ECONOMIC AND PRIVATE SECTOR

PROFESSIONAL EVIDENCE AND APPLIED KNOWLEDGE SERVICES

HELPDESK REQUEST

Understanding EU and European Bilateral Donor approaches to working with and through business with Overseas Development Assistance

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Abbreviations

ACEF	Africa Enterprise Challenge Fund
AEF	Access to Emergency Fund
AIF	Arab Investment Fund
B2B	Business-to-Business Programme
BMZ	Federal Ministry for Economic Cooperation and Development
BoP	Base of the Pyramid
BPD	Business Project Development
BPS	Business Partnership Support
CBI	Centre for the Promotion of Imports from Developing Countries
CD	Capacity Development
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DCIF	Danish Climate Investment Fund
DEG	Deutsche Investitions- und Entwicklungsgesellschaft mbH
DFID	Department for International Development
DGGF	Dutch Good Growth Fund
EKF	Export Kredit Fonden (Export Credit Fund)
EU	European Union
FDOV	Facility for Sustainable Entrepreneurship and Food Security
FOM	Facility Emerging Markets
FOM OS	Fonds Opkomende Markten Ontwikkelingslanden (Emerging Market Funds)
GFP	German Food Partnership
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IDF	Infrastructure Development Fund
IDH	The Sustainable Trade Initiative
IFU	Investment Fund for Developing Countries
MMF	Matchmaking Facility
MSME	Micro, Small and Medium-sized Enterprise
NGO	Non-Governmental Organisation
ODA	Overseas Development Assistance
OECD	Organisation of Economic Cooperation and Development
OPM	Oxford Policy Management
ORIO	The Facility for Infrastructure Development
MFA	Ministry of Foreign Affairs
PPDP	Public Private Development Partnership
PPP	Public/Private Partnership
PSI	Private Sector Investment Programme
SME	Small- and Medium-sized Enterprise
SLWP	Sustainable Land and Water Programme
SPOC	Single Point of Contact

1 Outline of the Query and Approach

The helpdesk query focuses on the current support activities that the Netherlands, Germany, Denmark, Sweden and Finland are providing to firms and which are also classified as Overseas Development Assistance (ODA). The objectives were:

1. To map the different schemes which provide support to business in the five countries
2. To outline the institutional arrangements for delivering these schemes
3. To develop a profile of ODA treatment for the countries and schemes reviewed.

An attempt was made to:

- Review policy documents, government websites and other information in the public domain to develop a map of the schemes offering support to business.
- Identify the different government departments involved in administering and delivering these schemes in each country, to find out the coordination mechanisms that exist across different parts of government and whether any new organisational arrangements have been put in place to manage these schemes.
- Understand whether the schemes identified count towards the countries' ODA expenditure. Each countries approach to ODA classification with Development Assistance Committee (DAC)'s guidelines has been compared.

Since the global financial crisis, European countries have been under intensified pressure to curtail ODA spending, as well as to prove its value. A number of countries have articulated their will to work with the private sector as a 'win-win' situation: it assists domestic businesses that wish to invest in emerging economies as well as helping companies in countries listed in the ODA listed countries benefit from technology and skill transfer. The importance of investing in private sector development was emphasized at the Fourth High Level Forum on Aid Effectiveness at Busan in 2011. Similarly, discussions about the role that businesses can play in development have coloured discussions about the post-2015 framework. There has been a shift in the language from the disempowering term 'aid' to 'development cooperation' which is thought to more adequately reflect the more balanced power relations at play. Corporate Social Responsibility (CSR) values such as sustainability and an awareness of the environment have been highlighted in recent policies.

The report is structured on a country-by-country basis. First a description of recent development cooperation policies and attitudes of each government towards private sector development is provided. Secondly, a list of schemes that relate to support of business is outlined with a brief description of each. The focus has been on highly visible schemes which are present on government websites; it has not been possible to report on country-level projects due to time limitations. Thirdly, the researcher has drawn-up an organizational map which illustrates the institutional arrangements for delivering these schemes. These organograms are specific to the purpose of this report and are done by the researcher based on the available public information. Lastly, where possible, data on budget lines to private sector development and ODA expenditure are provided.

The researcher concedes that there is unclear information about whether funding for these business schemes count towards ODA or not. This is a major limitation of the study and has not been addressed in any detail. It is advised that the client should contact the agencies directly to seek this information.

2 Netherlands

Despite cutbacks for nearly all segments (such as education, health care and civil society), the Netherlands Cabinet will be spending a substantial and growing budget on the private sector in the coming years (Action Aid et. al. 2013). This strategy is most notably expressed in the policy paper entitled 'A World to Gain: A New Agenda for Aid, Trade and Investment,' where the aim is the synergise trade and development policy (Ploumen 2013). The new strategic agenda has three main aims: eradicating extreme poverty ('getting to zero') in a single generation, sustainable, inclusive growth for all and success for Dutch companies abroad. Efforts to enable business include effective rule of law, transparent legislation, suitable infrastructure and access to finance. There is a strong emphasis on companies complying with sustainability and corporate social responsibility criteria, including a commitment to abide by European Union (EU) rules on country-by-country reporting.

Within this policy paper, Ploumen (2013) defines the three types of relationships with developing countries: aid relationships, transitional relationships and trade relationships. A set number of countries are listed for each type of relationship.[1] It is transitional relationships that are of crucial importance to this paper. These relationships are with low- and middle-income emerging economies and where there is a combination of aid and trade. Support will be provided to these countries to strengthen their market access and enhance their business climate. Transitional relationships will be created and maintained in Bangladesh, Benin, Ethiopia, Ghana, Indonesia, Kenya, Mozambique and Uganda. Partial agreements within the Doha Development Agenda will be concluded to increase the access of the Netherlands to international and regional markets for countries that it maintains a transitional relationship with. For those low- and middle-income countries where it does not maintain a transitional relationship, the Netherlands affirms that it will remain active through private sector programmes, economic diplomacy or aid through the EU or multilateral institutions.

2.1 NL Agency

The Netherlands Enterprise Agency (formally known as the NL agency) is a department of the Dutch Ministry of Economic Affairs, Agriculture and Innovation, and is responsible for implementing government policy for sustainability, innovation and international business and cooperation. NL agency has a number of subsidises and programmes which are elaborated upon below.

2.1.1 Facility for Sustainable Entrepreneurship and Food Security (FDOV)

International initiatives currently taking place include Facility for Sustainable Entrepreneurship and Food Security (FDOV), which is part of the Public-Private

[1] Ploumen describes the criteria that were taken into consideration in deciding which countries would be chosen: these are income levels and levels of poverty, UNDP's Human Development Index, the activities of other donors, the knowledge and skills that the Netherlands has to offer, opportunities for the Dutch private sector and the historical relationship with the Netherlands.

Partnership (PPP) facility, and is carried out by the NL Agency on behalf of the Dutch Ministry of Foreign Affairs (MFA). This programme stimulates PPP in private sector development in developing countries. Companies in developing countries may enter into a cooperative partnership with the Dutch MFA and become eligible for grants for a programme that focuses on legislation entrepreneurship, infrastructure, financial sector, knowledge and skills or market access and development. In addition to a business and the MFA, public institutions and knowledge institutions may also enter into the PPP. Involvement of a Non-Governmental Organisations (NGO) is compulsory. Of the participating institutions, at least one (other than the MFA) must come from The Netherlands and at least one must come from the developing country in which the activity will take place. One institution will be the secretary in the partnership; this role can be carried out by either the Dutch or the foreign entity. The FDOV grant will contribute a maximum of 50 per cent of the financing for a programme, supplementing the funds made by the partnership. In 2012, 29 projects received a subsidy under this programme with a total investment of €85 million.2

2.1.2 Ghana WASH Window

The Ghana WASH Window supports public-private projects in Water, Sanitation and Hygiene (WASH) and/or urban water management in Ghana and is run by the NL Agency for the Dutch MFA. Specifically, it is aimed at the sub-themes of sanitation and hygiene, improved waste management, access to and use of safe drinking water and urban water management. Projects that participate are expected to offer sustainable solutions with importance attached to CSR. Applying partnerships must consist of one public institution and one firm, as well as either an NGO or a knowledge institution. At least one party must be Dutch and one must be Ghanaian. The Ghana WASH Window contributes 60 percent, at most, to financing of a project; this can be equivalent of between €600,000 and €3 million.

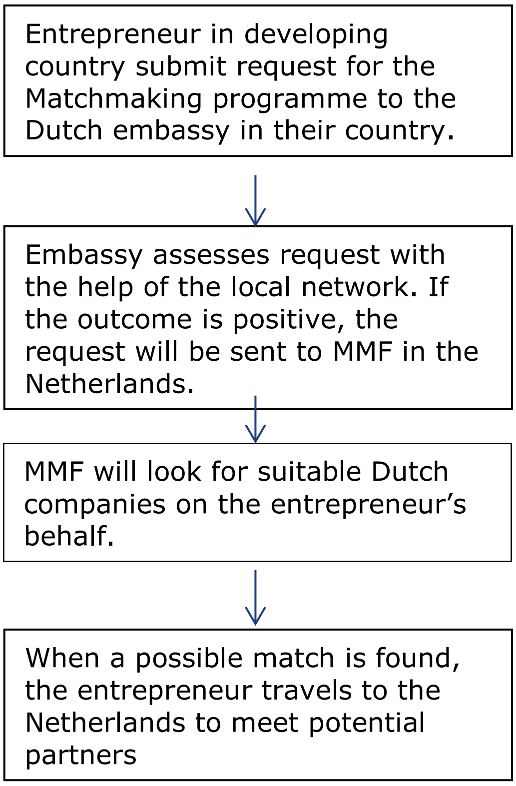
2.1.3 Matchmaking Facility (MMF)

Carried out by the NL Agency on behalf of the Dutch MFA, the Matchmaking Facility (MMF) is a programme that establishes structural and long-term corporate relationships between an entrepreneur from a developing country and a Dutch entrepreneur.3 The relationship could result in an export or import business opportunity, an application for the Private Sector Investment Programme (PSI) or in a PPP. To find the best match, the foreign firm visits various prospective Dutch companies before making a final decision on a partnership. The following flow chart highlights the application process, and the various institutions involved in this.

[2] Approved projects for 2012 are summarized on the Netherlands Enterprise Agency website: http://english.rvo.nl/sites/default/files/2013/12/Overview%20FDOV%20projects%20call%202012.pdf

[3] Only entrepreneurs from certain countries are eligible. These are listed on: http://english.rvo.nl/subsidies-programmes/do-i-qualify-mmf

Figure 1: Application process for the Matchmaking Facility



Source: Author's own

The case study below is illustrative of the results that the Matchmaking Facility can achieve. It is taken directly from an NL Agency publication.

<u>Case Study: Connection</u>

It all started in 2009, when businessmen Aouad and Boustani visited the Netherlands. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of internet provider Isocel from Benin in Africa were looking for ambitious business partners to expand their broadband internet network into rural areas of Benin. The businessmen wanted to set up internet community centres, where people could work on second-hand computers and follow lessons in computing. MMF brought Aouad and Boustani into contact with Dutch consultants, financial institutions and suppliers of Information and Communication Technology (ICT) products. These contacts brought both men the collaboration they sought. Together with one of the Dutch partners they submitted an application – since honoured – to the Private Sector Investment (PSI) programme. Intensive work is now being carried out on the network and telecentres in the African country. The ministry of ICT in Benin, too, is participating in the project. In the long term, all the parties involved will contribute to the country's economic growth. According to a researcher at the World Bank, an increase of 10 percent in fast internet connections will bring economic growth of 1.3 percent. These are the things a good match can lead to.

Source: NL Agency 2011

2.1.4 The Facility for Infrastructure Development (ORIO)

The Facility for Infrastructure Development (ORIO) was established in 2009 as a successor to the Development-Related Export Transactions Programme (ORET-program). It encourages public-infrastructure development in developing countries in order to contribute to human development and private sector development. The sectors of focus are water, environment, energy, transport and logistics, ICT, social services and civil works. Approximately fifty countries on the ORIO country list may submit applications.[4] The next application round is postponed as the programme is due for renewal. The Ministry of Foreign Trade and Development will develop a modernization plan, together with key stakeholders. ORIO is funded by the Dutch MFA under the responsibility of the Minister for European Affairs and International Cooperation, and is implemented by the NL Agency. Since its inception, there have been 7 Calls for Proposals with 66 projects being selected for an ORIO grant between 2009 and 2012. The table below shows the number of projects and the budget for selected times.

Table 1: ORIO Projects and their Budgets

Period	Selected projects	Budget (millions of euros)
2009- I	9	92
2009-II	10	79
2010- I	8	88
2010-II	9	101
2011-I	9	56
2011-II	11	137
2012	10	178
Total	66	731

Source: http://english.rvo.nl/subsidies-programmes/orio-background-information

ORIO is designed to promote the involvement of Dutch and international businesses in developing and implementing infrastructure projects, so as to benefit from the private sector's knowledge and skills.[5] The initiative may come from a private firm but it is the Central government that has to submit the application and is the owner of the project, should the application be successful.

[4] The list of eligible countries is decided by the Dutch Ministry of Foreign Affairs and is based on the partner countries of Dutch Development Cooperation in combination with some selected Least Developed Countries and emerging markets.

[5] See the NEA/MFA (2012) for the ORIO Project Result Chain and Evaluation Criteria.

The NL Agency requests the Advisory Committee on Infrastructure Development (ACORIO) for advice on implementing projects. The committee's membership and procedures are decided by the Minister for European Affairs and International Cooperation.

ORIO grants are classed as ODA, as defined in the DAC Guiding Principles of the Organisation of Economic Cooperation and Development (OECD) (see OECD/DAC 1987). Grants are awarded as untied aid, in accordance with the OECD-DAC agreements on untying aid (see OECD/DAC 2001). The grants are not subsidises as defined in the General Administrative Law Act.

2.1.5 Private Sector Investment Programme (PSI)

The Private Sector Investment Programme (PSI) is a grant programme supporting commercially viable and innovative investment projects in developing countries.[6] The NL Agency manages the PSI programme for the Dutch MFA. There are three objectives to the PSI: to stimulate financial growth, create employment opportunities and generate income in developing countries. The programme supports Dutch and non-Dutch companies wishing to make a pilot investment, in cooperation with a local business partner, in one of the PSI countries. PSI projects consist of hardware to be used in a production process as well as technical assistance. The innovative character can enhance a new product or service, a new production method or new technology for the respective country. PSI reduces investment risks for companies and the aim is for a long-term international cooperation between companies. The maximum project budget for a PSI project is €1.5 million and the grant of PSI consists of a 50 per cent contribution to this budget. There are more flexible conditions for PSI Plus countries, which are so-called fragile states, and contribution is 60 per cent for these (see NEA/MFA 2014 for more information).[7] PSI projects need to have certification on social and environmental issues. Companies awarded PSI funding must ensure that all the entities in the consortium comply with the OECD Guidelines for Multinational Enterprises.[8]

The summary of the admission criteria are as follows:[9]

1. Countries: The application must concern an investment in one of the 50 countries.

2. Applicant: Grant applications may only be made by a company established in the Netherlands and entered in the commercial register of the Dutch Chamber of Commerce

   or

[6] PSI projects, by year, can be found at: http://english.rvo.nl/subsidies-programmes/psi/projects

[7] PSI Plus countries are Afghanistan, Burundi, the Democratic Republic of Congo, Guatemala, Iraq, Pakistan, the Palestinian Territories, Sierra Leone, South Sudan and Yemen.

