African Development Community](#) (SADC), the [Common Market for Eastern and Southern Africa](#) (COMESA) and the [East African Community](#) (EAC). The African Free Trade Zone is also referred to as the **African Free Trade Area** in some official documents and press releases.

The leaders of the three AFTZ trading blocks, COMESA, EAC, and SADC, announced the historic agreement, an agreement aimed to create a single free trade zone to be named the **African Free Trade Zone**, consisting of 26 countries with a GDP of an estimated \$624bn (£382.9bn). It is hoped that the African Free Trade Zone agreement would ease access to markets within the AFTZ zone and end problems arising from the fact that several of the member countries in the AFTZ belong to multiple regional groups.

The AFTZ is considered a major step in the implementation of the AEC, an organization of African Union states establishing grounds for mutual economic development among the majority of African states. The stated goals of the AEC organization include the creation of free trade areas, customs unions, a single market, a central bank, and a common currency thus establishing an economic and monetary union for the African Union.

Source: Wikipeda

### **19. Mano River Union**

The **Mano River Union (MRU)** is an international association established in [1973](#) between [Liberia](#) and [Sierra Leone](#). In [1980](#), [Guinea](#) joined the union. The goal of the Union was to foster economic cooperation among the countries. It is named for the [Mano River](#) which begins in the Guinea highlands and forms a border between Liberia and Sierra Leone.

Due to conflicts involving the countries the objectives of the Union could not be achieved (see [Sierra Leone Civil War](#), [Liberian Civil War](#)). However, on May 20, 2004, the Union was reactivated at a summit of the three leaders of the Mano River Union states, Presidents [Lansana Conté](#) of Guinea, [Ahmad Tejan Kabbah](#) of Sierra Leone and Chairman [Gyude Bryant](#) of Liberia.. On April 1, 2008, [Cote d'Ivoire](#) agreed to join the union during a state visit by President Johnson-Sirleaf.

Source: Wikipeda

## **20. CEN-SAD**

CEN-SAD was established in [February 1998](#) by six countries, but since then its membership has grown to 28. One of its main goals is to achieve economic unity through the implementation of the free movement of people and goods in order to make the area occupied by member states a [free trade area](#). At the international level, CEN-SAD gained observer status at the [UN General Assembly](#) in 2001 and concluded association and cooperation accords with the [United Nations Economic Commission for Africa](#) (ECA) as well as with UN specialized agencies and institutions such as [UNDP](#), [WHO](#), [UNESCO](#), [FAO](#), and the [Permanent Interstate Committee for drought control in the Sahel](#).

All CEN-SAD member countries are also participating in other African economic unions, that have the aim to create a common [African Economic Community](#). The envisioned Free Trade Area of CEN-SAD would be hard to practically implement, because it is overlapping with the envisioned [Customs Unions](#) of [ECOWAS](#), [ECCAS](#) and [COMESA](#) and other [trade blocs](#) more advanced in their integration.

Source: Wikipeda

## CARRIBEAN STATES

### **21. ACS: ASSOCIATION OF CARIBBEAN STATES**

The Convention Establishing the Association of Caribbean States (ACS) was signed on 24 July 1994 in Cartagena de Indias, Colombia, with the aim of promoting consultation, cooperation and concerted action among all the countries of the Caribbean, comprising 25 Member States and three Associate Members. Eight other non-independent Caribbean countries are eligible for associate membership.

**Functions .** The objectives of the ACS are enshrined in the Convention and are based on the following: the strengthening of the regional co-operation and integration process, with a view to creating an enhanced economic space in the region; preserving the environmental integrity of the Caribbean Sea which is regarded as the common patrimony of the peoples of the region; and promoting the sustainable development of the Greater Caribbean.

**Organisation .** The main organs of the Association are the Ministerial Council , which is the principal organ for policy-making and direction of the Association, and the Secretariat.

There are five Special Committees on : Trade Development and External Economic Relations; Sustainable Tourism; Transport; Natural Disasters; and Budget and Administration. There is also a Council of National Representatives of the Special Fund responsible for overseeing resource mobilisation efforts and project development.

#### **Members**

Antigua and Barbuda, Bahamas, Barbados, Belize, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Suriname, Trinidad and Tobago, Venezuela.

