



IBEC submission on the Review of the White Paper on Irish Aid

Organisation: IBEC, the Irish Business and Employers Confederation, is the national voice of business and employers and is the umbrella body for Ireland's leading sector groups and associations. IBEC represents the interests of business in Ireland and provides a wide range of direct services to its 7,500 members, which range from the very small to the largest enterprises, employing over 70% of the private sector workforce in Ireland.

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Release of response: Irish Aid may release all or part of the response subject to data protection – **Yes**

Freedom of information: Responses are subject to the provisions of the Freedom of Information

Acts and may be released in total or in part.

No aspects should be withheld.

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IBEC key messages

IBEC believes that the private sector can be an important partner in maximising the impact of development aid, but that the significant role that business can play needs to be better understood in an Irish context. The private sector can contribute to developing countries by providing additional financial resources, introducing new technology and knowledge transfer, improving productivity, employment and trade, all of which are associated with economic growth. The development of a vibrant and diverse indigenous private sector in developing countries with strong local small and medium enterprises will also lead to increased employment and trade.

Ireland's own experience, in moving its economy from an over reliance on basic agriculture and a narrow export market focus on the UK, provides a good platform to develop partnerships involving Irish business that can support sustainable economic development in Africa. Examples of this already exist in the areas of agribusiness, mining, energy and port management.

IBEC welcomes the desire to explore opportunities and encourages the high level ambition in this consultation of getting conditions right for future development aid, specifically: the changing context of international development; the importance of addressing governance issues and considering new ways of working with a view to delivering real results in poverty reduction.

The Review of the White Paper should:

- Recognise the need to mobilise private sector investment by helping to create a predictable and attractive enabling policy framework for long-term investment and job creation.
- Ensure high levels of coordination with other donors to achieve coherence in the implementation of development aid. Ensure high levels of coherence across government departments and policy areas with development objectives.
- Recognise the important part that development aid plays in rebuilding our international reputation and work with non-governmental organisations (NGO's) and other stakeholders including business to communicate more consistently the impact of Irish Aid across the globe.

- Incorporate strong measurement tools on performance and outcomes which will strengthen poverty reduction impact and provide the evidence to demonstrate effectiveness.
- Articulate how Irish Aid sees its engagement with the private sector, explain the links between the White Paper and the Africa Strategy, set out the principles which should underpin engagement and the means by which cross-sectoral dialogue can take place.
- Define a relationship with Africa through the Government's Africa Strategy that goes beyond traditional development aid to include stronger economic and political relations and focuses on supporting two-way trade and investment flows.
- Support EU development policy by advocating a more focused Generalised System of Preferences, pursuit of comprehensive bilateral and regional trade agreements and the promotion of domestic reform in developing countries.
- Assist developing countries in improving the overall business environment to ensure clear, predictable and transparent legislative frameworks together with independent judicial and arbitration procedures as well as fully-functioning law enforcement agencies.
- Develop a strong dialogue with the business community to help identify and carry out the reforms with the greatest potential for improving the business environment.
- In order to assist with the objectives and aims of Irish Aid, a funding mechanism should be established to devise works specifications for infrastructure projects in African Programme Countries. A suggested model could include the formation of a framework of preferred consulting engineering/project management firms to devise the tenders and works specifications. The benefits include harnessing the expertise in certain sectors, such as sustainable energy services, telecommunications, power, water and sanitation.
- Encourage Irish sectoral groups to establish clusters of companies with specialist expertise and excellence in delivering projects and responding to tenders in Programme Countries.
- Support other potential sectoral clusters with significant trade development opportunities between Irish and African companies.

1. Introduction

The Irish Business and Employers Confederation (IBEC)¹ welcomes the opportunity to participate in the consultative process on the Review of the White Paper on Irish Aid - announced in June 2011, which is now led by the Minister of State for Trade and Development, Joe Costello, T.D. at the Department of Foreign Affairs and Trade.