[8] See http://www.oecd.org/daf/inv/mne/

[9] For more detailed information see NEA/MFA (2014)

a company established outside the Netherlands provided the application concerns a project in one of 25 countries. The company must be registered with the local Chamber of Commerce and cannot be established in the country to which the application pertains.

and

the company must have been in existence for at least 2 years.

3. Partnership or local partner: The applicant must implement the project jointly with a local partner. The local partner must be a company established in the country where the project is to be implemented and registered with the local chamber of commerce. Except in Vietnam, government's share in ownership in the local partner may not exceed 25 per cent.

4. Project duration, scope and co-financing: the project must have a duration of 30 months, or 36 months for seasonal activities. The PSI grant amounts to 50 per cent of the eligible costs up to a maximum of €750,000. This gives a maximum project budget of €1.5 million. The total amount of the PSI grant and any other financial contributions by non-commercial parties may not exceed 80 per cent of the project budget.

Submitted projects are assessed, among other things, by their standard of local innovation, both parties must be financially sound and the scale of planned expenditure must ensure further investment in the foreseeable future. Full evaluation criteria are listed on the NL Agency webpage.[10]

2.1.6 Proposed Changes to Private Sector Instruments

To make the private sector services more transparent, the above instruments will be grouped into three modules (see Ploumen 2013). The first module will include information provision and advice for SMEs wanting to operate at the international level.[11] Services will include a market scan, advice on taking the first steps towards export, and information on potential partners in the export market. They will be provided in part by the NL agency.

The second module will contain financial instruments for entrepreneurs seeking funding for export and foreign investments. Their number will be considerably reduced. Existing programmes will be incorporated into the new Dutch Good Growth Fund (DGGF) (see below) as far as possible. ORIO will also be modernised. Resources from these existing programmes can be added to the fund with a view, for example, to making concessional loans or implementing supporting measures. As a result of these changes, some instruments may cease to exist as independent schemes. The list of eligible countries will tie in as far as possible with the list of countries to which the private sector instruments apply. In consultation with the State Secretary for Finance, an assessment will be made to see whether more can be done concerning the funding of export transactions, for example by creating a level playing field with

[10] See http://english.rvo.nl/sites/default/files/2014/02/PSI%20Staatscourant%202014%20UK_0.pdf
[11] It is unclear with these are Dutch SMEs or SMEs in developing countries.

other countries. The findings from the high-level working group on export financing will be taken on board.

The third module will compromise assistance and support to groups of companies and research institutions. Together with embassies, business support offices and implementing organisations, these groups will draft a plan of approach to achieve their aims in, for example, setting up development relevant activities. They will receive further support from, for example, an economic mission, the embassy and government-to-government cooperation to help remove any obstacles they encounter.

2.1.6.1 Dutch Good Growth Fund (DGGF)

The Dutch Good Growth Fund (DGGF) (previously known as the Revolving Fund) was developed in consultation with the Ministries of Economic Affairs and Finance, the private sector and civil society organisations. Entrepreneurs will be able to use the DGGF from 1st July 2014 onwards. The fund offers loans and guarantees. There are three target groups: (1) funding for direct, innovative investments involving a substantial element of risk in low- and middle-income countries. This part of the fund is managed by NL Agency; (2) Dutch companies wishing to engage in activities with their counterparts in low- and middle-income countries. A specialised market party is being sought to manage this track; and (3) Dutch entrepreneurs wanting to export to developing countries and emerging markets. This segment is managed by Atradius Dutch State Business, the company that also executes existing Export Credit Insurance facilities. More information on each of the segments can be found at Action Aid et. al. (2013).

The funding is provided by the Foreign Trade and Development Cooperation (BH&OS) budget at an amount of €750 million. The government has indicated it aims to reduce the original budget for DGGF in 2014 and 2015 from €250 million to €100 million, and compensate it from 2016 onwards. An amount of €175 million will be provided per fund segment. The remaining €225 million is kept separate from the budget and will be divided over the three tracks based on an interim evaluation. Related to the fund, an additional €75 million is available for technical support. This technical support as well as broader accompanying policies will not be financed by the fund but from the regular private sector development budget (Action Aid et. al. 2013).

This is a revolving fund, which means that resources will largely be repaid, and can be used again. To raise the fund’s financial and social returns, it will be accompanied by supporting measures in the form of technical assistance, help drafting a good business plan, or market scans. Supporting measures will not be measured by the fund. The fund is also designed to leverage private investment. The countries on which activities must focus to be eligible for funding will be specified in a flexible list, which will tie in as far as possible with the list of countries to which the private sector instruments apply.

Activities financed by the fund must meet a single set of criteria for International CSR, based on the OECD guidelines and, depending on the size of the company and risk of non-compliance with CPR standards, the International Finance Corporation (IFC) standards. Companies also need to comply with the OECD Guidelines for Multinational Enterprises. Both Small- and Medium-sized Enterprises (SMEs) as well as large-scale businesses can be eligible for financing from the DGGF.

More information about the DGGF can be found in the document Ondernemen voor ontwikkeling 'Business for Development' which is only in Dutch.[12]

2.2 Entrepreneurial Development Bank (FMO)

The Entrepreneurial Development Bank (FMO) is the Dutch Development Bank, equivalent to CDC Group Plc of the UK Government. FMO was founded in 1970 to support sustainable private sector growth in developing and emerging markets by investing in 'ambitious' companies. According to the FMO website, it has a committed portfolio of €6 billion spread over 86 countries.13 It is unclear whether this counts towards ODA or not. FMO is a public-private partnership, with 51 per cent of their shares held by the Dutch state, and 49 per cent held by commercial banks, trade unions, and other private sector representatives. It invests capital and knowledge in higher risk markets, either with its own capital, or on behalf of the Dutch government, in the sectors of financial institutions, energy and agribusiness, food and water. According to the FMO website, it has a range of services and products that include equity, loans and guarantees, capital market transactions, mezzanine and other tailor-made solutions, long-term and short-term project financing, access to expertise and a vast network and partnerships. FMO also fosters capacity development, such as financial administration and planning skills, and sustainable business practices.

FMO is supervised by the Dutch Central Bank and it invests and finances from two sources – their own account (FMO A) and through the managed government funds – MASSIF, Infrastructure Development Fund (IDF) and Access to Energy Fund (AEF), Facility Emerging Markets (FOM) – dedicated to specific sectors in poorer or least-developed countries. The FMO manages these funds for the Dutch government to support higher risk projects, where the funds cover financial risks that FMO is not able to cover alone.

2.2.1 MASSIF

MASSIF was created in 2006 as a merger of three existing funds: the SME fund (since 1978), the Seed Capital fund (since 1995) and the Balkan Fund (since 1998). It provides financial intermediaries with resources to aid the development of Micro, Small and Medium-sized Enterprises (MSMEs). The MASSIF fund provides resources to financial intermediaries and institutions that cater to MSMEs and low-income

[12] The Dutch version can be found at http://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=1&ved=0CEgQFjAA&url=http%3A%2F%2Fwww.rijksoverheid.nl%2Fbestanden%2Fdocumenten-en-publicaties%2Fbrieven%2F2013%2F09%2F30%2Fondernemen-voor-ontwikkeling-investeren-in-duurzame-en-inclusieve-groei%2Fondernemen-voor-ontwikkeling-investeren-in-duurzame-en-inclusieve-groei.pdf&ei=Nk0jU_6bKsqqhQeD5oCIBw&usg=AFQjCNGtXw0TRmvI4kB9jcS_hPremLACpw

[13] FMO aims to finance at least 35% of our portfolio in low-income countries (FMO 2012).

households. These intermediaries can offer a wider range of stable finance and other financial services to MSMEs and lower-income households alike – including finance for mortgages, leasing and insurance products. MASSIF clients can be commercial banks looking to expand client base by downscaling, microfinance intermediaries seeking to broaden their services and non-governmental organizations looking to professionalize and gain official financial status

2.2.2 Infrastructure Development Fund (IDF)

Infrastructure Development Fund (IDF) was established in 2002 by the Dutch Ministry of Development Cooperation and FMO to provide long-term financing for infrastructure projects in developing countries. These can be in many sectors ranging from potable water and mobile telecommunication services to roads and power sectors. Through the establishment of reliable infrastructure, the IDF aims to contribute toward the creation of employment and to widen prospects for local businesses. By extending high-risk financing and providing long-term debt solutions, the Fund aims to catalyse private sector investors to stimulate the development and realization of sustainable infrastructure transactions. IDF financing is available for long-term financing (tenors of up to 20 years) for large infrastructure projects, loans of up to €15.5 million, minority shares in equity investments of up to €7.75 million and investments in international or multilateral funds. Grants for new project development are also an option – for example to take on funding that governments are unable to provide, or to cover one-off investments integral to project realization but not to profitability. The IDF is a diversified fund with a committed portfolio of over €340 million in assets in energy, transport, ports, agribusiness, water, environment and social infrastructures (FMO 2012). To be eligible, a project must meet FMO's standard criteria. Aside from financial-economic performance, projects are scrutinized in areas such as corporate governance, environmental impact and social policies and practices to ensure the sustainability of the investment. FMO also reviews investment plans, market analyses, due diligence studies, expected returns and the commitment level of management and co-financiers.

2.2.3 Access to Energy Fund (AEF)

Access to Energy Fund (AEF) was established by the Dutch government and FMO to finance private sector projects that create sustainable access to energy services for at least 50,000 people. The fund finances energy generation, transmission and distribution projects in developing countries. FMO attempts to establish the necessary conditions required to boost economic development and alleviate poverty. The Fund can either directly invest in a project or motivate a wider range of investor interest. Funding possibilities include equity (up to €10 million or 75% of the total transaction, whichever is the lesser amount), subordinated debt/senior loans (up to €20 million or 75% of total transaction, whichever is the lesser amount) and grants for providing project development. Total committed capital to the Fund is €102 million.

2.2.4 Fonds Opkomende Markten (FOM) OS

Fonds Opkomende Markten Ontwikkelingslanden (FOM OS) (Emerging Markets Fund in English) was a new fund in 2012 and was developed in cooperation with the Ministry of International Trade and Development Cooperation. It provides medium- and long-term loans to companies or joint ventures in emerging markets that are majority owned or controlled by Dutch enterprises. FMO offers these joint ventures and subsidiaries the opportunity to strengthen their financial structure, by providing often unsecured or subordinated loans. FOM OS stimulates Dutch enterprises to invest in emerging markets and developing countries in primarily on agribusiness, food and water sectors. It will also finance SMEs in developing countries, particularly those that have a close link with Dutch enterprises. The fund is targeting a volume of €40 million at the end of 2015 (FMO 2012).

The eligibility criteria are:

1. Open for investments in the following countries Argentina, Azerbaijan, Bahrain, Brazil, Chili, China/Taiwan, Colombia, India, Iraq, Kazakhstan, Kuwait, Malaysia, Mexico, Ukraine, Panama, Qatar, Russia, Saudi Arabia, Serbia, Singapore, Turkey, United Arab Emirates and South Korea, Vietnam, South Africa.

2. Applicable for companies with a Dutch interest of at least 51% and a consolidated group turn-over as of approximately €15 million.

3. FOM finances between a minimum of €500,000 and a maximum of €10 million. Annually €35 million is available and maturity of FOM funding runs from 3 years up to 12 years.

4. Sectors are primarily agriculture and horticulture, transport, logistics, agro-processing and manufacturing. Real estate and financial sector are excluded.

5. All companies applying for FOM OS finance need to comply with the OECD guidelines for responsible business practice and sustainable development criteria.

2.2.5 Capacity Development (CD)

The financing for Capacity Development (CD) comes from both the MFA and FMO. The aim of FMO CD programme is to facilitate knowledge transfer to the clients at the managerial and operational level to enable them to do sound business. Focus areas include environmental and social management, corporate governance and supporting innovation and product development. The programme can provide up to 50 per cent of the funding budget, for a project or program, with beneficiaries co-financing the rest.

2.2.6 FMO-Fairview Africa Fund

FMO-Fairview Africa Fund is a pan African private equity fund of funds that offers innovative private equity solutions to institutional investors seeking meaningful private equity fund investment allocation in high growth markets. The fund seeks to achieve attractive investment returns and optimize development impact by building a diversified portfolio of fund investments and selective co-investments. The fund is managed by a joint venture between FMO and Fairview Capital Partners, a Fund-of-Funds management firm from the United States.

2.2.7 SNS-FMO SME Finance Fund

The SNS-FMO SME Finance Fund provides debt funding to financial institutions in developing and emerging economies globally. The objective is to improve access to finance for SMEs. The fund aims at channelling investment capital from Dutch institutional investors to this SME sector, whereby investments are characterized by market-rate returns and intended social outcomes. SNS Impact Investing and FMO partner in this initiative.

2.3 The Sustainable Trade Initiative (IDH)

Businesses, trade unions, NGOs, and the Ministries of Development Cooperation, Economic Affairs and Agriculture, Nature and Food Quality acknowledged the necessity of joining forces in stimulating sustainable trade, and thus in 2007, the Sustainable Trade Initiative (IDH) was formed. The IDH office works from Utrecht, The Netherlands.

The Minister for Foreign Trade and Development Cooperation at the Ministry of Foreign Affairs supports this private sector instrument. The government has granted IDH €125 million for the period 2011-2015 to match fund private investments in sustainable market transformation in 18 commodity sectors.[14] The Swiss and Danish Governments contribute €5 million between them and there are approximately 300 NGOs, trade unions, financial institutions, private companies, governmental institutions and others that act as partners. A per program a list of partners is provided on the IDH website. A prerequisite for any IDH investment is a minimum of 50% co-funding by companies. IDH coalitions are open for any (private) partner that considers sustainable production as an economic viable business strategy to address challenges such as poverty reduction, labour conditions and environmental challenges in their supply chain.

IDH accelerates and up-scales sustainable trade by building impact oriented coalitions of front running companies, civil society organizations, governments and other stakeholders that will deliver impact on the Millennium Development Goals 1 (poverty reduction), 7 (safeguarding the environment) and 8 (fair and transparent trade). IDH works with public and private partners who bring in funds, entrepreneurship, procurement power, legislation, laws, regulations, know-how, networks, local expertise and credibility.