#### **Associate Members .**

Aruba, France (on behalf of French Guiana , Guadeloupe and Martinique ), the Netherlands Antilles and Turks and Caicos.

**Founding Observers.** In view of the emphasis upon promoting, consolidating and strengthening the regional cooperation and integration process , and in recognition of the unique role envisaged in the Convention for the sub regional integration organisations in the fulfilment of the purposes and functions of the Association, the

Secretariat entered into special arrangements with the Caribbean Community ( CARICOM ) Secretariat , the Latin American Economic System ( SELA ) , the Central American Integration System ( SICA ) and the Permanent Secretariat of the General Agreement on Central American Economic Integration ( SIECA ) to facilitate their participation in the works of the Ministerial Council and the Special Committees.

Source: Wikipeda

## **22. OECS: Organisation of Eastern Caribbean States**

The Mission of the Organisation of Eastern Caribbean States is to be a Center of Excellence contributing to the sustainable development of OECS Member States by supporting their strategic insertion into the global economy while maximizing the benefits accruing from their collective space.

Established - 18 June 1981; effective - 4 July 1981

Aim - to promote political, economic, and defense cooperation

Members - (9) Anguilla, Antigua and Barbuda, British Virgin Islands, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines

The Organisation's Objectives

As set out in the Treaty of Basseterre:

- To promote co-operation among the Member States and the regional and international level;
- To promote unity and solidarity among the Member States and to defend their sovereignty, territorial integrity and independence;
- To assist the Member States in the realization of their obligations and responsibilities to the international community with due regard to the role of international law as a standard of conduct in their relationships;
- To seek to achieve the fullest possible level of harmonization of foreign policy among the Member States; to seek to adopt, as far as possible, common positions on international issues and to establish and to maintain wherever possible, arrangements for joint overseas representation and/or common services;
- To promote economic integration among the Member States
- To pursue these purposes through its respective institutions by discussion of questions of common concern and by agreement and common action.

Source: Wikipeda

## **23: SELA: Latin American Economic System (LAES)**

Also known as Sistema Economico Latinoamericana (SELA). Established - 17 October 1975

Aim - to promote economic and social development through regional cooperation. Members - (27) Argentina, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras,

Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Secretaria General Iberoamericana, Suriname, Trinidad and Tobago, Uruguay, Venezuela

Source: Wikipeda

## **24. ALBA: Bolivarian Alliance for the Peoples of Our America**

The **Bolivarian Alliance for the Peoples of Our America** ([Spanish](#): *Alianza Bolivariana para los Pueblos de Nuestra América*, or ALBA) is an international cooperation organization based on the idea of social, political, and economic integration between the countries of [Latin America](#) and the [Caribbean](#). It is associated with [socialist](#) and [social democratic](#) governments and is an attempt at regional economic integration based on a vision of social welfare, [bartering](#) and mutual economic aid, rather than [trade liberalization](#) as with [free trade agreements](#). ALBA nations are in the process of introducing a new regional currency, the [SUCRE](#). It is intended to be the common virtual currency by 2010 and eventually a [hard currency](#). On Tuesday, July 6, 2010, Venezuela and Ecuador conducted the first bilateral trade deal between two ALBA countries using the new trading currency, the Sucre, instead of the US dollar.<sup>[1]</sup>

Source: Wikipeda

## **25: CARICOM: Caribbean Community**

The Caribbean Community (CARICOM), is an organization of 15 Caribbean nations and dependencies. CARICOM's main purposes are to promote economic integration and cooperation among its members, to ensure that the benefits of integration are equitably shared, and to coordinate foreign policy.<sup>[1]</sup> Its major activities involve coordinating economic policies and development planning; devising and instituting special projects for the less-developed countries within its jurisdiction; operating as a regional single market for many of its members (Caricom Single Market); and handling regional trade disputes. The secretariat headquarters is based in [Georgetown, Guyana](#).

