



Cotonou Infokit

Instruments for the Private Sector

What instruments and facilities are available for the ACP private sector in the Cotonou Agreement? What institutions are at their service? This fiche provides a practical overview.

Under the Cotonou Agreement there is a broad range of institutions and instruments in support of the ACP private sector. Without being fully comprehensive three broad categories can be distinguished. First, there are a number of institutions with a longstanding tradition of support to the private sector whose role has been expanded under Cotonou. Second, there are a number of new instruments or facilities for private sector and investment support. Third, there are also structures for interest articulation of the ACP private sector.

What are the relevant private sector support institutions?

Centre for the Development of Enterprise (CDE)

Founded in 1977, the Centre for the Development of Industry (CDI) - now known as the Centre for the Development of Enterprise (CDE) - is a joint ACP-EU agency, based in Brussels. Under the Cotonou Agreement, its remit has been expanded to cover services such as tourism, transport and telecommunications. CDE assists ACP businesses to become more competitive and to foster partnership between European and ACP businesses. It provides ACP enterprises and associations with advice and technical assistance,

including feasibility studies. The Centre provides up to 2/3 of the cost of assistance but does not provide investment finance. It has been given responsibility to manage the PROINVEST programme (see further). It has a comprehensive network of representatives and cooperating institutions in ACP and European countries. The 5-year budget of the Centre is EURO 90 million.

European Investment Bank

The European Investment Bank (EIB) is an EU institution that finances capital investment projects. It works in EU countries and in countries that have cooperation agreements with the EU. It provides loans to public and private borrowers to support productive projects and programmes or other investments aimed at promoting the private sector in all economic sectors. It is the principal source of investment capital for the private sector in the ACP.

The EIB mainly finances large-scale infrastructure and industrial projects by means of individual loans (upwards of 25 million Euro) concluded directly with promoters or through financial intermediaries. Small and medium scale projects are funded indirectly through global loans - lines of credit made available to financial institutions, operating either in the EU or in the ACP, for on-lending in smaller portions. Loans to private and public sectors are eligible for interest rate subsidies provided that certain conditions are met. The EIB will operate the Partnership Agreement's Investment Facility.

17

— private sector —

What Instruments are Available to the ACP Private Sector?

Investment facility

The newly created Investment Facility (INFAC) will stimulate regional and international investment, strengthen the capacity of local financial institutions, strengthen local and financial and capital markets, encourage foreign investment, and aid the development of the private sector by financing projects and commercially viable enterprises and companies. It will achieve these objectives by providing risk capital in the form of (a) equity participation in ACP enterprises, (b) quasi-capital assistance to ACP enterprises or (c) guarantees and other credit enhancements both for foreign and local investors or lenders. It will also provide ordinary loans on concessional terms if certain conditions are met. Beneficiaries will be small businesses, local financial institutions and enterprises in the process of being privatised. The Investment Facility will run in all economic sectors, be managed as a revolving fund and aim to be financially sustainable. It will also seek to mobilise other long-term local resources and attract foreign investors and lenders.

The Investment Facility will be managed by the EIB and will be set up through the deployment of EURO 2,200 million from the 9th EDF. It will function as a revolving fund and any returns will flow back to the Facility. In the longer term, no further replenishment from EDF resources is foreseen. Loans will be granted on market-related terms. Interest subsidies will be approved for loans to investment projects that fulfil specific criteria, such as bringing environmental or social benefits.

The facility plays several important roles:

it can finance investment in new activities, particularly in the export sector.

it provides resources for equity and quasi-equity financing in ACP states.

it can be a source of co-financing, either by contributing equity or providing guarantees. These resources are supposed to significantly improve the capacity of the ACP private sector and will complement the investment by the public sector in capacity building. This is absolutely essential to enhance the efficiency and international competitiveness of ACP economies and to enhance the ACP's ability to take advantage of trade opportunities provided through the Cotonou Agreement.

DIAGNOS

This facility works with ACP Governments, regional organisations and the European Commission to identify the constraints of the business environment/investment climate and to design country or region-level programmes of support to private sector development. In this context, it reviews, with the government and the private sector of the country, the macro-economic business and investment environment. The objective is to help ACP governments support the private sector by setting the correct institutional, legislative and regulatory framework. Consultants from DIAGNOS organise dialogue, undertake studies with the involvement of both governments and private sector, they organise workshops, discuss and agree on strategies, and propose priorities for action.

EU-ACP Business Assistance Scheme (EBAS)

The EU-ACP Business Assistance Scheme (EBAS) is a facility put in place to increase the competitiveness of ACP enterprises and to strengthen the capacities of the private financial and non-financial intermediaries. It is a matching grant scheme that encourages enterprises and intermediaries to use short term consultancy services to improve their competitiveness. The emphasis is on meso level interventions (intermediaries) as the most effective means of increasing private sector capacity and performance. Grants of up to 70,000 Euro are available to enterprises. There is no limit to the size of grants to intermediaries. Beneficiaries receive 50% of the cost of the consultancy service and are obliged to pay 1/3 of the cost from their own resources. The remainder can come from other organisations or donors. All private companies in ACP countries are eligible, as are national or regional intermediary associations and local providers of business services. The total budget for EBAS is 20 million Euro. Regional administrative offices exist in various regions of the ACP. EBAS has a complementary working relationship with the CDE.