[14] These commodities are Cocoa, Tea, Soy, Tropical Timber, Aquaculture, Cotton, Electronics, Coffee, Spices, Natural Stone, Tourism, Cashew, Fruit & Vegetables, Flowers, Palm Oil, Minerals & Metals, Paper & Pulp and Apparel.

There are 5 main stages to the portfolio management system: scoping, development, implementation, up-scaling and phasing out.

Scoping: before IDH decides to start a program it researches the sustainability challenges, the drive for change from the sector, the business case for farmers/producers, the changes for success of a sector program, and the risks, costs and benefits of a program.

Development: if the IDH executive board decides to proceed, IDH actively reaches out to international public and private partners such as private companies, NGOs, governmental bodies, financial institutions and knowledge institutes. With these private partners IDH jointly develops an implementation plan.

Implementation: if there is a (minimal) of 1:1 match funding by private sector of IDH investments, the implementation phase is started. IDH pioneers to develop and disseminate innovative strategies for transformative supply chain models that address tough global social and environmental challenges.

Up-scaling: Once IDH has proof of principle of a programme it will upscale the programme by reaching out to more stakeholders. In this phase the private investments will most likely increase and the IDH investments will go down. In the up-scaling phase IDH will reach for scale and aims to implement the sector program into the common, mainstream economy.

Phasing Out: IDH will formulate an exit strategy, will make sustainable market transformation a self-propelling mechanism and will ensure that sustainable production and consumption are the norms.

In demonstrating the impacts of the initiative, IDH selected tea, cocoa and cotton for commissioning impact studies to third-party consultants and academics. According to IDH, the study findings are:

- The sources of livelihood of over 700,000 farmers in cotton, cocoa and tea have significantly improved.
- The global market share of sustainable products has increased: sustainable tea and cocoa are well on their way to become mainstream and cotton soon will.
- Cooperation between companies, NGOs, governments and science for sustainable market transformation has been established.
- Large scale private investments in sustainability have been generated.
- In cotton and tea, large scale environmental benefits have been achieved.

2.3.1 Sustainable Land and Water Programme

The Sustainable Land and Water Programme (SLWP) was launched on 28th February 2014 in The Hague. SLWP aims to bring together the interests, knowledge and power of public and private stakeholders in selected “resource vulnerable” regions. It will develop a business case to jointly work, and invest in sustainable land and water management In order to safeguard threatened long term supply of natural resources for current and future users. SLWP believes that adding business drivers to sustainable land and water management creates a case for effective public private cooperation to mitigate risks of depletion and poverty. IDH will make use of the knowledge and experience of Dutch companies and organizations in the fields of land and water. The main focus areas of the SLWP are:

- Active involvement of the private sector;
- Addressing landscape challenges as areas that are in need of sustainable governance of natural resources;
- Thinking and acting at a large scale;
- Financially sustainable approach.

SWLP will start projects in two regions where IDH is already active in its sector programs and a start has already been made in cooperating with companies, governments and other parties. The pilot projects are in the Central Highlands of Vietnam and the Southwest Mau Forest of Kenya.

ODA

As a result of the Coalition Agreement, the ODA budget will be reduced by € 1 billion by 2017. Private sector development will be reduced by -€105 million by 2014 but will increase by €5 million by 2017. After the spending cuts, the private sector development budget will increase by €110 million between 2014 and 2017 before accounting for the contribution to the DGGF. The budget includes contributions for the DGGF only for 2014-2016; no account has been taken of investment reflows and reinvestments (Ploumen 2013).

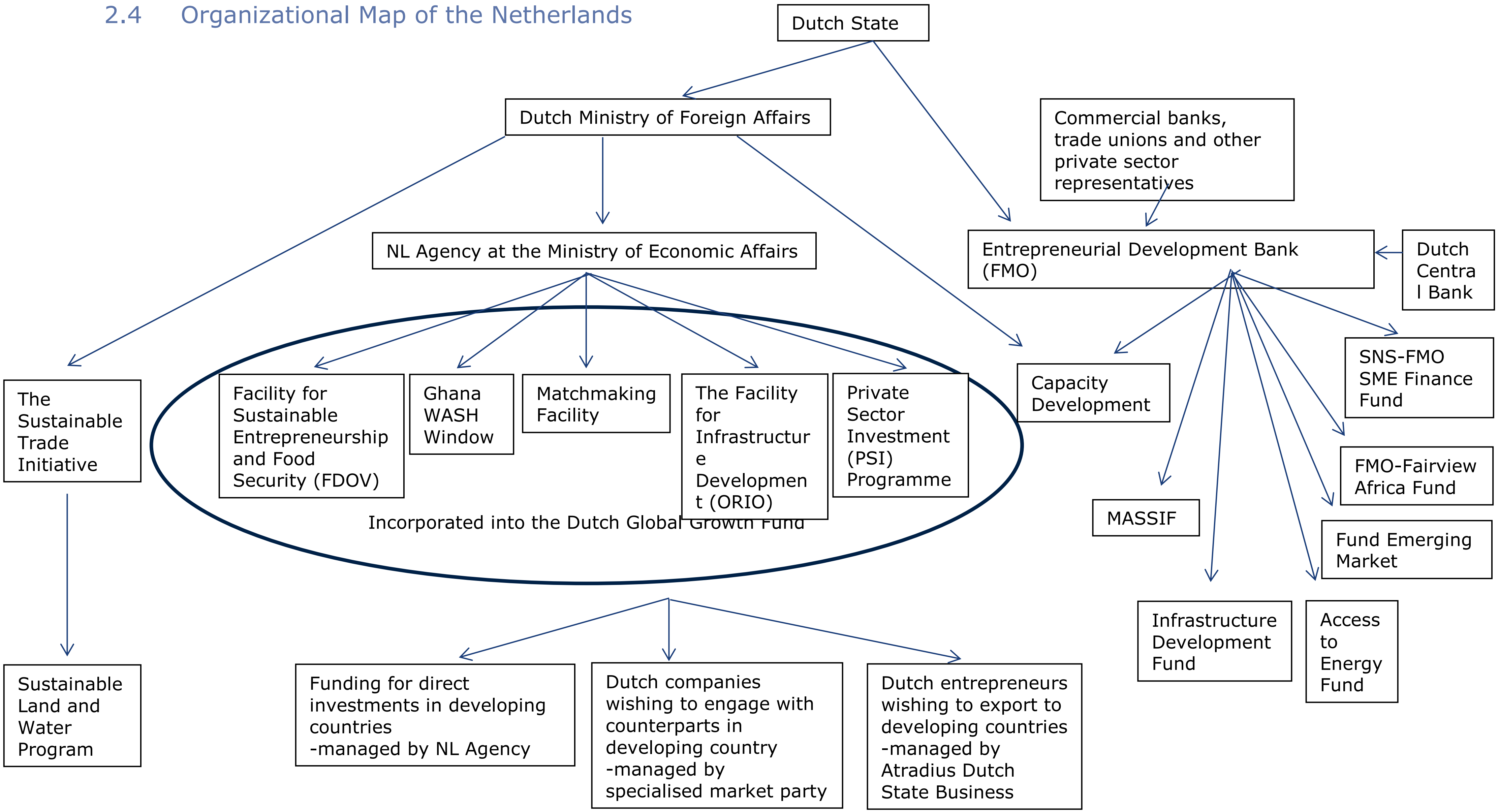
Table 2: Trade and development cooperation expenditure in millions of euros

	2013	2014	2015	2016	2017
Total gross ODA, Rutte II	**4,240**	**3,816**	**3,990**	**3,975**	**3,846**
Non-ODA (including trade promotion)	125	113	104	102	96
Dutch Good Growth Fund		250	250	250	
Budget for peace and security		250	250	250	250
Total	**4,365**	**4,430**	**4,594**	**4,577**	**4,192**

Source: Ploumen (2013)

The DGGF consists of a mix of ODA and non-ODA expenditure. The ODA component in these instruments is not known in advance and has not been included in the table above.

2.4 Organizational Map of the Netherlands



3 Germany

The new strategic vision for German development policy was set out in the Coalition Agreement adopted in 2009 where private sector development is mentioned numerous times:

> *'The objective of development policy is the sustained fight against poverty and structural deficiencies in the spirit of the United Nations Millennium Development Goals […] This will require […] closer cooperation with the private economy in Germany' (p. 181-182)*
>
> *'We want to increase the effectiveness of development policy and re-align it […] by emphasising economic cooperation […]' (p. 182)*
>
> *'Foreign trade and development cooperation must build upon each other and be integrated in a seamless fashion' (p. 75)*
>
> *'Development policy decisions must take sufficient account of the interests of the German economy, particularly the needs of small and medium-sized companies' (p. 75-76)*

German development policy was elaborated upon in more detail in the Development Policy Strategy adopted by the Federal Ministry for Economic Cooperation and Development (BMZ) in 2011 and has been integrated into the German government's overarching policy framework. BMZ is a cabinet level ministry that works to encourage economic development within Germany and in other countries through international cooperation and partnerships. Supporting and challenging business is one of BMZ's focus areas in its new Cross-Sectoral Strategy on Poverty Reduction.[15] Germany's support to business is highlighted in the 'The German Government's 14th Development Policy Report'' of which an Executive Summary is available online.[16]

The document describes recent changes at Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH; the international enterprise owned by the German Federal Government. Two new bodies—the Board of Trustees and the Private Sector Advisory Board—have been set up to advise GIZ. The GIZ Private Sector Advisory Board provides a platform for regular dialogue between the private sector and development cooperation organisations, and comprises representatives of business and industry associations. In 2010, GIZ set up the Inter-ministerial Steering Group on Technical Cooperation and ODA Transparency at state secretary level, which is chaired by BMZ and aims to make the various ministries' ODA activities more transparent. The Interministerial Agreement of April 2012 on ODA Coordination emphasises and specifies the coordination function of BMZ with respect of German ODA.

The German government has made commitments to promote entrepreneurial activity and investment within its development framework and to strengthen the linkage

[15] The other two areas are investing in people and sustainable structures and creating and strengthening development-friendly framework conditions.
[16] See http://www.bmz.de/en/publications/topics/development_policy/Weissbuch.pdf

between foreign trade and development cooperation. BMZ, the Federal Foreign Office (AA) and the Federal Ministry of Economics and Technology (BMWi) hold regular coordination meetings (jour fixe), which are also attended by other thematically relevant ministries as required. BMZ (2013) claims that an outcome of this jour fixe is a more intensive dialogue, also in partner countries, between the institutions responsible for development and foreign trade policy.

The German government has been involved with key international policy forum debates. It has promoted the role of the private sector as a complementary partner for development and defining principles for effective public-private partnership such as mutual accountability. An example of this was at the Fourth High Level Forum on Aid Effectiveness in Busan, South Korea, in 2011. It was also an advocate for the establishment of the Group of Twenty Finance Ministers and Central Bank Governors (G20) Global Partnership for Financial Inclusion which involves multilateral institutions, the private sector, civil society organisations, G20 members and other countries.

3.1 Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG)

The financing by the Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG) of private business initiatives for development in developing and emerging countries is an integral element of German development cooperation. DEG—established in 1962—makes long-term investment capital available as a means to share the risks arising from the investments and to make them less vulnerable to crises.[17] DEG promotes the development of the financial sector while strengthening local capital markets in order to facilitate reliable access to investment financing on the ground, especially for small and medium-sized enterprises. DEG is a wholly-owned subsidiary of KfW Bankengruppe, a German government-owned development bank.[18]

It invests in undertakings in all sectors of the economy, using almost exclusively its own funds rather than budget funds from the Federal Government. It gives advice to companies on questions related to risk analysis and product development. DEG has an equity capital of €1.80 billion. Funds at own risk represented the largest part of the 2012 portfolio (98.6 %), whereas the remaining 1.4 per cent was accounted for by financings on behalf of the Federal Republic of Germany (trust business) (DEG 2012). Together with the Dutch FMO and the French Proparco, DEG established the so-called "Friendship Facility". With this joint finance facility DEG are able to offer customers even larger financial deals from a single source.

DEG has a number of position papers listed on its website.[19] These are:

- Private Sector Focus: Waste management in developing countries: a challenging business opportunity (2012)

[17] Financing is in the form of loans/equity, structuring or mobilisation of third party capital.
[18] The organisation chart of DEG can be found at https://www.deginvest.de/DEG-Englische-Dokumente/About-DEG/Our-Profile/DEG_Organigramm_2013_07_en.pdf
[19] See https://www.deginvest.de/International-financing/DEG/Download-Center/Volkswirtschaftliche-Analysen-und-Positionspapiere/

- Private sector as engine for employment and qualitative growth (2012)
- Private Sector Focus: Extractive Industries Transparency Initiative (EITI) and improved opportunities for development through transparency – the private sector contribution (2012)
- Private Sector Focus: future markets (2012)
- Financial Frontier Markets: Challenges and opportunities for entrepreneurial development cooperation (2011)
- Private sector promotion in the education sector (2011)
- Profitably Promoting Promising Small and Medium Sized Enterprises (2010)
- Aid for Trade - which contributions can be achieved by entrepreneurial development cooperation? (2010)

Complementary to its financing and consultancy services, DEG also offers special programmes addressed to private enterprises. They join private-sector commitment and developmental goals and primarily address German and other European enterprises. These special programmes are listed below

3.1.1 develoPPP.de

Under the programme develoPPP.de, which is carried out with funds of the BMZ, companies can realise measures in developing and emerging-market countries, which have an impact on the countries' development. BMZ provides up to €200,000 and maximum 50% of the project cost out of public funds. These development partnerships with the private sector may last up to a maximum of three years and cover a wide variety of areas and topics.

DEG offers advice in all phases of implementation. According to the DEG website, since the launch of the PPP Programme in 1999, DEG has co-financed over 700 develoPPP.de projects.[20] Project proposals are submitted to DEG four times a year.

The develoPPP.de programme addresses German and other European companies, as well as companies in developing and emerging countries in which EU-registered companies or European nationals own at least a 25 per cent share. Although associations, foundations, NGOs, foreign chambers of commerce or registered associations are not themselves eligible to apply, they are in principle entitled to participate in develoPPP.de projects as project partners of the applicant company. The regional scope encompasses developing and emerging-market countries according to the current DAC list.

develoPPP.de projects follow the general developmental specifications of the federal government. A public contribution in the context of develoPPP.de will only be made providing that:

[20] See https://www.deginvest.de/International-financing/DEG/Unser-Angebot/Förderprogramme/develoPPP.de/

- the private partner would not otherwise implement the develoPPP.de project without the public partner;
- the develoPPP.de project is not required by law;
- the develoPPP.de project gives rise to an appropriate economic development benefit for the developing country that exceeds any commercial benefits to the private partner;
- and the project implementation is not already underway, unless they retrospectively adopt additional development-relevant elements.

German and other European companies are eligible for develoPPP.de projects if their financial standing ensures the financiability and sustainability of the project. Any company that applies must meet the following minimum requirements: have an annual turnover of at least €1 million, have ten employees and have had three years of business operations.