IBEC represents the interests of business in Ireland and provides a wide range of direct services to its 7,500 members, which range from the very small to the largest enterprises, employing over 70% of the private sector workforce in Ireland. To reflect the distinct interests of all our members, we have over 60 business associations within IBEC. Effective policy is of crucial importance to the business sector. IBEC trusts that these comments will prove constructive to the Irish Aid consultation and await developments with interest.

IBEC supports the development of new and innovative partnerships for cooperation, bringing together governments, civil society, the private sector, charitable foundations and affected peoples and communities.

The White Paper on Irish Aid 2006 recognised the important role for Irish business in the fight against poverty and that local businesses in developing countries can benefit from contact with appropriate business partners who offer expertise, investment and support.

The private sector is the engine of economic growth and development –through the creation jobs, goods and services. Many of these activities generate valuable public revenue, which provide resources to governments to develop public services and the necessary infrastructure in their countries. The private sector can also play an important role by investing in developing countries and implementing inclusive and sustainable business models. These models can provide market-based solutions, which are not only commercially viable but can also deliver measurable, impactful and scalable development results for developing countries. A vibrant and diverse indigenous private sector in developing countries with strong local small and medium enterprises will also lead to increased employment and trade.

IBEC actively engages with its member companies who are involved in development projects and who enter into partnerships with local and international companies of various sizes. IBEC regularly meets with visiting delegations from Programme Countries, government and embassy officials and has also organised seminars on doing business with international financial institutions such as the World Bank, Asian Development Bank and European Union.

¹ IBEC is the main national business representative organisation: www.ibec.ie

IBEC is a member of the European association, BUSINESSEUROPE² and participates in its Development Working Group which provides a forum for dialogue between European business and European policymakers on development.

The establishment of the independent organisation Traidlinks provides an important forum for the Irish private sector to contribute to the development agenda.

The scope of the response covers the range of aspects contained in the consultation document. The response highlights the important role of the private sector in the development agenda. Section 2 covers the changing context of development cooperation. Section 3 addresses governance issues. Section 4 considers new ways of working.

2. Changing context

IBEC recognises the significant progress that has been achieved by Irish Aid in meeting – Ireland’s commitments to the development agenda. Indeed, Irish Aid has been described by the OECD and other international agencies as champions in making aid more effective.

Africa is the principal geographic focus for Irish Aid. Much of Africa has experienced strong growth over the past number of years but increasing food prices, a lack of jobs (particularly among young people), corruption and ageing infrastructures pose a risk to stability and development. These problems must be tackled if Africa’s development is to be sustained and strengthened. While foreign aid will remain important, the required gearshift for Africa’s development and sustainable economic growth will happen as a result of mobilising private sector investment. Yet in order for that shift to take place, and for Africa and other Programme Countries to empower themselves, the key lies in creating a predictable and attractive enabling policy framework for long-term investment and job creation. This framework should be built on market economies backed by sound and stable democratic institutions and rule of law.

2.1 Developments at national level

The Africa Strategy “Ireland and Africa: Our Partnership with a changing continent”, which was published by the Department of Foreign Affairs and Trade in September 2011, seeks to define a relationship with Africa that goes beyond aid to include stronger economic and political relations. IBEC has welcomed this strategy and its potential to form the basis for an

² BUSINESSEUROPEBUSINESSEUROPE is the main umbrella business organisation at EU level. Through its 41 member federations, BUSINESSEUROPE represents 20 million companies from 35 countries.
www.businessseurope.eu

increase in Irish private sector engagement across Africa. African countries have themselves identified job creation, foreign direct investment, trade and private sector development, as drivers of future growth and development³. For Ireland, this presents an opportunity to build on our development cooperation experience. IBEC advocates the move towards a more balanced and mature set of relationships with African countries, incorporating not only stronger political exchange but also sustainable two-way trade and investment flows.

The enhanced trade promotion role that the Government has assigned to the Department of Foreign Affairs and Trade should increase the levels of cooperation and coordination of the relevant state bodies. The presence abroad provided by Irish Ambassadors and Embassies can build on the existing level of coordination in the promotion of Ireland's economic and business interests overseas. This enhanced role could be particularly effective in the case of Africa, where there is currently a lower level of penetration by Irish state agencies than in other regions of the globe.