Since the establishment of the Caribbean Community (CARICOM) by the mainly English speaking parts of the Caribbean region CARICOM has become multilingual in practice with the addition of [Dutch speaking Suriname](#) on 4 July 1995 and [Haiti](#), where [French](#) and [Haitian Creole](#) are spoken, on 2 July 2002. IN 2001, the heads of government signed a [Revised Treaty of Chaguaramas](#) thus clearing the way for the transformation of the idea for a [Common Market](#) aspect of CARICOM into instead a [Caribbean \(CARICOM\) Single Market and Economy](#). Part of the revised treaty among member states includes the establishment and implementation of the [Caribbean Court of Justice](#).'

Source: Wikipeda

## **26. LAIA: Latin American Integration Association**

The **Latin American Integration Association**; known as **ALADI** or, occasionally, by the English acronym **LAIA**) is a [Latin American](#) trade integration association, based in [Montevideo](#). Its main objective is the establishment of a common market, in pursuit of the economic and social development of the region. Signed on August 12, 1980, the Montevideo Treaty<sup>[1][2]</sup> is an international legal framework that establishes and governs the Latin American Integration Association. It sets the following general guidelines regarding trade

relations between signatory countries: pluralism, convergence, flexibility, differential treatment and multiplicity.

Source: Wikipeda

## **PACIFIC COUNTRIES**

### **31. APEC: Asia-Pacific Economic Cooperation**

Asia-Pacific Economic Cooperation, or APEC, is the premier forum for facilitating economic growth, cooperation, trade and investment in the Asia-Pacific region. APEC is the only inter governmental grouping in the world operating on the basis of non-binding commitments, open dialogue and equal respect for the views of all participants. Unlike the WTO or other multilateral trade bodies, APEC has no treaty obligations required of its participants. Decisions made within APEC are reached by consensus and commitments are undertaken on a voluntary basis.

APEC's 21 Member Economies are Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Republic of the Philippines; The Russian Federation; Singapore; Chinese Taipei; Thailand; United States of America; Viet Nam.

Source: apec.org

### **32. MSG: Melanesien Spearhead Group**

The **Melanesian Spearhead Group (MSG)** is an [intergovernmental organization](#), composed of the four [Melanesian](#) states of [Fiji](#), [Papua New Guinea](#), [Solomon Islands](#) and [Vanuatu](#) as well as the [FLNKS](#) of [New Caledonia](#). It was founded as a political gathering in 1983. On 23 March 2007, members signed the *Agreement Establishing the Melanesian Spearhead Group*, formalizing the group under international law. One of the key features of the MSG is the *Melanesian Spearhead Group Trade Agreement*, a sub-regional [preferential trade agreement](#) established to foster and accelerate [economic development](#) through trade relations and provide a political framework for regular consultations and review on the status of the Agreement, with a view to ensuring that trade both in terms of [exports and imports](#) is undertaken in a genuine spirit of Melanesian Solidarity and is done on a [most favoured nation](#) (MFN) basis.

Source: Wikipeda

### **33. PICTA: Pacific island countries Trade Agreement**

The Pacific Island Countries Trade Agreement<sup>[11]</sup> (PICTA) aims to establish a free-trade area between fourteen of the Pacific Islands Forum countries. As of November 2006, it had been signed by twelve countries (not signed by [Marshall Islands](#) or [Palau](#) per PICTA status report)<sup>[12]</sup>: Cook Islands, Fiji, Kiribati, Micronesia, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu. As of March 2008, six countries had announced that domestic arrangements had been made enabling them to trade under the agreement:<sup>[12]</sup> [Cook Islands](#), [Fiji](#), [Niue](#), [Samoa](#), [Solomon Islands](#),<sup>[13]</sup> [Vanuatu](#).<sup>[14]</sup>

After entry into force, countries commit to remove tariffs on most goods by 2021. As of April 2008, The Forum Island Countries are also negotiating an [Economic Partnership Agreement](#) (EPA) with the [European Union](#). It is important to note that the PICTA discussed here covers

only trade of goods. As of April 2008, there is an ongoing negotiation to design and agree on a protocol to include trade in services and the temporary movement of natural persons (a broader concept than the [GATS's Mode 4](#))

### **34. SPARTECA: South Pacific Regional Trade and Economic Cooperation Agreement**

Established – 1981. Aim - to redress unequal trade relationships of Australia and New Zealand with small island economies in the Pacific region. Members - (16) Australia, Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, NZ, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu

#### **A10 : Terms of Reference**

Attached as e-document