3.1.2 Feasibility Studies

Feasibility studies by SMEs aimed at the preparation of developmentally sound investments can be co-financed by DEG using funds from the BMZ. The feasibility studies content is the preparation of a realistic investment project, which should be plausible in terms of successful implementation and profitability. The planned investment must have development relevance and dovetail with the overall concept for German development cooperation. Companies located and operating within Germany and the European Union with an annual turnover of up to €500 million can participate. DEG provides a maximum of 50 per cent of the costs for each feasibility study, but in any case not more than €200,000. The proposing company bears a minimum of 50 per cent of the costs for the study and is responsible for its orderly implementation. The full principles for the Feasibility Studies can be found on the DEG website.[21] An important criterion is that the study would not be carried out if public funding was not available due to the ensuing risks and costs.

3.1.3 Technical Assistance Programme

Complementary to financial investments of companies in developing and emerging-market countries, DEG advises its clients and supports the implementation of their projects. For this purpose, DEG has initiated the Technical Assistance Programme, which aims at boosting the development effects of the projects co-financed by DEG and at making projects bankable. Under the programme, it is for instance the qualification and certification of suppliers, the introduction of risk management systems or the development of concepts on waste management which are promoted, i.e. projects which are not for the sole benefit of the companies but rather also for the benefit of the local population.

[21] https://www.deginvest.de/DEG-Englische-Dokumente/Range-of-Services/Special-Programmes/Principles_-Feasibility_Studies_english.pdf

DEG structures the Technical Assistance together with the clients and covers part of the cost. The programme is financed by both DEG's own funds and funds from BMZ. Technical Assistance can only be implemented in connection with projects already financed by DEG or in the context of upcoming DEG projects.

There are only specific fields for which Technical Assistance can be granted. These are

- Educational and qualification measures in the project environment
- Social and environmental measures
  - Introduction of international standards
  - Exemplary measures to boost energy efficiency and resource protection
- Business and management consulting CSR
  - Anti-corruption measures
  - Corporate Governance
  - Risk management
  - Risk mitigation for clients
  - Improvement / Maintenance of debt service

3.1.4 Climate partnerships with the private sector

The programme "Climate partnerships with the private sector" is supported within the framework of the "International Climate Initiative" of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU). The initiative aims at supporting developing and transition countries in establishing the political and economic framework needed for improved climate protection. The International Climate Initiative receives funds for this purpose from the sale of greenhouse gas emission rights under the EU Emissions Trading Scheme.

Climate partnerships with the private sector aim at boosting and expanding climate-friendly technologies in developing and emerging-market countries. Assistance is provided for projects that demonstrate the application of innovative technology, support the introduction of climate-friendly technology or adapt proven technology for greenhouse gas reduction to the specific conditions in the target countries. Possible candidates for the programme are projects that are not statutory, cannot be realised without public contribution and have not yet been started.

An amount of up to €200,000 per project can be provided from the programme. The company has to contribute at least 50 per cent of the project cost and is responsible for the realization of the project in terms of finance, content and manpower. DEG reviews submitted project proposals with respect to the goals of the International Climate Initiative. In the event of a positive decision, the company and DEG jointly develop a comprehensive project concept. The case study below shows a successful concept that has been carried forward to implementation.

<u>Case Study: German biogas technology for Brazil</u>

Biogas plants are a climate-friendly type of energy generation which, however, has so far not been able to establish itself in Brazil. To remedy this fact, DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH, now supports the propagation of modern biogas technology in the country. For this purpose, a demonstration plant is intended to be set up in the Santa Catarina region to generate energy from liquid manure. The private partner of the project is MVV decon GmbH (MVV decon), a German consultancy for energy supply and efficiency based in Mannheim (Germany). A consortium of MVV decon, ECO Conceitos S.A and the centre for economy and science of Brazil and Germany, Wirtschafts- und WissenschaftsZentrum Brasilien-Deutschland e.V (WWZ) contributes 298,000 euros to the project. DEG complements the private contribution by 200,000 euros from the programme "Climate partnerships with the private sector of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).

In the Brazilian federal state of Santa Catarina, many people live on pig breeding. Manure disposed of without control and high methane emissions are a burden on environment and climate in the region. This is where the project comes in: biogas plants utilise the unused biomass to generate electricity, thus protecting environment and climate. The feed lots are provided with an additional source of income, which creates new jobs. To demonstrate the advantages for environment and humans, the MVV decon demonstration plant will look into the optimum structure for the planning and operation of an economical biogas plant. MVV decon will make the know-how obtained available to the administration, educational institutions and economy of Brazil. It is especially stakeholders and potential sponsors who will thus be sensitized for the issue.

Source: DEG (2010)

3.1.5 Up-scaling

With the special programme "Up-Scaling", DEG finances pioneer investments of SMEs in developing and emerging countries that intend to scale up innovative business models. The programme addresses companies whose financing needs lie somewhere between micro financing and the traditional financing by commercial banks.

SMEs may also be local subsidiaries of German or European companies. The applicant company has to provide the resources in terms of finance and manpower as well as the relevant know-how to implement the project and needs to be able to present at least one annual financial statement.

DEG finances a maximum of 50 per cent of the total investment volume (to a maximum of €500,000) under the condition that there are private sponsors who contribute a substantial share of equity (at least 25 per cent). The DEG share must be repaid in the event of success of the project (depending on pre-defined financial criteria such as cash flow, revenue or profit).

The conditions of co-financing are:

- The project is based on an innovative business approach.

- A pilot phase has already been successfully completed with proof of concept as regards technology and business model at local level.

- The project must generate profit (proof by means of business plan and financial projections).

- The project shows high growth potential owing to the size of the market and the target group.

- The project may generally be planned in all developing or emerging-market countries, with individual limitations owing to political or other risks. Projects in Africa and in LDCs (least developed countries) will be considered preferentially.

3.2 Service Point for the Private Sector

Service Point for the Private Sector is the first point of contact for German associations and businesses that are wishing to invest in the sustainable development of a developing country or emerging country. Entrepreneurs and managers are able to e-mail, telephone or fill out an online form to receive advice. [22] Service Point for the Private Sector is similar to UK Trade and Investment apart from being more specific to developmental efforts.

3.3 Development Cooperation Scouts

BMZ has attempted to link business and development cooperation activities by sending out so-called "EZ-Scouts" (Development Cooperation Scouts) to German businesses, chambers of industry and commerce to provide them with developmental know-how, information on investment opportunities and instruments of development cooperation, trade promotion and other programmes. This is a programme that started in 2011. The 27 EZ-Scouts, who are based in German Business Membership Organizations, advise interested companies on cooperation possibilities within the German development cooperation and report back the needs and ideas of the private sector to the BMZ. ''EZ Scouts'' institutionalize strategic and operational partnerships with business associations and institutions. EZ Scouts are seconded to selected German industry associations and chambers of commerce for a period of 2 years (secondment is organized by GIZ/ Stabsstelle Zusammenarbeit mit der Wirtschaft on behalf of BMZ) (Dörre and Rosenbusch 2013).

3.4 Corporate Social Responsibility (CSR)

The German government has launched a number of initiatives to support German private sector companies and businesses in developing countries in adopting responsible business practice. Examples of these initiatives are detailed in the Global Standards chapter in the document ''CSR: Made in Germany'' (see BMAS 2010).

The Federal Cabinet approved the National Strategy for Corporate Social Responsibility in the form of an "Action Plan for CSR" in October 2010. One important

[22] http://www.bmz.de/en/service/contact/index.php?PHPSESSID=463f950b158a07b0c155767d5db9d4aa

aim of the Action Plan for CSR is to bring about a change in attitude and instil an awareness of the fact that practising CSR pays off for business and society. The Action Plan for CSR is based on recommendations issued by the National CSR Forum which advises and assists the German government in connection with its policy to foster CSR. Thus, the Action Plan for CSR represented the starting signal for a strategic alliance to strengthen CSR in Germany. One of the main objectives of the Action Plan for CSR is to strengthen CSR in international and development policy contexts, for example through advisory and awareness-raising activities on CSR, by intensifying national and international dialogue processes, and by supporting implementation of sustainability standards.

The German government has advocated for broad-based and innovative business models which aim to increase the inclusion of the poor as consumers, producers or suppliers in the value chain. This is taking place both at international level through the G20 Challenge on Inclusive Business Innovation and through the Base of the Pyramid (BoP) Sector Dialogues.

3.4.1 Base of the Pyramid (BoP) Sector Dialogues

GIZ, acting on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), organises BoP sector dialogues where business enterprises from a particular sector can share ideas about opportunities and risks of inclusive business models and their market potential. The sector dialogues provide an impetus and make recommendations on how to enter markets at the base of the income pyramid. The dialogues are aimed at companies with business ideas that involve poor people as consumers, producers, employees or business partners. Based on examples from actual practice, these businesses can then develop their own ideas for suitable products and services. For each sector dialogue, GIZ prepares a guide that provides an overview of relevant markets and approaches for entrepreneurial initiatives.23

There are sector dialogues on ICT, agribusiness, pharmaceuticals and energy. Two-day workshops provide opportunities to examine practical examples and the companies' inclusive business models in depth. The discussion at each event is launched with a study that examines the problems facing the particular sector. Innovative forms of dialogue are used to share knowledge and encourage the actors to network with each other. The sector dialogues provide an initial insight into these markets and their potential, frameworks and risks. According to GIZ, company representatives are able to discuss the opportunities and challenges of their business models in detail as it concerns a single sector (GIZ 2011).

[23] These guides can be found on the GIZ website. See: https://www.giz.de/Wirtschaft/de/html/1745.html

3.5 Partnerships with German Industries

The German government is also engaged in dialogue with German industry in the selected sectors of water, healthcare and food security.

3.5.1 German Water Partnership (GWP)

The German Water Partnership (GWP) is a joint initiative of the German private and public sectors, combining commercial enterprises, government and non-government organisations, scientific institutions and water-related associations. The network is supported by five federal ministries. Its head office in Berlin collects and coordinates information about innovations, activities and services of its members. According to its website, the fundamental aim of the German Water Partnership is "to make the outstanding German engineering, know-how and experience in the water sector easily available to partners and clients all over the world."[24] The main part of the network's practical work is done by so called task forces. Established working groups are on 'central issues', 'innovation and scientific cooperation', and 'information and marketing'.

BMZ supports GWP, its members and local partners of GWP-members. The BMZ supports GWP in a strategic partnership - through exchanging information and identifying joint fields of cooperation and action e.g. water scarcity in the Middle East and North Africa region. Since 2011 the capacity of GWP has been strengthened to inform its members and local partners of GWP-members about BMZ-programmes supporting the private sector. The advisory service comprises offers from the BMZ and other German ministries as well as international institutions:

- KfW Bankengruppe (development bank, IPEX export, DEG)
- Financing and supporting long term investments in developing countries
- Joint projects between development cooperation and the private sector
- Cooperation with the private sector in CD
- Manager- and expert exchange programmes for companies
- Thematic dialogues and information service on competence networks

3.5.2 German Healthcare Partnership

The joint initiative of BMZ and the Federation of German Industries pools health experts and suppliers of medical solutions for the purpose of providing health infrastructure in developing and emerging markets. The initiative aims to close the gap between the international demand for healthcare system know-how and the solutions German companies have to offer.

The rationale behind the initiative is based on three main issues:

[24] See http://www.germanwaterpartnership.de/11/?L=2

- the growing importance of the private sector for the realization of development projects, i.e. with regard to achieving the Millennium Development Goals
- the diverse advantages that accrue from PPPs in healthcare in developing countries
- the need for a one-stop-shop for viable and integrated healthcare solutions

The German Healthcare Partnership also constitutes a Single Point of Contact (SPOC). This contact point channels information about national and international institutions of development cooperation as well as German enterprises from the healthcare sector. That way, requests from national and international ministries, authorities or companies are bundled, forwarded and discussed with experts according to the issue. Thus, SPOC serves as central German contact point for healthcare system requests by foreign interested parties.

3.5.3 German Food Partnership (GFP)

The German Food Partnership (GFP) (formally known as the German Initiative for Agribusiness and Food Security) brings together public and private actors (both German and international) in order to implement projects and programmes designed to put in place stable agricultural value chains and to expand agricultural production. The GFP aims to foster and boost productivity and performance all the way along the value chain in order to give local farmers and local people easier access to production inputs, markets and food. The GFP aims to make a tangible contribution to improving the food situation in emerging economies and developing countries. The GFP is coordinated by GIZ and acts on behalf of BMZ.

3.6 ODA

As can be seen in the table below, the percentage of business and other services to ODA is proportionally increased from 2008 to 2010.

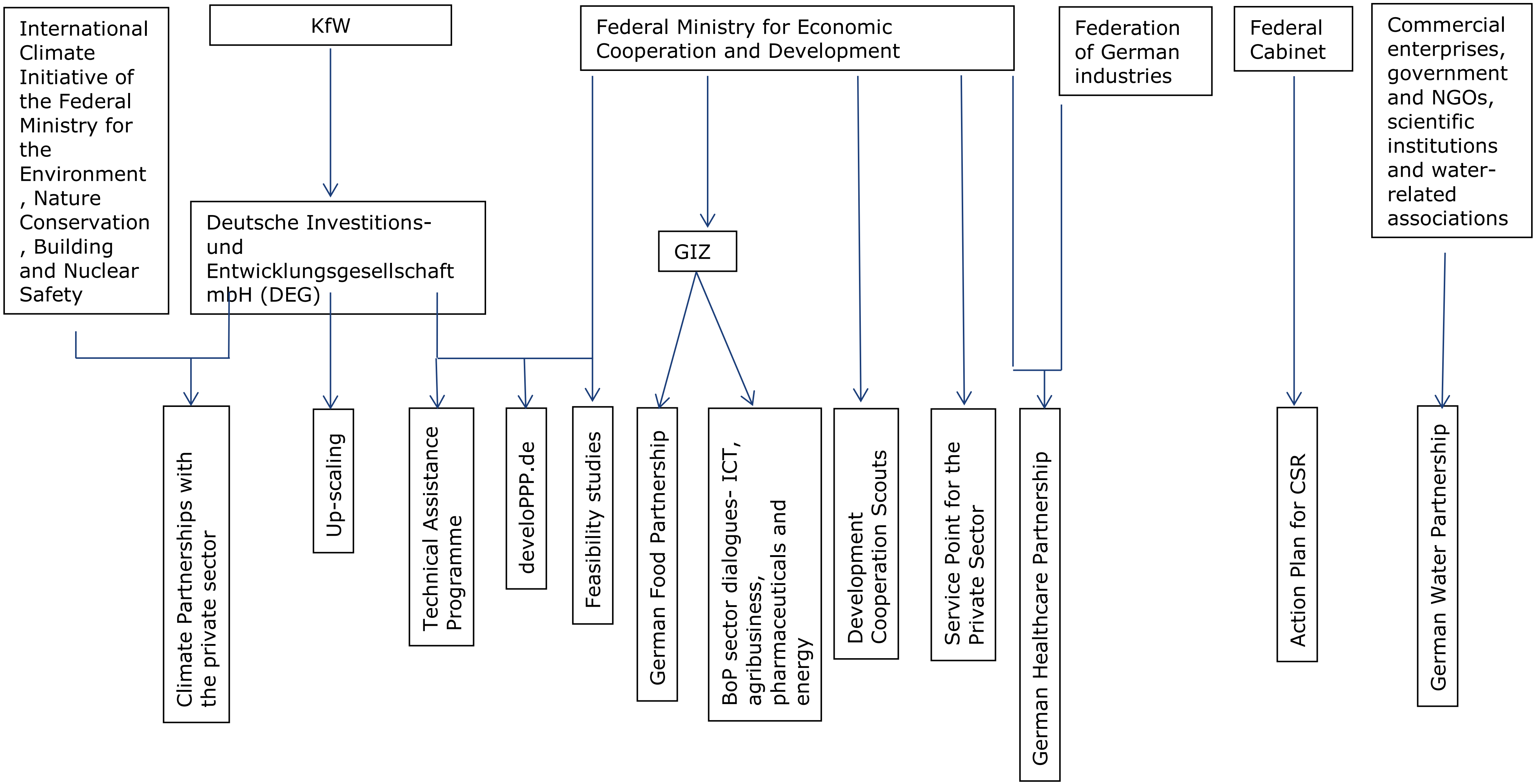
Table 3: Distribution of gross bilateral ODA commitments by major purposes, 2007-2010, in Euro million

Total	2008	2009	2010
Business and other services	141.3	135.6	180.7
Total ODA	7,656.2	6,003.1	7,139.6
% of business and other services to total ODA	1.85	2.26	2.53

Source: BMZ (2013)

'Business and other services' counts towards Germany's ODA.