PROINVEST

Developed in consultation with the private sector, the objective of PROINVEST is to facilitate and support investment promotion in the ACP private sector. When launched in 2001, it will aim to increase levels of investment in ACP countries and to facilitate contact between ACP and European companies. This will be done by supporting business to business meetings and providing pre and post meeting project support. It will also strengthen the capacity of intermediary private sector organisations to promote investment and conduct policy dialogue with governments. The priority beneficiaries of this programme will be small businesses, intermediary organisations and private ACP consultants. One third of the resources available will go to

local intermediaries in investment promotion, investment promotion agencies, local consultants, chambers of commerce, etc. It will be managed by the Centre for the Development of Enterprise (CDE) on behalf of the EC using regional administrative offices.

What Structures Can Defend the Interests of the ACP Private Sector?

The increasing importance of private sector development in ACP-EU cooperation has given a new impetus to the self-structuring of private sector organisations in the ACP. Various initiatives have emerged at national and regional levels. To date there are two private sector structures that operate in the context of ACP-EU cooperation.

Association of ACP National Chambers of Commerce, Industry and Other Economic Operators

Already In 1980, the Council of ACP Ministers called for the creation of an ACP Chambers of Commerce Association. It was only in 1996 that The Association of Chambers was legally constituted at a meeting in the Canary Islands attended by representatives of ACP Chambers from some 50 ACP countries. The constituencies of the Association are largely made up of Chambers and smaller ACP business sectors. The main objectives of the Association are:

To upgrade ACP national chambers of commerce and to facilitate and foster their dialogue between its members and others;

To contribute to the integration of the informal sector of the ACP economies into the formal sector of these economies;

To develop and promote intra-ACP and ACP-EU trade and investment;

To facilitate and promote the regular flow of information and communication between ACP national chambers;

To disseminate information and establish an information network;

To assist in harmonising the commercial policies of ACP countries to promote economic activities among the ACP states as well as with other countries.

ACP Business Forum

The Libreville Declaration of the first ACP Heads of State Meeting, (November 1997) expressed a strong commitment "to promote the development of a socially responsible private sector and encourage its participation in the development process" (par. 31). ACP Heads of State also called for "the establishment of an ACP-EU business forum of ACP and EU business institutions and enterprises".

Building on this, a group of ACP private sector actors started an informal, bottom-up process, aimed to gradually construct an ACP Business Forum. The idea was to set up an open and loose-knit private sector network for the promotion of dialogue and interest articulation among different existing ACP private sector intermediate bodies and networks and with ACP and EU authorities at global, regional and national levels. The objectives of the Forum are:

To promote linkages and collaboration among ACP intermediate private sector and business associations and with their EU counterparts;

To strengthen the capacity of the ACP private sector intermediate bodies to effectively participate in the formulation, programming and implementation of ACP-EU cooperation at national, sub-regional, and global ACP-EU levels;

To build new public-private partnerships with ACP governments and with the EU, based on dialogue, a quest for complementary action and mutual accountability.

Contacts

Centre for the Development of Enterprise (CDE)
52, Avenue Hermann Debrox
BRUSSELS , BELGIUM
Fax: (32)-2.675.26.03
E-mail: info@cdi.be
Web: <http://www.cdi.be/>

European Investment Bank
Department for ACP Countries
100, Boulevard Konrad Adenauer
2950 LUXEMBOURG
Fax: (352)-4379.7274
E-mail: info@eib.org
Web: <http://www.eib.org/>

ACP-EU Investment Facility
European Investment Bank
100, Boulevard Konrad Adenauer
2950 LUXEMBOURG
Fax: (352)-4379.7274
E-mail: info@eib.org
Web: <http://www.eib.org/>

DIAGNOS
30, rue Josse Impens
1030 BRUSSELS , BELGIUM
Fax: (32)-2.215.64.16
E-mail: diagnos@diagnos.net
Web: <http://www.diagnos.net>

EU-ACP Business Assistance Scheme (EBAS)
110 Boulevard Reyers
1030 BRUSSELS , BELGIUM
Fax: (32) 2 740 02 49
E-mail: ebas@ebas.org
Web: <http://www.ebas.org/>

ACP Business Forum
Santo Domingo Chamber of Commerce
Arzobispo Nouel # 206, Zona Colonial
SANTO DOMINGO, DOMINICAN REPUBLIC
E-mail: info@acpbusiness.org
Web: <http://www.acpbusiness.org>

ACP Chambers of Commerce
c/o Centre for the Development of Enterprise
2, Av. Hermann Debrox
1160 BRUSSELS, BELGIUM
Fax: (32) 2 675 26 03
Web: <http://www.oneworld.org/acpsec/ncc/indec.html>