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**Strategic Framework for ACP Private Sector  
Development**

# **Strategic Framework for ACP Private Sector Development**

## **1- Introduction**

In accordance with the Georgetown Agreement, the ACP Group aims to contribute to sustainable development, combating poverty and promoting the integration of its Member States into the global economy. Support from the private sector is now of vital importance to realise this vision because it has shown itself to be a powerful lever for development and an engine for economic growth.

Over the last few years, there has been consensus at the international level on the vital role that the private sector could play in combating poverty. This role has been repeatedly highlighted, in major international fora on development. The private sector is fully involved in reflection on accomplishing the millennium development goals and the post-2015 global agenda, but also in the discussions on aid effectiveness, through the High-Level Forum held in Busan in 2011. Increased emphasis has been placed on this sector by the European Union in its Agenda for Change.

In ACP countries, the private sector plays an important role in terms of sustainable and inclusive growth, as it is the main source of employment and revenue. It is a powerful lever for combating poverty, reducing inequalities and redistributing the benefits of growth. A dynamic private sector will also contribute to strengthening the competitiveness of ACP countries, in order to facilitate their progressive integration into the global economy. Today, several ACP States are becoming increasingly aware of the heightened role of the private sector and the need to further include this sector in their own development strategies.

However, the majority of ACP countries have not been taking full advantage of the opportunities that an efficient private sector could offer due to the numerous obstacles to its development. The predominance of the informal sector, the incompatible nature of the investment climate, the difficulties experienced by micro, small and medium enterprises in terms of access to financing or infrastructure, etc., are all factors which hinder private sector expansion in ACP countries.

In the light of this, strengthening private sector development support is at the heart of the priorities that are vital for the ACP Group to attain the development goals that it has set itself. It is in this context that the ACP Group has committed to laying a foundation for a strategic future at the intra-ACP level to support national and regional efforts to develop the private sector, which will be an important core sector in the next multiannual development framework (11<sup>th</sup> EDF) covering the 2014-2020 period.

## 2- Objective

The purpose of the strategic framework is to provide the ACP Group with principles and general guidelines that would steer future action with regard to private sector development, both in the context of the Group's internal dynamics and its interactions with development partners, including the European Union.

The strategic framework, as presented, aims to optimise expansion opportunities for the private sector at the All-ACP level while helping to build its adaptability at the regional and national level, in order to take the specificities of the ACP regions and countries into account. The aim of the framework is to cover actions at the All-ACP level as opposed to actions that are not taken into account at the other levels and to ensure complementarity and better coordination with national and regional initiatives.

## 3- Guiding Principles

The guiding principles which follow are the pillar of the ACP Group's action as it relates to private sector development.

### a) Subsidiarity

This principle has been fully integrated into the strategic framework and it ensures that action is not taken at a higher level if it can be taken equally or more effectively at a lower level, and constantly seeks to identify the relevant level at which to take action.

To this end, the strategic framework takes into account the ACP Secretariat's unique position (its expertise in management of EFD funds, coordination of Intra ACP Programs, direct negotiation with the UE in Brussels and catalysing synergies) which would strengthen its interface role with the UE and other potential partners by fully adopting the principle of subsidiarity as provided for in the Cotonou Agreement<sup>1</sup>.

### b) Ownership

The approach selected is intended to enable ACP countries and regions to progressively take ownership of the development of their private sector and to accompany them in determining their priorities and focusing on building their institutional capacities. Towards this end, the Strategy will contribute to the enhancement and amplification of private sector growth and competitiveness that will in turn lead to overall development of the ACP. The ACP will through the strategy, deepen the range of ownership and

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<sup>1</sup> In accordance with the provisions of Annex IV, Article 12 of the Cotonou Agreement which defines intra-ACP cooperation as follows:

"Intra-ACP cooperation is a supra-regional cooperation. It aims to address the shared challenges facing ACP States through operations that transcend the concept of geographic location and benefit many or all ACP States."

Paragraph 2: "In keeping with the principles of subsidiarity and complementarity, an intra-ACP intervention is envisaged when national and/or regional action proves impossible or less effective, so as to provide added value in comparison to the operations carried out with other cooperation instruments."

inspire private sector growth by applying specific measures with emphasis on building functional capacity and competence of SMEs and micro-enterprises.

### c) Concentration

Although it is now recognised that the private sector requires a holistic approach because of its multidimensional nature, the strategic framework focuses on a certain number of core areas which should stimulate private sector expansion in ACP countries. As a result, improving the business environment, access to financing, improving infrastructure, strengthening micro-financing and improving competitiveness and access for micro, small and medium enterprises (MSMEs) to regional and global markets must be at the heart of the ACP strategy.

### d) Adaptability

The private sector constraints vary depending on the ACP countries and regions. To facilitate optimum implementation of the private sector development objectives, the strategy has been designed so that ACP countries and regions can adapt it to their particular situation.

### e) Synergy

The strategic framework requires proper synergy among the various stakeholders to ensure successful implementation. Given its unique position as an interface and coordinator, as well as its lengthy experience, the ACP Secretariat should play a greater role in the new approach to private sector development support. Concretising private sector development objectives and strengthening the cohesion of the ACP Group requires the frequent sharing of information and the emulation of best practices. The setting up of an exchange platform at the All-ACP level and among the regions is at the heart of this strategy's success. A regional presence in order to serve as an interface between the actions engaged in at the All-ACP level from Brussels and the initiatives taken at the regional or national level must be envisaged.

### f) Effectiveness

The effectiveness of the private sector development strategy must be measured against the extent to which it assists ACP States in increasing their participation in global trade and facilitating the flow of foreign direct investment to ACP countries.