3.7 Organizational Map of Germany



4 Denmark

The Danish government released its latest strategy paper in 2012. Entitled 'The Right to a Better Life: Strategy for Denmark's Development Cooperation' it outlines its core 4 foci of human rights and democracy, green growth, social progress and stability and protection. It emphasises the strength of PPPs: ''economic growth must be driven by the private sector in dynamic interaction with the public sector, which for its part must ensure that the proper framework conditions are in place'' (DANIDA 2012 p. 2). The importance of the private sector is most notable in the green growth chapter, where it is argued that private sector-led economic growth and job creation should foster inclusive and sustainable development that benefits the poor. PPPs will be used to enhance cooperation on technological development and on financing models that can act as catalysts for green growth. Agriculture is a priority focus of the Danish government, as it is the largest private sector in most of priority countries.

At the Global Green Growth Forum in Copenhagen on 21st October 2013, the Danish government launched 'Opportunity Africa'. This is a new Danish initiative, comprising foreign policy, development co-operation and trade and investments, in support of inclusive and green growth in Africa:

- Foreign Policy: Denmark will support intensified economic diplomacy at the regional and sub-regional level in Africa, at the level of foreign ministers, to promote implementation of reforms in support of green and inclusive growth, supplementing the significant efforts already under way in a number of African countries.

- Development co-operation: in 2013 and 2014, Denmark pledged 3.8 billion Danish Kroner for inclusive and green growth in Africa, mainly through bilateral development co-operation with priority countries. Furthermore, a significant part of the Danish development cooperation will be channelled through regional and sub-regional African institutions.

- Trade and investments: Denmark will work to enhance commercial ''win-win'' cooperation between Danish and African private sector partners. Sector priorities include water, energy, agriculture and the environment.

4.1 DANIDA Business

In 2011 the Business-to-Business Programme (B2B) and the B2B Environment Programme were replaced by the DANIDA Business Partnerships facility, DANIDA Business. DANIDA business facilitates investments and partnerships between Danish and local companies, with the aim of contributing in the fight against poverty and building an inclusive and green economy. According to DANIDA (2012), this encompasses responsible conduct in regard to climate and environment, use of natural resources, human rights, workers' rights, occupational safety and health and the fight against corruption. DANIDA will use guarantee schemes and other types of risk transference to mobilise private capital and innovative financing. It will also seek to engage development banks and funds in public-private cooperation that can benefit developing countries, paving the way for financing where commercial financing is unavailable.

4.1.1 Business Project Development (BPD)

Business Project Development (BPD) supports Danish companies to develop project opportunities in developing countries, where business and investment are often associated with relatively high costs and risks compared to more established markets. The activity can lead to trade cooperation, partnership, projects or investment within the GoGlobal collaboration between DANIDA, the Trade Council, the Investment Fund for Developing Countries (IFU) and Eksport Kredit Fonden (EKF) (see 4.4). The scheme is available in DANIDA priority countries where Denmark is represented by an embassy, where the commercial opportunities are present, and where security conditions make it possible to conduct business. BPD is currently available in Bangladesh, Bolivia, Burkina Faso, Egypt, Ethiopia, Ghana, Indonesia, Kenya, Mali, Mozambique, Nepal, Pakistan, Tanzania and Uganda.[25] The applicant must be a Danish company with the necessary financial and technical capacity, and adequate international experience to carry out the planned commercial activity.

The BPD scheme provides support for the preparation of studies, market research, project development, business plans and test equipment. The support is in the form of reimbursement of costs for salaries, consulting fees, travel expenses and product development. The support amounts to 75 per cent of costs incurred with maximum of DKK 750,000.

The planned activities must address local development needs with a focus on green growth and corporate social responsibility. The activity should lead to new jobs in developing countries and will often have positive effects on employment and business in Denmark.

4.1.2 DANIDA Business Finance (DBF)

DANIDA Business Finance programme (DBF) increases access to long-term financing through involvement of commercial actors for investments in important infrastructure, especially in Africa, which will lay the groundwork for economic growth. The programme targets key infrastructure sectors where investment improves the climate for economic development, in particular for the private sector. The main sectors are transportation, energy, water supply and sanitation. In all areas, climate-friendly and cleaner technology is a top priority.

Subsidised loans typically have 10 years' maturity. The DBF-subsidy consists of up to three elements:

1. Payment of interest
2. Payment of the export credit premium and other financial costs.

[25] In Pakistan the Business Project Development facility is only available in the capital Islamabad and the provinces Punjab and Sindh.

3. Cash grant to reduce the principal of the loan, if the above does not amount to the subsidy level required by the ruling OECD agreement. The grant element is 50% in the Least Developed Countries (LDC) and 35% in other countries.

The buyer/borrower repays the loan in equal, semi-annual instalments, normally starting six months after the commissioning of the project. The borrower will pay only a commitment and a management fee.

DBF offers support to three different types of projects: large infrastructure projects; small industrial projects in close collaboration with the IFU; and sustainable lending facility for projects to be implemented by Danish suppliers/contractors.

The general requirements and rules for all projects:

- DB Finance is available in DANIDA Partner Countries.
- Competitive international bidding. If there are sufficient Danish suppliers, the bidding will be limited to those.
- The minimum contract amount to be financed is €1 million.
- An acceptable commercial bank or financial institution with representation in Denmark must have agreed to act as lender for the project in question.
- The Ministry of Finance or a solid bank in the recipient country is required to act as borrower/guarantor.
- The project must adhere to international principles for CSR and governance as laid down in the United Nations Global Compact and the International Labour Organisation Decent Work Agenda.

The specific requirements for small industrial projects:

- Negotiated contracts (sole-source procurement) may be accepted on a case-by-case basis, but price verification is required.
- The buyer has to contribute to the total investment.
- Local financial costs – including local costs for a bank guarantee – must be paid by the buyer.

4.1.3 DANIDA Business Partnerships (DBP)

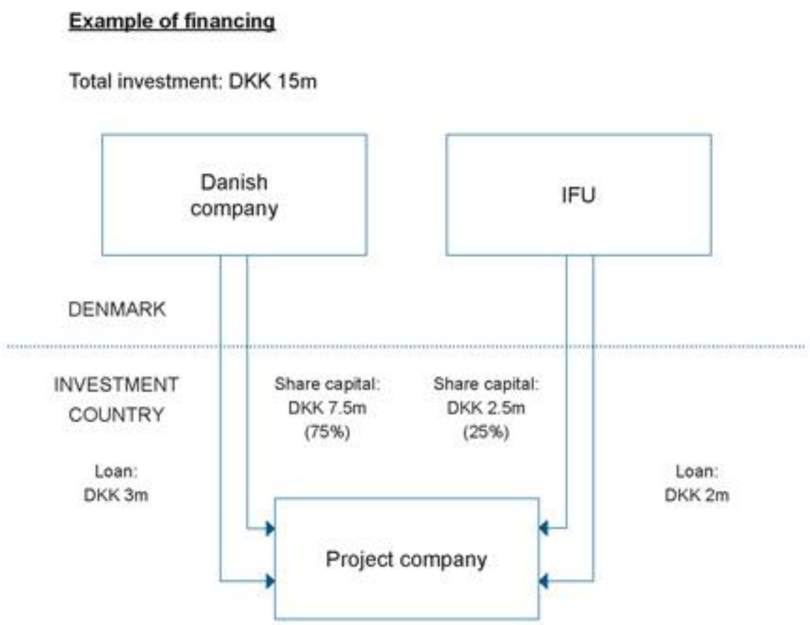
DANIDA Business Partnerships (DBP) is a facility within the Danish development cooperation which provides financial support for the preparation and implementation of commercially oriented partnerships between Danish companies and a wide array of local partners in order to mitigate some of the risks inherent to the pursuit of new business opportunities in developing countries.

DBP focuses on transfer of knowhow and technology from Danish companies to local partners such as companies, civil society organisations or local authorities. The objective of DBP is to create jobs, strengthen competitiveness and promote CSR in developing countries. In return, Danish companies are presented with new markets, opportunities for cost savings and improved access to raw materials. DBP supports partnerships in all so called DANIDA Priority Countries where the political and economic context allows for commercial cooperation, and where DANIDA has representation and capacity to support partnerships. DBP supports cooperation within all sectors with the exception of the tobacco, alcohol and weapon industry. A Business Development Profile is available for the priority countries where DBP operates. The profiles serve as guides to the sectors and business areas with large potential both in terms of business opportunities and development impact. Support is structured in 3 phases: Partner Identification Phase - 6 months, Preparation Phase - 6 months and the Implementation Phase - 3 to 4 years. DBP is managed by the Danish Embassies in DANIDA's Priority Countries.

4.2 The Investment Fund for Developing Countries (IFU)

The Investment Fund for Developing Countries (IFU) was established in 1987 and is owned by the Danish government. It provides advisory services and risk capital to Danish companies wanting to set up operations in developing countries. It participates in establishing new companies, setting up joint ventures between Danish enterprises and local business partners and in acquiring existing companies in one of the 120 countries eligible for IFU investment. Risk capital is made available on a commercial basis, and can be in the form of equity, mezzanine financing (equity-like loans), loans and guarantees. The figure below illustrates how a typical investment with IFU is structured.

Figure 2: Typical IFU investment



Source: http://www.ifu.dk/en/services/risk-capital

The table below shows the different duration and exit protocols for equity and loans.

Table 4: Duration and Exit Protocols for Equity and Loans

	Equity	Loans- secured and unsecured
Duration	5-8 years	5-7 years in USD, EUR, DKK
Exit	• Put/call agreement with the Danish partner at market value • Exit agreement from the start	• Repayment, 1-2 years grace

IFU invests together with Danish enterprises, large and small. IFU's financing ranges from DKK 1 million to DKK 100 million. Generally, IFU has a mandate to take up to a 30 per cent stake in an investment project, but can go up to 49 per cent in smaller projects. IFU offers advisory services on such aspects as business opportunities, commercial legislation and culture in the host country, business plan evaluation, localisation, recruitment and local partnerships. In assessing the eligibility for benefitting from IFU's services, at least four prerequisites must be met:

- the Danish company must at least match the investment committed by IFU;
- the business operation must be deemed to be commercially viable;
- projects must have a development impact in the host country;
- the host country must be on the list of developing countries eligible for IFU investments.

Greenfield projects, expansion of existing projects and privatization of state-owned enterprises are all eligible for IFU financing. Manufacturing (60 percent) continues to be the largest sector of business in the IFU portfolio, followed by trade and transport. Finance, insurance and agriculture also have their place. Host countries of investments must be on the OECD's DAC list of development aid recipients (Finnfund et. al. n.d.).

Two specific funds run by the IFU are the Arab Investment Fund and the Danish Climate Investment Fund. These are described below.

4.2.1 The Arab Investment Fund (AIF)

IFU and the Danish MFA set up the Arab Investment Fund (AIF) in 2011. The purpose is to support the economic and commercial development in North Africa and the Middle East, while at the same time easing the access for Danish companies into the region. The new fund will co-invest with Danish companies in Egypt, Tunisia, Libya, Morocco, Algeria, Jordan and Iraq, particularly in the areas of tourism, infrastructure, food, energy and the environment. AIF can participate in the establishment of new companies, in joint ventures with Danish and local partners or in mergers and acquisitions. Risk capital is offered on commercial terms in the form of share capital, loans and guarantees. IFU acts as fund manager for AIF. Advisory services are also provided such as evaluation of business plans, investment country legislation, local business climate and culture as well as providing easier access to local authorities, relevant accountants, lawyers and trade organisations.

4.2.2 The Danish Climate Investment Fund

The Danish MFA and the Ministry of Climate Energy and Building have established a climate investment fund to contribute to reducing climate changes in DAC countries and promote transfer of Danish climate technology. The Danish Climate Investment Fund (DCIF) is expected to assist SMEs in gaining access to new countries and markets, either directly or as suppliers to larger climate projects. The invested capital of DKK 1.2bn consists of development funds (DKK 275m), IFU's funds (DKK 250m) and funds from the institutional investors (so far DKK 675m). As the DCIF only contributes part of the total project financing in the individual projects, the total investment is expected to be in the range of DKK 8-9bn. The DCIF will provide its investors with a competitive return. The annual return is expected to be 12 per cent of the invested capital. IFU is the fund manager.

4.3 Eksport Kredit Fonden (EKF)

Eksport Kredit Fonden (EKF) was established in 1922 as Denmark's Export Credit Agency that helps Danish companies—large and small—make it possible and attractive for customers abroad to purchase Danish products. It does so by helping raise financing and by insuring companies and banks against the potential financial and political risks of trading with other countries. EKF assists companies from the initial contact with a customer abroad until the conclusion of the transaction and receipt of payment. EKF is owned and guaranteed by the Danish state but operated as a modern financial enterprise. No information could be found as to whether EKF funds count towards ODA or not.

The requirement is that the transaction is basically sound. To that end, EFK helps firms assess whether their customer is creditworthy. Export transactions must also create value for Denmark, for instance by way of jobs and revenue. Whether this is the case is assessed by EKF. Finally, EKF ensures that the transaction is conducted in a socially and environmentally responsible manner.