IBEC acknowledges that the context of development cooperation is changing. New actors are becoming increasingly involved, including actors from the private sector. Large emerging countries are also becoming active as donors, with some of them establishing their own cooperation agencies.

2.2 Developments at European level

The EU has undergone institutional changes with, among other things, the establishment of the European External Action Service. Some of the EU's partner countries have embarked on development paths of sustained growth with their own resources at their disposal (e.g. effective tax systems). Development cooperation needs to reflect this: future aid should be allocated in a way that better addresses the distinct needs, capacities, commitments and performance of partner countries.

The EU and international donors have already made considerable efforts in recent years to harmonise their activities, in order to avoid duplication and increase the impact of their work. However, more work is needed in coordinating and ensuring that labour is divided sensibly among the different actors.

Bringing strong management for results approaches to development aid is important in terms of (i) analysing and documenting the results and (ii) assessing the impact on the population of recipient countries, particularly the poorest. Proper measurement of results

³ Ireland and Africa: Our Partnership with a changing continent. An Africa Strategy for the Department of Foreign Affairs and Trade (September 2011) p.6.

can be an important element in strengthening the poverty reduction impact of aid programmes and providing the evidence to demonstrate effectiveness.

On 31 October 2011, the European Commission published its “Agenda for Change”⁴, a policy framework outlining priorities for the European Union’s development aid and detailing the Commission’s renewed focus on economic growth as a means of poverty reduction, particularly in the world’s poorest countries. The “Agenda for Change” prioritises social protection, health, education, supporting a favourable business environment, sustainable agriculture and clean energy.

Following this, the European Commission published a Communication entitled “Trade growth and development – Tailoring trade and investment policy for those countries most in need”⁵ in January 2012. With the aim of updating the 2002 Communication on Trade and Development, the European Commission takes stock of the significant changes to the economic landscape during the last decade, indicates the action that the EU has taken since 2002 and outlines the next steps that the EU trade and investment policies should take towards development over the next decade.

A number of key initiatives are outlined in the Commission’s 2012 Communication and are supported by IBEC. These include:

2.2.1 A more focused Generalised System of Preferences (GSP)

The reform of the current scheme proposes material changes including the review of the eligibility criteria, graduation mechanisms and transitional periods in an effort to ensure that those countries most in need actually benefit the most.

2.2.2 Pursue comprehensive bilateral and regional agreements

These include Economic Partnership Agreements to be concluded between the EU and African, Caribbean and Pacific Group of States (ACP) countries, as well as the “Partnership for democracy and shared prosperity” that will promote integration with Southern Mediterranean countries.

⁴ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions (October 2011), Increasing the impact of EU Development Policy: an Agenda for Change.

⁵ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions (January 2012), Trade growth and development – Tailoring trade and investment policy for those countries most in need.

2.2.3 Address the challenge of sustainable development

Proposals include the reinforcement of the monitoring and withdrawal mechanism of GSP+ and the introduction of trade and sustainable development in EU Free Trade Agreements.

2.2.4 Multilateral agenda remains a top priority for the EU

The EU will continue to support the accession of developing countries to the WTO and will remain committed to the Doha Development Agenda and a specific package for Least Developed Countries and promote a trade facilitation agreement.

2.2.5 Promotion of domestic reform in developing countries

Given that legal, financial and political stability are crucial to the attraction of investments, reforms that will enhance good governance are needed.

IBEC is pleased to see the mandate granted by the Lisbon Treaty to the EU to negotiate investment protection chapters in Free Trade Agreements is reiterated in the Communication. The linkages between foreign direct investment and development are made clearer. Improvement of the business environment and legal certainty in developing countries are vital for the attraction of new and long-term investments that will foster growth and development.

3. Governance – a key issue

The consultation document identifies weak governance and corruption as key issues which can create obstacles to economic and social advancement.