### g) Complementarity

The strategic framework for ACP private sector development will be implemented in order to promote good complementarity between the different actions at Intra ACP level and those initiated and implemented at regional and national levels, including the initiatives of all development partners.

## 4- Core Areas for Intervention

In order to competently respond to the major challenges facing private sector development in ACP countries and regions, and following consultations with various stakeholders, the following priority areas have been identified:

- a) Improving the business climate for private sector development
- b) Developing and strengthening entrepreneurship and micro-enterprises
- c) Increasing access to financing for micro, small and medium enterprises (MSMEs)
- d) Strengthening competitiveness and access for micro, small and medium enterprises (MSMEs) to regional and global markets

## 5- Key Elements of the Strategic Framework

The following elements will direct the formulation and implementation of the strategy:

### a) Support for institutional capacity-building:

Working systematically to strengthen institutions that are ultimately implementing partners and catalysing additional support to assist recipients achieve sustainability, with the main aim of building and empowering the ACP private sector as long term partners in development, assisting structural reforms and taking sector-specific approaches to boost the business and investment climate and improve production and marketing through value-chain efforts and public-private collaboration;

### b) Streamlining Instruments for Private Sector Support

The streamlining of the instruments must be effective in order to facilitate improved implementation of the strategy.

### c) Investment promotion support

Prioritising and pursuing significant intra-Regional and intra-ACP investment growth targets over the medium to long term, say 10 percent over a 10-year period. The consequence of this initiative is that domestic capital will act as a catalyst to attract and retain EU and global capital. Greater emphasis should also be placed on intra-ACP and EU trade programmes that will strengthen ACP-EU policies and trade.

d) Enhancing SME access to financing and exploring new financial tools

Focusing attention and collaborating with the wide range of available financial vehicles (e.g. venture capital funds, investment companies) catering to SMEs and support tools aimed at filling the gaps in the “missing middle”, seed and early stage finance. In that regard, current efforts associated with the establishment of an ACP financial vehicle to facilitate business development should be intensified.

e) The private sector’s Increasing contribution to improving the infrastructural framework

Increasing the participation of the ACP private sector in infrastructure by scaling up resources for project development and project developers working in the ACP, rather than setting up grant making facilities that do not establish institutional memory or local consultant participation, building capacity in ACP firms to bolster PPI and partnerships, and reviewing and creating an alternate transparent procurement framework that harnesses resources to take on and champion projects.

f) Restoring trust and acknowledging the risks inherent to the ACP private sector

(i) Establishing a risk management strategy for ACP private sector

This strategy will propose measures to improve the trade and investment climate within the ACP countries especially in addressing constraints to public service delivery through coherent and timebound catalytic activities; supporting macro economic reforms in key areas such as deregulation and access to finance; reform of tax administration and trade facilitation ;overall improvement on state of security in the economy, including measures to contain cyber crime and introduction and where possible implementation of internationally acceptable standards of commercial dispute resolution mechanisms and Jurisprudence.

(ii) Establishing, restoring and deepening trust

Within the framework of the strategy, proposals will be presented that will progressively address the constraints in corporate governance including assisting in the establishment of National, Regional and ACP bodies responsible for

enforcement of international acceptable standards of corporate governance and fiduciary management.

#### g) The mobilization of resources in ACP countries and regions and international research funding

This involves working to mobilise either available or potentially existent additional local resources in ACP countries and regions to support private sector development while contributing to the search for funding from development partners. These DPs should include but not limited to the EU, African Development Bank, other ACP regional financial institutions, the WB etc. EDF resources may serve as a catalyst to mobilise additional finances. It would also be advisable to explore innovative financing possibilities wherever relevant, such as long-term funding, blending or other financial instruments.

#### h) Creating a network for ACP private sector stakeholders

Establishing an ACP business Network to build consensus on global ACP issues amongst ACP businesses and guide and consolidate systematic engagement of the ACP private sector with the ACP Secretariat and decision makers within the EU and other targeted regions through various mechanisms including business fora. This initiative would need to consider similar existing initiatives to ensure that while the specific needs of the ACP private sector are catered for, duplication is avoided;

#### i) The Importance of a regional presence

The successful implementation of the strategy for ACP private sector requires a regional presence which will improve the consistency of action between the cooperation mechanisms based in Brussels and beneficiaries and stakeholders at regional and local level

This presence will facilitate the relay of information and better coordination between the various levels of intervention.

#### j) Strengthening the ACP Secretariat

All these actions foreseen at national, regional and intra-ACP level are strongly interlinked and constitute complementary avenues towards the strengthening of the private sector in ACP countries. Whilst the implementation of these activities

will serve to promote local ownership at national and regional levels, the intra-ACP level shall contribute to overseeing the implementation of the joint cooperation framework and to establishing an EU-ACP platform for lesson-sharing, dissemination of good practice and dialogue with the private sector across the ACP regions and between ACP regions and all its development partners including the EU.

To be able to deliver these goals, the ACP Secretariat must be provided with adequate human resources to carry out its mission in the most effective way possible. As regards private sector development, it is therefore proposed that the Secretariat be strengthened, taking due account of the number, size and complexity of the programmes to be managed.

In that regard the ACP Secretariat will be able to:

- (I) Contribute to the strategic identification and formulation of Intra-ACP activities, including the negotiation and follow up of the different strategic partnerships and discussion of pipelines in the regional blending facilities.
- (II) Coordinate the overall implementation of the PSD policy framework in ACP countries and in particular the Intra-ACP projects, optimizing resources provided under blending operations.
- (III) Facilitate, in close collaboration with the regional economic communities, the strengthening of all initiatives in order to ensure the proper coordination of the various activities, better supervision of the programmes currently being implemented on the ground and dissemination of best practices;
- (IV) Facilitate the establishment and management of an ACP-EU Business Network.