4.4 GoGlobal

GoGlobal is a joint marketing platform and common point of entry to DANIDA, the Trade Council, the EFK and IFU. The organisations provide different assistance to Danish companies who wish to establish business in or export to foreign countries. Information through GoGlobal will be intensified to broaden awareness of the range of assistance and consultancy in Denmark that is linked to new growth markets.

In the most commercially attractive partner countries, concrete assessment is made of whether a proposed project qualifies for development assistance or is more suitable on a purely commercial basis with possible consultancy support by the Trade Council. There will thus be a need for ongoing adjustment and a country-specific evaluation of the additionality requirement for support through DANIDA. More information can be found on the GoGlobal website (in Danish only).[26]

4.5 ODA

Data has only been found for the B2B Programme, which was the predecessor of DANIDA business. There could be other expenditure earmarked for the private sector which is not reported on the DANIDA website.[27]

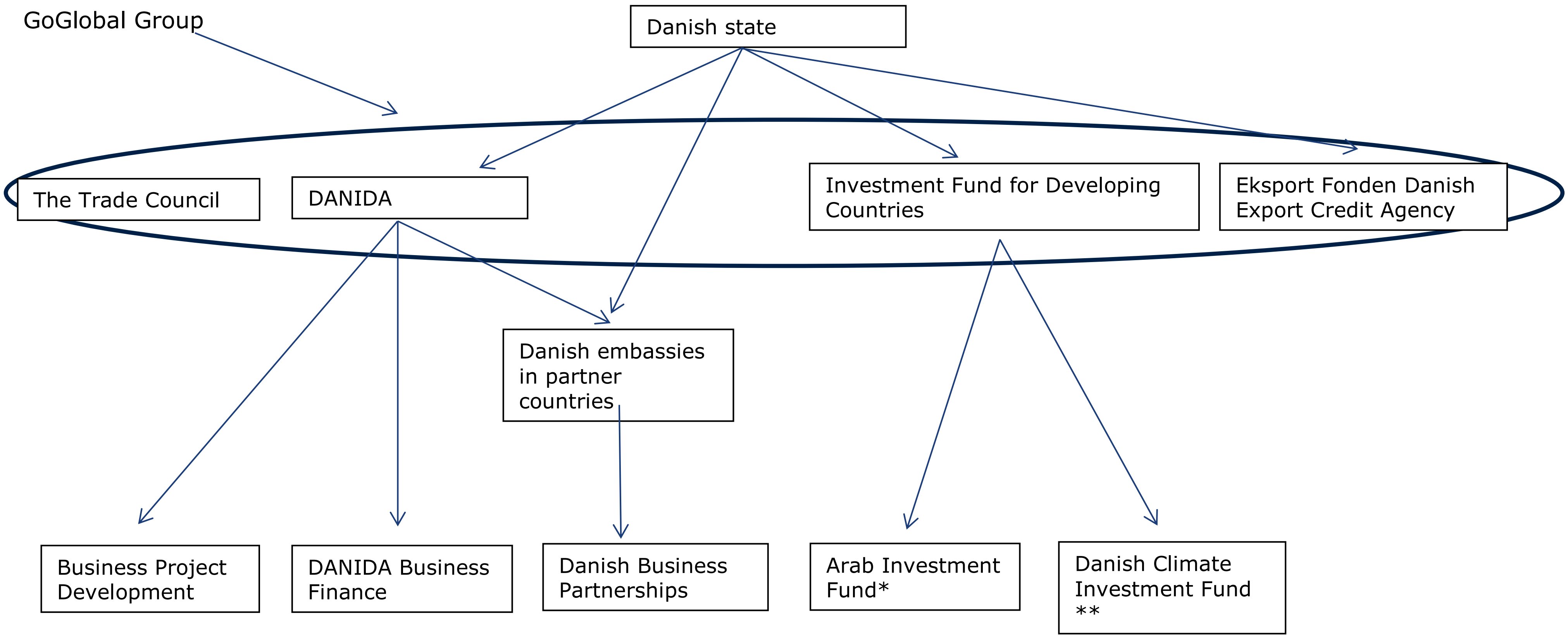
Table 5: Table to compare disbursement of the B2B Programme and total ODA (USD, millions)

	2011	2012
B2B Programme (Private Sector)	50.1	26.4
Total ODA reported to OECD/DAC	2,937.1	2,692.4
B2B Programme (Private Sector) as a % of total ODA	1.71	0.98

The sectoral distribution of bilateral assistance is displayed as a table on the DANIDA section of the MFA website but no disaggregation for the private sector is given. [28]

[26] See http://startvaekst.dk/goglobal.dk
[27] See http://um.dk/en/danida-en/activities/annual-report-2012/denmarks-development-cooperation-in-figures/denmarks-official-assistance-to-developing-countries-divided-into-main-categories/
[28] See: http://um.dk/en/danida-en/activities/annual-report-2012/denmarks-development-cooperation-in-figures/sector-distribution-of-bilateral-assistance/

4.6 Organizational Map of Denmark



*The Arab Investment Fund was set up by the IFU and the Danish MFA, but IFU is the fund manager

**The Danish Climate Investment Fund was set up by the Danish MFA and the Ministry of Climate, Energy and Building. IFU is the fund manager.

5 Sweden

Sweden's latest policy for international development was published in 2008 and is entitled ''Global Challenges- Our Responsibility: Communication on Sweden's policy for global development''. In the document, the Government outlines six global challenges that are key to achieving the goal of equitable and sustainable global development, and in which Sweden can make an effective contribution. These are oppression, economic exclusion, climate change and environmental impact, migration flows, communicable diseases and other health threats, and conflicts and fragile states. The chapter on economic exclusion is the most relevant to private sector support, and contains sub-themes on financial markets, trade in agricultural products and Swedish trade and investment in developing countries. Within the document there are hints of future support to businesses: ''as part of its enterprise and development policies, the Government intends to emphasize the vital role of private enterprise as a driver of growth and development, without however departing from the Swedish principle of non-tied aid'' (Ministry of Foreign Affairs 2008).

According to the Sida (Swedish International Development Cooperation) website, the government agency promotes private sector development through projects at the macro level (supporting ministries, for example), at the meso level (such as developing chambers of commerce), and at the micro level (through training small-scale farmers, for example). The efforts that are prioritized in different countries and regions depend on each country's particular conditions and requirements. Sida works with international partners, such as other bilateral donors and the World Bank, to support local authorities and trade and industry organizations to improve the business climate in the countries with which it co-operates.

Inclusive and sustainable business forms the foundation for Sida's collaboration with the private sector:

- Sustainable business models develop practices that put the needs of future generations at the forefront of business decisions taken today. One common model of describing sustainability takes into account three dimensions: the economy, the environment and society.

- Inclusive business models include people in poverty as clients and customers, and as employees, producers, distributors and business owners at various points in the value chain. Inclusive business engages with those who have no or very low income and who lack basic access to goods and services. Inclusive business can create markets or business opportunities where basic goods and services are lacking.

The strategy that governs Sida's collaboration with actors of the private sector is the Strategy for Capacity Development and Collaboration 2011-2013. It was adopted by the Government in 2010.[29] The strategy document introduces the Business for Development programme, and suggests that assistance to the private sector development in developing countries is considered as ODA: 'The principles of untied

[29] See: http://www.government.se/content/1/c6/17/83/49/ab928efd.pdf

aid are to guide the work […] Sida's contributions are to focus on areas that result in good leverage from Swedish development cooperation funding, and additional effect in relation to other activities'. Sida's stance towards its collaboration with the Private Sector is summarized within the Frequently Asked Questions under the private sector section of the ''For partners'' tab.[30]

On 13 May 2013 the network Swedish Leadership for Sustainable Development was formed. It consists of around 20 leading companies with Swedish connections, working for good leadership in sustainability and towards reducing poverty and finding long term solutions to today's major development challenges. The network is coordinated by Sida, but builds on the companies' own leadership in the field of sustainable development. Members exchange experiences within the network while new projects are initiated and implemented. The objective of the collaboration between Sida and the business industry corresponds to Sida's overall objectives for Swedish development cooperation; to create opportunities for people in poverty to improve their living conditions.

The Business for Development programme consists of a number of instruments, namely Public Private Development Partnerships, Challenge Funds, Drivers of Change, Innovative Finance and Land related investments in Africa; a narrative of each is provided below.

5.1 Public Private Development Partnerships (PPDP)

Sida's Public Private Development Partnerships (PPDP) aim to engage the private sector in proactively committing to developing countries through investments, trade, technology transfer and problem-solving. The development partnerships focus on collaboration with large companies and cover initiatives in which private and public actors share a common interest in creating opportunities and achieving development goals.

Sida welcomes PPDP initiatives emerging from the business sector which, together with a local partner, address local development constraints. A company, cluster or a consortium in harness with local partners are the drivers of the projects. Projects are aligned with national poverty reduction strategies and priorities as well as the Swedish country strategies. Examples of Sida supported activities are pilot projects, technical assistance, training and capacity building, investments in facilities linked to a business venture (such as infrastructural projects) and market support

The main part of the investment associated with a project is expected to be private capital. Sida funding is complementary and Sida involvement is meant to be additional to a business venture and have clear benefits for people in poverty. The principle is based on the private partners and Sida jointly financing a project that is implemented by a third non-profit party in which the resources are pooled. The ratio for co-financing is maximum 50 per cent, meaning that the private partner covers a minimum of 50 per cent of the total cost. The idea is principle is that there should be

[30] http://www.sida.se/English/Partners/Private-sector/Frequently-asked-questions/

joint risk-taking for the PPDP as a whole. The financial support is never directed to individual businesses but channelled to a local partner, such as a local ministry or locally established organisation that has the ownership of the project.

The ten key principles and criteria governing the PPDPs are:

1. A social problem and an area of developmental improvement as the point of departure.

2. Country focus: the programme addresses projects that take place in Sida's partner countries.

3. Country strategy and sector alignment: the project should be within the parameters of the country's existing national policies. Preferably, the PPDP should be focused on the key sectors defined in Sida's development assistance in line with the Paris agenda but is not limited to these sectors.

4. Rights based approach.

5. Local partner: a close cooperation with relevant local bodies such as local public sector institution, a ministry, department or a trade union.

6. Scaling-up potential.

7. Market creation, not distortions.

8. Transparency: the company should be willing to share information, results and outcomes from the projects.

9. Additionality: Sida support shall stimulate pro-poor developmental impact of business and economic activities which would not have emerged to the same extent without Sida support.

10. CSR: assurances that business is conducted under high social and environmental standards.

Case Study: Milk increases school attendance in Zambia

Zambia has one of the lowest milk consumption rates in sub-Saharan Africa at less than ten litres per capita per year. The price of milk in Zambia is high compared to neighbouring countries, which indicates that there is a lack of competition. At the same time, chronic malnutrition is a major problem.

To contribute to economic growth in rural areas while also improving the health status and school attendance of children, Sida is supporting the one-year pilot programme Milk for Schools in Zambia in partnership with the food processing and packaging solutions company Tetra Pak, the World Food Programme, the Zambian government and local stakeholders.

As part of the project, students in 39 schools in the Nyimba district in eastern Zambia receive 250 millilitres of milk three times a week and all the milk comes from local smallholder dairy farmers. Since the programme started, school attendance in the district has increased from 15,000 to 18,000 students.

As part of the programme, small dairy farmers have been given support in development of their milk production. Milk can be an important source of income for rural communities. Since it is often sold on a daily basis, milk creates a regular revenue stream and allows the farmers to improve their livelihoods. A family with two milking cows can make four to six US dollars per day.

The programme has not been evaluated yet but so far the indications are very positive, according to Maria Stridsman, project manager at Sida: "The smallholder farmers have been able to deliver all the milk needed in the programme successfully and they have also been able to scale up their production", she said.

The Zambia Milk for Schools programme is part of Sida's new Public-Private Partnership programme, which allows joint financing between Sida and private companies. The total budget for the pilot programme is one million US dollars, of which Sida has contributed 50 percent and Tetra Pak and its partners the remaining 50 percent.

Source: Sida (2012)

5.2 Challenge Funds

To encourage ideas and innovation, Sida invites companies to 'compete' for support in the same way that researchers apply for funds from a research foundation, through a so called Challenge Fund. Sida supports challenge funds targeting different development issues and sees this tool as a creative problem-solving mechanism.

A challenge fund is a financing mechanism to allocate (donor) funds for specific purposes using competition among organizations, mainly SMEs as the lead principle. A challenge fund invites for proposals from companies, organizations and institutions working in a targeted field to submit project proposals. Challenge funds are always set up to meet specific objectives – such as extending financial services to poor people or finding solutions to a specific health problem in developing countries.

Proposals are assessed against transparent and pre-determined criteria. Successful applicants must usually match a certain percentage of the grant with own financing. The challenge fund awards grants to those projects that best meet the objectives of the fund and fulfil various pre-established eligibility criteria. Examples of Sida supported Challenge Funds are Innovations against poverty, Africa Enterprise Challenge Fund, Making All Voices Count, Emprender Paz, Powering Agriculture and Seed Alliance.

5.2.1 Innovations against Poverty

A major challenge fund within Sida is the Innovations against Poverty program. The challenge fund provides matching grants (maximum 50 per cent) to entrepreneurs or companies with innovative products, services, systems and business models that serve, create opportunities and benefit people in poverty in a poor country. The programme functions as a risk sharing mechanism for sustainable business ventures (commercial companies or market oriented organisations) which have a strong potential to reduce poverty. Examples of projects that have received support include new types of battery chargers, rural renewable energy, municipal sanitation, safe drinking water and farm business advisory. It is open for applicants from all over the world and also has a special window for the Middle East and North Africa region.

The programme focuses on smaller organisations that need the support of their business strategy and resources to penetrate new markets. On the other hand, Innovations against Poverty also seeks to work with larger companies, to help support the development of "inclusive business" models for these markets, which expands opportunities for the poor and disadvantaged in developing countries. Such business models can engage the poor as employees, suppliers, distributors and consumers.

Companies can be active in all sectors where innovation leads to poverty reduction, from agriculture and infrastructure to health and education. The only exceptions are companies involved in arms, tobacco and gambling industries.

5.2.2 Africa Enterprise Challenge Fund

The Africa Enterprise Challenge Fund (AECF) is a 200 million dollar private sector fund started by the Green Revolution in Africa (AGRA) and is partially funded by Sida. ACEF focuses on financial projects, through grants and interest free loans, to support profitable ways of raising rural incomes by developing markets for products and services that meet the needs of the rural poor in agribusiness, renewable energy, rural financial services and climate change technologies. AECF has a special window for post-conflict countries. AECF offers funding which target specific economic sectors in specific countries or for projects involving several countries.