Irish business welcome steps by many African countries over recent years to improve their investment climates. However, in order to boost market confidence and attract investment, while also diversifying African economies, there is scope for African countries to carry out further structural reforms. Such reforms should reduce perceived risks and enhance the overall African investment climate for business.

IBEC believes that addressing the following issues could substantially improve the investment climate for African countries.

Ensure clear, predictable, objective and transparent legislative frameworks, together with independent, impartial and competent judicial and arbitration procedures as well as fully-functioning law enforcement agencies. Greater transparency, accountability and predictability will help to reduce the perception of risk of the region.

Foster intra-regional and inter-regional economic and trade integration between African countries and between Africa and other regions including the EU in order to maximise these countries' economic potential. There should be a strong focus on reducing tariffs and quotas, developing policies for export promotion and creating trade facilitation measures.

Reduce barriers (technical and non-technical) to trade and investment and hence improve the business environment by ensuring greater openness and non-discrimination.

Improve the overall business environment including administrative simplification, predictable policy-making, human resources development, effective competition law, high quality intellectual property rights, effective anti-corruption measures and fair and transparent tax policies.

Consult with the business community. A strong on-going dialogue with the private sector will allow the government to identify and carry out the reforms with the biggest potential for improving the business environment. Dialogue with the business community also helps in the promotion and adoption of best practices.

Reduce risks associated with public-private partnerships (PPPs) by applying international best practices for effective PPPs. They should be based on realistic timelines, clear objectives, trust and transparency.

4. Ways of working

Ireland's own experience, in moving its economy from an over reliance on basic agriculture and a narrow export market focus on the UK, provides a good platform to develop partnerships involving Irish business that can support sustainable economic development in Africa. Examples of this already exist in the areas of agribusiness, mining, energy and port management.

Recent developments show that the exposure of developing countries to shocks arising from climate change and volatile food, commodity and energy prices needs to be better addressed. This is particularly important for investments in areas such as agriculture and energy.

The Commission Communication "Agenda for Change" specifically called for a greater investment in drivers for inclusive and sustainable economic growth, by concentrating in particular on these areas of agriculture and energy.

Members of the IBEC affiliate, the Irish Engineering Enterprises Federation (ieef) are looking at establishing a cluster of engineering procurement companies, contractors, engineering product manufacturers and other relevant groups to tender for upcoming infrastructure

projects in Africa. These companies have particular expertise to offer infrastructure projects in the power, water, sanitation and communications sector. The establishment of an engineering cluster compliments the approach adopted in the Department of Foreign Affairs and Trade “Africa strategy, Ireland and Africa: Our Partnership with a changing continent”, which identifies the need to undertake analysis and groundwork in order to prepare for greater economic ties, especially in cases where Ireland has proven strengths and competencies. The document also points to the benefit of using multinational experience to provide advice/mentoring to smaller companies seeking to enter the African market. The cluster approach could assist in providing opportunities for smaller companies who lack the resources to independently explore market opportunities in the region.

This approach would also address some of the key actions included in the Department of Jobs, Enterprise and Innovation “Action Plan for Jobs” specifically aimed at assisting indigenous businesses to grow, as well as the goal of assisting small companies win big contracts.

In order to assist with the objectives and aims of Irish Aid, a funding mechanism should be established to devise works specifications for infrastructure projects in African Programme Countries. A suggested model could include the formation of a framework of preferred consulting engineering/project management firms to devise the tenders and works specifications. The benefits include harnessing the expertise in certain sectors, such as sustainable energy services, telecommunications, power, water and sanitation.

The Government strategy, “Trading and investing in a Smart Economy” identifies a number of key markets of interest. Africa is not identified as a key market but South Africa is considered a priority country. IBEC believes it is now appropriate to extend the market focus in Africa to include other parts of the continent. The strategy also provides a comprehensive analysis of those sectors which offer significant export development potential. These include telecommunications, financial services and e-learning as sectors that merit attention, as well as infrastructure solutions in areas such as energy, water, civic construction, health and education. Food and drink exports to Africa are growing steadily, with particularly strong performance from the dairy sector. IBEC believes that a similar approach to the engineering cluster could be useful for some of these other sectors.