The goals of AECF include providing funds to organizations in need that can use it effectively. They also must meet the broader aims of public policy. Moreover, these goals have to be carried out with transparency. Swedish support for AECF is allocated through Sida's Unit for private sector collaboration and ICT. Sweden, through Sida's private sector collaboration program, in cooperation with other development actors such as United Nations Industrial Development Organisation (UNIDO) and the UK Department for International Development (DFID), can collaborate with businesses to partially finance their initiative. However, the objective of the initiative must meet the objective of Swedish development cooperation. AECF is structured to match the commercial interests of private companies with the agricultural needs in a particular country, and at the same time emphasize sustainable corporate engagement.

5.2.3 Making All Voices Count

With an initial funding of USD 45 million over four years, the U.K. Department for International Development (DFID), U.S. Agency for International Development (USAID), Omidyar Network (ON) and Sida has set up Making All Voices Count: a challenge fund aimed to create and apply innovations that support people-centred, open government. Through financial and technical support the challenge fund supports efforts of citizens and governments in emerging democracies to work together. By supporting innovative technology platforms for citizen engagement, Making All Voices Count seeks to involve citizens and government officials in sending, receiving and re-connecting information, which will enable open, democratic governance through citizen feedback on government performance.

Making All Voices Count seeks to bridge the existing gap between governments and citizens through making funds available in four windows, or areas, that exploit mobile and other technologies in support of citizen engagement:

1. Backing innovative ideas and technology solutions.
2. Building an evidence base on what works, and why.
3. Scaling up successful initiatives and responses.
4. Catalysing global attention and action around these issues.

The Fund Manager is a consortium led by the Dutch organization Hivos. Hivos will coordinate the initiative and as such be responsible for the implementation of two of the windows. The other members of the consortium are Ushahidi, based in Kenya, and the Institute for Development Studies (IDS) based in UK, which each one will be responsible for implementing one of the windows mentioned above.

5.2.4 Emprender Paz

Innovation for Peace – Emprender Paz is a Columbian challenge fund promoting and mobilizing private sector contributions to peace-building. The objective is to result in more companies being committed and actively participating in the development of peace-building initiatives as part of their core business.

5.2.5 Powering agriculture

According to Sida, the agricultural sector is the most important source of income for many people living in low-income countries, but lack of access to reliable, clean energy is a major barrier to its development. Powering Agriculture: An Energy Grand Challenge for Development encourages innovative technological and financing solutions for providing reliable and clean energy to the agricultural sector in developing countries.

5.2.6 Seed Alliance

Seed Alliance is a challenge fund aimed at Internet Development and Digital Innovation. This fund supports initiatives that utilize new technologies to make pro-poor projects more effective and inclusive. The main focus of the fund is; openness, inclusion, rights and access.

5.3 Drivers of Change

Organisations whose activities contribute to the fulfilment of Swedish development goals and work with environmentally, socially and economically responsible practices are Drivers of Change. They include organisations that drive developments within a specific business related field, like CSR or social entrepreneurship, or improve relations between NGOs and the business community. According to Sida’s website, civil society organisations in collaboration with the business sector can play an important part in transforming markets and production methods towards greater sustainability.[31]

Sida’s work to connect business to the development agenda also includes giving support to civil society organizations and other change agents that counteract unsustainable undertakings. One way of achieving this is by providing support to watchdogs in civil society, free media and the development of rules and regulations for responsible enterprising.

To receive support from Sida as a Driver of Change, an organisation must work to influence the private sector, i.e. towards large-scale actors and not just individuals. The support to organisations active in the business field is based on the cost sharing principle, which means that the organisation finances a large part of the programmes. A Driver of Change can be based in any country, but the operation must benefit people living in poverty.

5.4 Innovative Financing

Innovative finance aims at mobilizing private capital resources – both market-based and philanthropic – for development through new forms of financial solutions. Financing solutions may involve the use of development loan and guarantee arrangements.

<u>Development Loan:</u> Sida provides a grant to complement a loan facility. The grant is typically 35–80 percent of total funding, while the market financed loan is 20-65 percent. Market financed loans are structured and issued by banks or multinational financial institutions. Sida is also working with loans targeting environmental sustainable development – Environmental loans. These loans are primarily aimed at

[31] See http://www.sida.se/English/Partners/Private-sector/Collaboration-opportunities/Drivers-of-Change/

improving energy efficiency and renewable energy; management of waste, water and sewage, and transportation. These can stand alone or be combined with a guarantee arrangement.

Guarantee Arrangement: companies that require additional capital to expand their activities with clear benefits for people in poverty in developing countries can, if certain conditions are met, take advantage of Sida's guarantee programme. Sida can share the risk with other lenders or investors, who in turn lend money to, or invest in, companies through this instrument. Sida's support can be in the form of a guarantee or a development loan, not shares or cash. In addition to the cost of the loan (the interest rate), the applicant company must also pay a risk-reflecting guarantee premium, as for any other warranty.

5.5 Land related investments in Africa

Through different forms of interacting with the private sector, Sida will explore new possibilities to collaborate around large scale national and foreign land-related investments in Africa. Sida support around land-related investments includes action research and strategic communications to monitor and make public the results of the Sida funding and of the investment. Sida supports activities which strengthen local and national governments and the capacity of local communities and farmers/habitants to deal with investments. The concept is implemented in specific county contexts, implying that it has to relate to national policies/processes.

5.6 Swedfund

Swedfund was founded in 1979, and is 100 per cent owned by the Swedish state and reports to the MFA Department for Management and Methods in Development Collaboration. By co-financing sound investments in the private sector, Swedfund encourages economically, environmentally and socially sustainable development and private sector development. Swedfund can provide finance for investments in countries that are eligible for ODA. Swedfund's major focus sectors include manufacturing and infrastructure and the ambition is to increase its presence in Africa.

Swedfund is a minority investor. Its focus is on €3-10 million equity investments that promote Swedish interests; it is not restricted to investing with Swedish investors. Its financing does not normally exceed 30 per cent of the total investment including operating capital. A strategic partner must take a financial risk equal to or exceeding Swedfund's risk exposure (Finnfund et. al., n.d.). Swedfund's portfolio is divided between equity, loans and funds. Through lending it can help finance larger companies together with other development finance institutions. Fund investments enable Swedfund to reach more and smaller companies.

The general investment criteria for Swedfund are:

- Countries: in Africa, Asia, Latin America and Eastern Europe

- Sector: All sectors except weapons, tobacco or alcohol manufacturers
- Proven technology: Swedfund will not assume any technology risk
- Co-investors: Companies with strong financials and a solid track record in the relevant sector. Swedfund do not invest with private individuals
- Instrument: Equity and debt with focus on equity-related capital.
- Size: SEK 20 million – 100 million per investment
- Share: Always minority, usually 25 – 35% of total investment amount
- Risk exposure: Equal or lower than co-investor/partner
- Return requirements: a commercial return commensurate with the risk profile of our instrument. We do not provide soft money
- Board representation: Yes (equity investments)
- Investment horizon: 5 – 10 years

The 2012 annual report by Swedfund entitled 'Poverty Reduction through Sustainable Business: Swedfund's Sustainability and Annual Report' outlines the three pillars of achieving poverty reduction through sustainable business: Private Sector Development, Sustainability and Financial Viability. The performance indicators for private sector development are: job creation, taxes and transfer of knowledge and capacity building (see Swedfund 2013).

5.6.1 Swedpartnership

Swedfund offers financial support for Swedish SMEs to invest in equipment and knowledge transfer when setting up businesses in the emerging markets of Africa, Asia, Latin America and Eastern Europe. This support is a special venture from MFA and is financed with a separate budget. The objective of the loans is to motivate such enterprises to start up sustainable businesses in challenging markets. The loan can be amortized once the project has been carried out and its results approved. The maximum financial assistance is limited to €200 000 (approximately SEK 1,7 million) and 40 per cent of the total project budget. At least one third of the applied support must be for knowledge transfer.

To qualify the Swedish enterprise must:

- be a limited company with between 5 and 249 employees
- have a maximum annual turnover of €50 million and/or
- have a balance sheet total of maximum €43 million.

5.7 ODA

As can be seen in the below table, support to the private sector is increasing as a proportion of the total ODA budget.

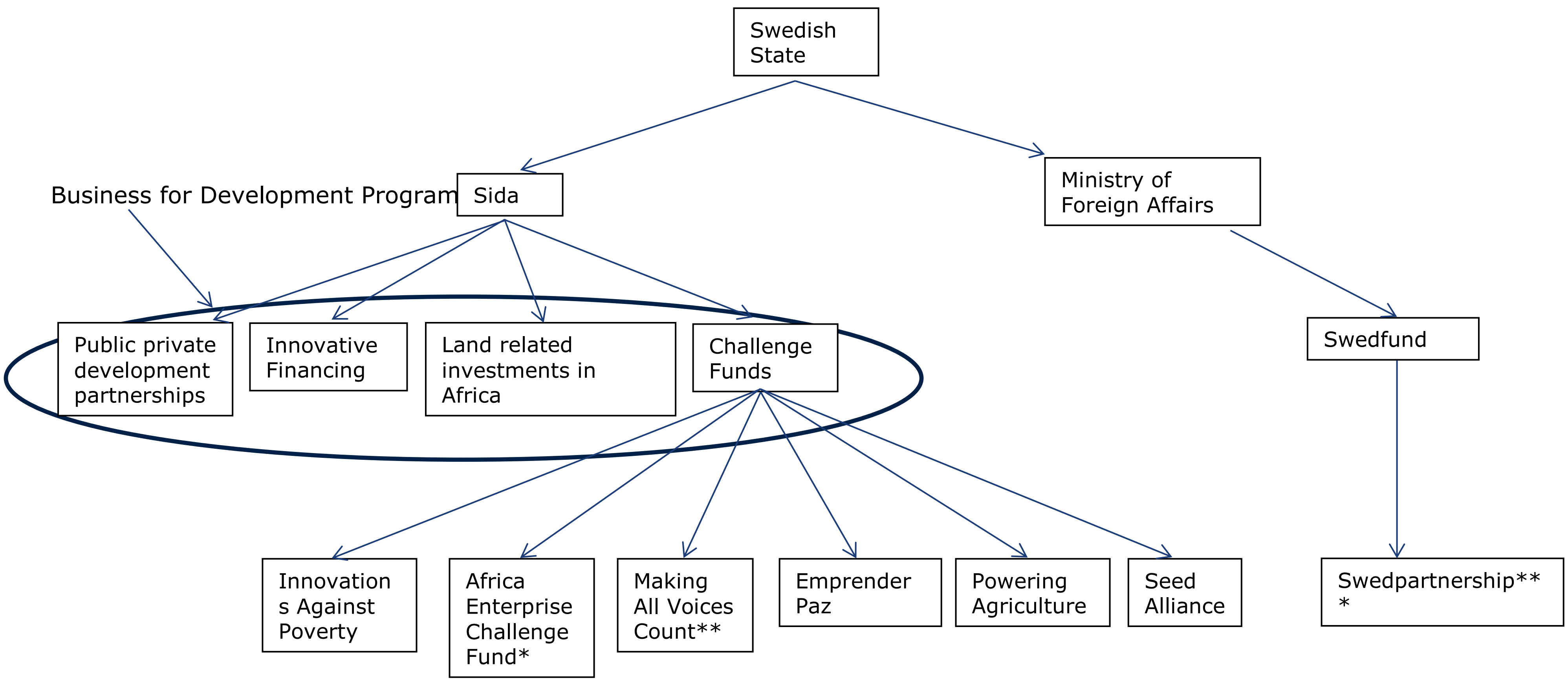
Table 6: Budget to Private Sector in relation to overall ODA (in millions of Swedish Krona)

	2010	2011	2012
Private Sector support		90*	200*
Net ODA	32,651	36,360	35,483**
Private Sector support as a % of overall Net ODA		0.24%	0.56%

*Approximate Figure
**Preliminary data
Source: http://www.oecd.org/dac/sweden.htm and
http://www.sida.se/English/Partners/Private-sector/Frequently-asked-questions/

Notes: No data can be found for private sector support for 2010. Various forms of collaboration between Sida and the private sector are increasingly being used in multiple sectors and financed from other Sida budgetary lines, such as country and regional allocations (in addition to the global Private Sector Collaboration budget).

5.8 Organizational Map for Sweden



*Swedish support for ACEF is allocated through Sida's unit for private sector collaboration and ICT. ACEF was started by the Green Revolution in Africa.

**Jointly funded by Sida, USAID, DFID, Omidyar Network. Fund Manager is a consortium led by the Dutch organisation Hivos. Other members are Ushahidi, based in Kenya, and Institute for Development Studies, based in UK.

***Special venture from the Ministry of Foreign Affairs and is financed with a special budget.

6 Finland

The stance of the current government with respect to development assistance is outlined in the strategic document 'Finland's Development Policy Programme: Government Decision-on-Principle 16 February 2012.[32] In addition to the cross-cutting themes of gender equality, climate sustainability and reduction in inequality, the four priorities of development policy and development cooperation are:

1. A democratic and accountable society that promotes human rights
2. An inclusive green economy that promotes employment
3. Sustainable management of natural resources and environmental protection
4. Human development

Importance is attached to the private sector within the policy document: "development today relies increasingly on rapidly growing private investments—both on developing countries' own investments and foreign investments—and migrants' remittances to their countries of origin'' (MFA 2012 p.6). The MFA highlights that there will be planning and implementation of new cooperation modalities with the private sector, including an increase in Finnfund's capital and the introduction of a special risk financing instrument (although this is not named explicitly). Cooperation modalities that promote development policy objectives and complement the other development policy objectives will be developed together with the private sector to replace concessional credits. Development policy dialogue with the private sector will be strengthened by establishing a joint discussion forum.

There have been various publications about the private sector. For example in spring 2008, the MFA and Finnpartnership produced a publication entitled Exporting to Finland in cooperation with interest groups and NGOs. The handbook is designed to provide information for companies with an interest in Finland as an export destination. The publication discusses the principal import requirements and Finnish buyers' expectations vis-à-vis their business partners, and provides basic information about Finland as a market area. An exhaustive list of parties of cooperation and their contact details for possible further information is included. The publication has been written especially for companies in developing countries, and it is available in English, French, Spanish and Portuguese. Another example is from July 2007 when the MFA published a report on Finnish imports from developing countries, focusing on the export potential and trade barriers of Finland's long-term partner countries in developing countries. The report includes also a section devoted to the elimination of trade barriers to import from developing countries. It supports efforts to facilitate import from developing countries and serves as a source of information for stakeholders with an interest in importing from developing countries.

[32] http://formin.finland.fi/public/download.aspx?ID=97374&GUID={A708126D-F09D-4608-B420-C00E12E46385}

6.1 Team Finland

The Team Finland network promotes Finland's external economic relations and country brand, the internationalization of Finnish companies as well as foreign investment directed at Finland. Its aim is to intensify cooperation between Finnish players in these sectors. The core of the Team Finland network consists of the Ministry of Employment and the Economy, the Ministry for Foreign Affairs and the Ministry of Education and Culture, as well as the publicly funded organizations and overseas networks whose performance they oversee. The Team Finland network is steered by the Government. More than 70 local teams around the world handle its activities abroad. Each local team gathers together the Finnish authorities, publicly funded organisations, and other central actors representing Finland in the particular region. There are 15 local teams of the ELY centres (regional centres for economic development, transport and the environment) that make up part of the Team Finland network in Finland.

Finnfund's mission is to promote economic and social development in its target countries through investments in the private sector. Catalysing Finnish know-how for projects in developing countries is Finnfund's main niche. It seeks to invest in win-win-win projects that bring local and Finnish parties together while also improving the environment.

The Team Finland operating model is based on the 2011 Government Programme, which set the goals of enhancing the effectiveness of Finland's economic external relations and improving cooperation between publicly funded organisations operating abroad. Team Finland is not a new organisation; it merely brings existing publicly funded activities together under an umbrella. This is a major project that progresses and deepens in stages. The perspective of Team Finland work is longer than individual Government terms.

6.2 Finnfund

Finnish Fund for Industrial Cooperation Ltd. (Finnfund) is a development finance company that provides long-term investment loans and risk capital for private projects in developing countries (40 per cent of the portfolio is in Africa) and Russia. Finnfund invests mainly with Finnish companies and their local partners, such as long-term customers, suppliers, subcontractors and companies that license technology in the poorest countries. Apart from a minority stake held by the Confederation of Finnish Industries EK, Finnfund is state-owned and operates under the auspices of the MFA.

Mitigation of or adaptation to climate change is a key objective for many of the projects. Forestry, renewable energy, telecommunications and environmental technologies are priority sectors, along with manufacturing projects, many of which are linked to the above sectors.

Finnfund can make equity investments or provide clients with long-term investment loans, with subordinated loans or other mezzanine financing, or with guarantees needed to access financing in local currency. Finnfund is always a minority investor, typically relying on a sponsor that knows the business and invests at least as much as Finnfund. This co-investment is both in projects that use Finnish technology and in other projects that generate significant environment or social benefits. Most investments are in the range of €1-10 million. In many developing countries, Finnfund either has long experience or can help its clients by tapping into a network of partners, including other development financiers (Finnfund et. al. n.d.).

6.2.1 Finnpartnership

Finnpartnership - a Finnish business partnership programme, provides advisory services and financial support for business activities of Finnish companies in developing countries. Finnfund is responsible for the management and implementation of the programme on behalf of the MFA of Finland. Finnpartnership supports feasible and commercially viable partnerships between companies in Finland and in developing countries. The services provided by Finnpartnership are business partnership support facility, advisory services, and identification of business partners (Matchmaking). More information about these services is provided below and on the Finnpartnership website.[33]

6.2.1.1 Business Partnership Support (BPS) Facility

Business Partnership Support (BPS) is financial support for the planning, development and training phases of projects aiming at establishing commercial activity in developing countries, or starting importing from developing countries. The support can be granted to Finnish companies and other organisations for commercially viable, long-term activities aimed at economic cooperation in developing countries. All projects should contribute to positive developmental effects in the target country. The purpose of BPS is to encourage commercial cooperation between Finnish companies and companies and organisations in developing countries. The aim is to achieve positive developmental effects in the target countries.

In principle, BPS is de minimis aid with a few exceptions. In the framework of the de minimis regulation, a company is entitled to receive a maximum of €200,000 of de minimis aid over a 3-year period. BPS covers 30 /50/ 70 per cent of the budgeted approved and incurred expenses depending on the size of the applicant company (SME/large) and the development status of the project target country.

Eligible applicants for BPS are:

- companies registered in Finland or elsewhere that have a substantial link to Finland. This means it has a significant Finnish ownership in the applicant company, or a contractual relationship between a Finnish company and the company registered abroad.
- public utilities or other institutions that are operating according to the principles of the public sector, and are registered in Finland

[33] See http://www.finnpartnership.fi/www/en/index.php

- research facilities, universities, cooperatives and chambers of commerce or similar organisations based in Finland
- NGOs/associations registered in Finland that practice or contribute to economic operations
- consortium of several companies or organisations

BPS is intended for commercially viable activities aimed at long-term economic cooperation in developing countries, such as:

- establishing a joint venture (e.g. production or services)
- establishing a subsidiary company (e.g. production or services)
- subcontracting (e.g. manufacturing or services)
- importing to a developing country (project with commercial market potential and developmental impacts which boosts developing country import to Finland and possibly to other countries)
- other long-term business partnership in a developing country designed to sustain business activities related to, for example, long-term subcontracting or maintenance, franchising or licensing agreements
- pilot projects related to commercial/merchandised technology or solutions
- vocational education and training, and support for local education.

Eligible target countries are all developing countries listed as ODA recipients by DAC of the OECD. Exceptions are those countries, against which the European Union or the United Nations have imposed sanctions.

6.2.1.2 Matchmaking

Through Finnpartnership's Matchmaking Service, companies and organisations in Finland and in developing countries can seek out new cooperation opportunities and business partners. Finnpartnership channels business partnership initiatives from developing countries to companies in Finland and vice versa. Business partnerships refer to long-term joint activities between companies or other economic actors in Finland and in developing countries, such as joint ventures or importing from developing countries.

For companies in Finland, Finnpartnership offers the opportunity to post information on their business initiatives in the PartnerSearch service, which may help in finding a suitable business partner for their project. In addition, Finnpartnership assists companies registered in developing countries in seeking out new business opportunities and partners in Finland.

The service covers all the developing countries. However, from the beginning of 2011 Kazakhstan, Peru, Tanzania and Vietnam are the key focus countries in the marketing of the Matchmaking Service. It is also possible to assign a consultant to assist in the Matchmaking process in the key focus countries. In order to register for the Matchmaking Service, company must be

- in a solid financial base
- registered in one of the OECD-DAC listed country OR in Finland
- capable to present a concrete and potentially feasible business proposal
- established a year prior to registering.

6.2.1.3 Advisory Services

From the outset of planning a project, companies can contact Finnpartnership's experts who can provide guidance—free of charge—throughout the different phases of a project. The objective is to improve the bankability of projects and thereby enhance their execution. The advisory services are intended for Finnish companies and organisations in all sectors planning or improving business activities in developing countries.

In the planning phase of a project Finnpartnership provides Finnish companies both advisory services and the Business Partnership Support Facility. Business Partnership Support may be used to cover a part of expenses in:

- identifying business partners
- preparing pre-feasibility studies
- conducting feasibility and market studies
- developing business plan, and
- realising environmental studies, permits and agreements.

Finnpartnership's experts provide advice also on matters concerning the progress of pre-feasibility and feasibility studies.

In a project's execution phase, Finnpartnership can, for example, help in finding financiers for projects through its wide cooperation network as well as advise on essential questions concerning the implementation of a project. In the development phase of a project it can offer Finnish companies the Business Partnership Support and information on possible partners. Business Partnership Support can be used to cover part of expenses arising from:

- training of employees in the target country, and
- utilising experts in developing a specific business area of a project.

The goal of employee training is to improve the professional capabilities of the personnel in the developing country. The implementation and start-up of a project may also require the utilisation of experts in other areas than personnel training. These different areas may be included in the overall project.

When more specific information is needed on a particular country or sector, users are recommended to utilize the expertise of consultants. Consultants/experts can be searched through ExpertFinder.fi-service (Asiantuntijahaku.fi). ExpertFinder.fi is a service governed by SME Foundation in Finland. The service offers a possibility to search for consultants and experts with specific expertise. The search can be limited to a specific sector, know-how, past experience or geographical location. After submitting the search, a customer can send a contact or offer request to a selected consultant.

6.3 Concessional Credits

The aim of concessional credits is to support the economic and social development of developing countries with the assistance of the know-how and technology offered by businesses. The interest subsidy is a financial instrument, in which the funding of export directed to developing countries is supported by subsidising the granted export credit with interest paid from the Finnish Government's development cooperation funds. The credit is interest-free for the borrower. Concessional credits may be granted to low income and low average income countries.

Finland's new Development Policy Programme outlines the development of new forms of cooperation to replace the use of concessional credits. The work will be carried out in cooperation with the private sector. During the transitional period, the MFA will not process new project applications, but will concentrate on the handling of pending applications.

Finnvera—the official Export Credit Agency of Finland—receives the applications for buyer credit guarantee. The MFA is responsible for the evaluation of projects, monitors the procedures of procurement and decides on the granting of interest subsidy on a concessional credit. Concessional credits are guaranteed by Finnvera. All banks operating in the European Economic Area can act as lenders. The lender is chosen by the exporter. The granting of credits is done in compliance with principles stated in the OECD Arrangement on Guidelines for Officially Supported Export Credits. According to these principles, credit may only be given to financially non-viable projects. This means that the borrower should not have such financial gain from the project that the costs of a commercial credit could be covered or that commercial credit is not available. The projects are in general projects of the public sphere. Tied aid cannot be granted to least developed countries (LDC-countries) and must involve a concesionality level of at least 35 %.

The projects receiving an interest subsidy must be economically, environmentally and socially sustainable. The Council of State's 2007 development policy programme aims to make the interest subsidy more effective and versatile and improve its influence on development. What is most important is the development influence the project has regardless of the sector. Compatibility with the partner country's own development strategy is verified in the preparation and evaluation of projects.

6.4 ODA

Error! Reference source not found. shows the total amount of support allocated to approved business partnership projects as reported on the Finnpartnership website. These figures match the ones reported in the annual Finnfund reports.[34] Since this is different to actual disbursement, the figures cannot be compared directly with ODA data, which is reported separately in **Error! Reference source not found.**.

Table 7: Total amount of support allocated to approved business partnership projects (Euros, millions)

	2006	2007	2008	2009	2010	2011	2012
Total amount of support allocated to approved business partnership projects	1.809702	3.890797	3.591597	4.154403	4.271150	3.889276	2.405276

Source: http://www.finnpartnership.fi/www/en/finnpartnership/tilastotietoa.php

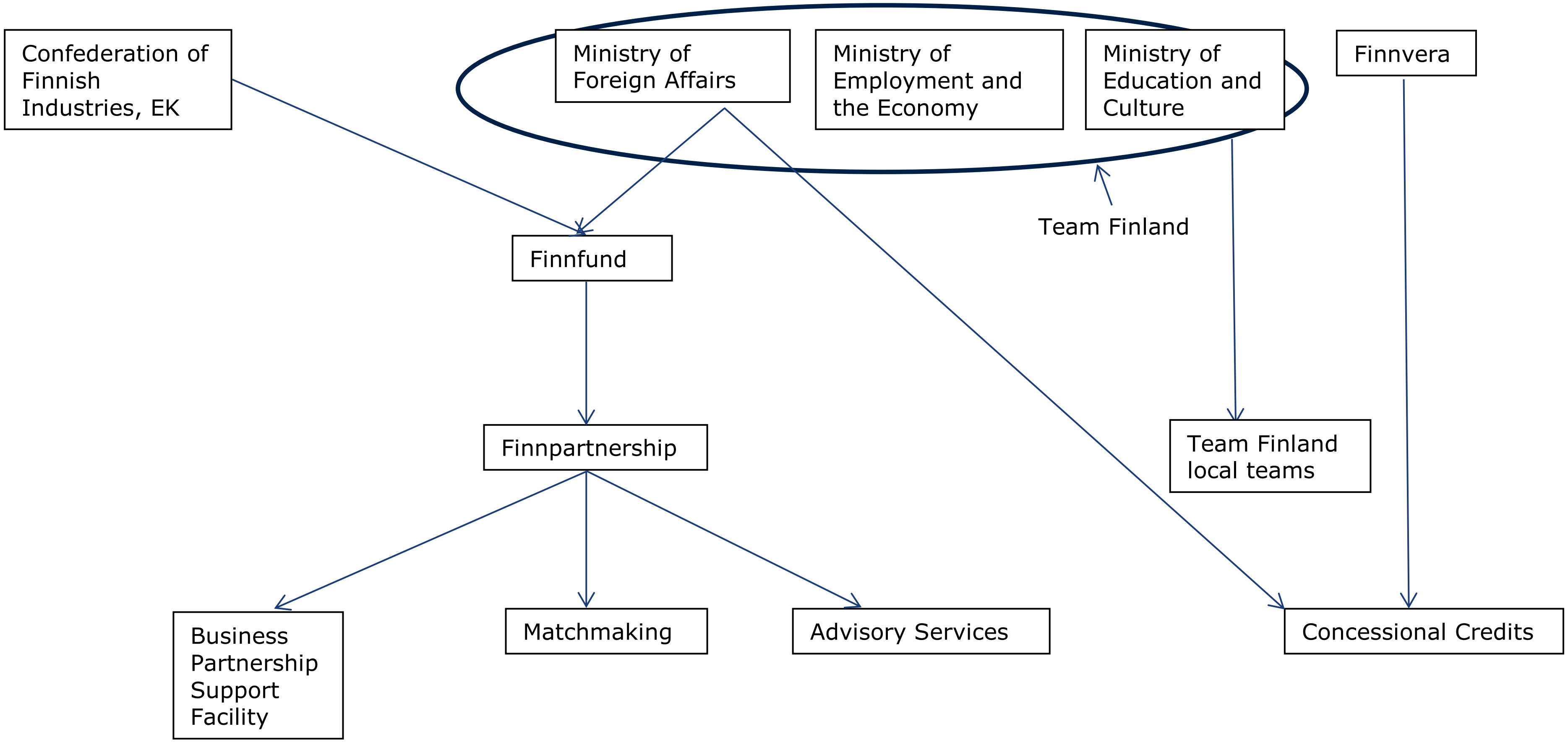
Table 8: Total Net ODA (Euros, millions)

	2010	2011	2012
Total Net ODA	1006	1011	1027

Source: http://www.oecd.org/dac/finland.htm#

[34] See: http://www.finnfund.fi/julkaisut/en_GB/annualreport/

6.5 Organizational Map for Finland



7 Conclusion

The five countries analysed have all taken proactive steps in recent times to strengthen their focus on the private sector in their development programmes. This has been coupled with a strategy of supporting domestic business expansion in developing countries. Institutional arrangements to achieve this have mostly included close co-operation with the aid agency, the development financial institution (like DEG and FMO) and the trade association. The instruments used have been a mixture of grants, loans and equity investments, often combined with technical assistance to help ensure development results. Fostering dialogue between the State, domestic private sector companies and the private sector in developing countries has been an important component of the programmes in these countries. Target developing countries have often been countries that have had a long-standing relationship with the Netherlands/Germany/Denmark/Sweden/Finland, and the type of business support has been one in which the European state is particularly specialized in. There is a lack of clear information on whether the new schemes are part of ODA expenditure or not, but it has been possible, for some countries, to quantify private sector support in the overall ODA budget.

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