EUROPEAN CENTRE FOR DEVELOPMENT POLICY MANAGEMENT
CENTRE EUROPÉEN DE GESTION DES POLITIQUES DE DÉVELOPPEMENT

Cotonou Infokit

New Policy Towards Private Sector

The Cotonou Partnership Agreement invites ACP private sector actors to play a key role in achieving major development goals such as creating growth and employment or alleviating poverty. To this end, the Agreement contains a comprehensive new policy in support of private sector development. This fiche reveiws the main changes and opportunities.

Resulting from world-wide processes of political and economic liberalisation, the perceptions on the role and contribution of the private sector in economic and social development and poverty alleviation have dramatically changed. Inevitably, this evolution affects ACP-EU cooperation.

The new Cotonou Agreement contains much private sector language and fully recognises the important role of markets and of the private sector as engines of economic growth. The private sector is now seen to be a key actor whose role can complement governmental action in the development process.

This changed attitude towards the private sector is a major break with the 25 years of Lomé Cooperation which were marked by exclusive government to government relations.

Major changes towards the private sector in the new Agreement include:

- Systematic involvement of the private sector in political dialogue and in defining cooperation policies, strategies and priorities;

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- Larger responsibilities in the implementation of projects and programmes;

- More diversified packages of financial support and private sector support instruments;

- Provisions for capacity building support to strengthen the organisation and representation of intermediate private sector bodies.

The Cotonou Partnership Agreement therefore provides a unique framework to fully integrate the ACP private sector in ACP-EU cooperation. As such, it deepens the provisions in Lome IV bis (1995-2000), and complements the integrated EC strategy for private sector development (1998).

Major Innovations

In terms of private sector orientation, the Cotonou Agreement differs from its Lomé predecessors in three major ways:

- It offers an *integrated approach* to private sector development, linking actions at the macro-, meso-and micro-economic levels;

- It *involves* the ACP private sector in *dialogue*, decision-making and implementation in most areas of ACP-EU cooperation. Cotonou puts a strong emphasis on promoting structured public-private sector dialogue and on building the capacities of representative private sector organisations to fully engage in this dialogue.

- It seeks to promote *domestic and foreign investment* through a support package in four different and intimately linked forms: Investment promotion at the national and regional levels, investment finance and support (through the newly created investment facility), investment guarantees, and investment protection.

Strategy

In 1998, before concluding the Cotonou Agreement, the EC developed an integrated strategy for private sector development in ACP countries. The private sector was seen as a key actor in the development process, one that could make an important contribution to poverty reduction and the integration of ACP economies into the world economy.

The Cotonou Agreement has confirmed and reinforced the role of the private sector in ACP-EU cooperation, providing various support measures at three interrelated levels:

Macro level. There is now a shared view that the private sector cannot develop without appropriate policies for macro economic stability. Support measures at this level include a number of initiatives to improve or reform the macro-economic business and investment environment and the supportive legal, regulatory and institutional framework. Measures include inter alia, macro economic stabilisation, structural reforms that contribute to the liberalisation of prices, promotion of private investment from within and outside the ACP, public sector restructuring, trade facilitation measures to increase exports, regional cooperation and integration etc.

Meso level. Here the focus is largely on supporting sound intermediate private sector structures and business associations. The aim is to help them better articulate and represent their interests in a continuing dialogue with governments and to enhance their effectiveness as service providers to their members.

Micro level. As was already the case under the successive Lomé Conventions, the Cotonou Agreement will provide specific measures to foster the productivity and competitiveness of individual enterprises. These include, inter alia, access to credit, technical support, improving quality control, management improvements, better information on market access etc.

Private sector participation in Cotonou

The new Agreement contains a lot of private sector language in the different chapters and articles. The provisions with regard to the involvement of the private sector can be found in the text of the Partnership Agreement (articles 2, 4-10, 15, 17, 19-24, 33, 37, 57-58, 65, 70-71,74-78, 83) and in annexes 1-5 to the Agreement. More information on non-state actors participation can be found in infokit 8-12.

Priority Areas of Support

The Cotonou Partnership Agreement focuses it support to private sector development on 6 major priority areas:

Enabling environment. ACP-EU cooperation will support economic and institutional reform, the creation of a favourable macro-economic environment for private sector investment and the development of a dynamic viable and competitive private sector (article 21).

Dialogue. The promotion of public-private dialogue at the national, regional and ACP-EU levels is one of the major priorities (article 75 (I)). In this respect the Cotonou Agreement foresees support for the operations of an ACP-EU private sector business forum in pursuit of the following objectives:

- to facilitate dialogue within the ACP/EU private sector and between the ACP/EU private sector and the bodies established under the Agreement ;

- to analyse and periodically provide the relevant bodies with information on the whole range of issues concerning relations between the ACP and EU private sectors in the context of the Agreement or more generally of economic relations between the Community and the ACP countries ;

- to analyse and provide the relevant bodies with information on specific problems of a sectoral nature relating to, inter alia, branches of production or types of products at regional or sub-regional levels.

Services. Another priority is the provision and improvement of a wide variety of services including financial and non-financial services to private enterprises. Examples include privatisation and enterprise reform, development and modernisation of mediation and arbitration systems, supporting policies for developing a modern financial sector, development and strengthening of business institutions and intermediary organisations and associations, business management, etc..

Investment promotion and support. Articles 74-78 related to investment and private sector development support set out a broad range of steps for investment promotion, investment finance and support, investment guarantees and investment protection.

Capacity building. A wide range of opportunities in this area are provided in the new Agreement (article 21, article 75). These include the development of entrepreneurial skills and business culture; strengthening of capacities in productive areas; strengthening of intermediate bodies of the private sector, business development through the provision of finance, guarantee facilities and technical support; strengthening financial instruments in the form of investment capital; enhancement of export activities; encouragement of inter-firm linkages, networks and cooperation; micro-enterprise development, etc.

Tourism. In its chapter on private sector development and investment, special emphasis is given to the sustainable development of the tourism industry in ACP countries (article 24). The Convention will, inter alia, provide support to SME's and investment promotion so as to improve the competitive position of the sector.

The European Centre for Development Policy Management (ECDPM) is an independent foundation that aims to improve international cooperation between Europe and countries in Africa, the Caribbean, and the Pacific (ACP). It does this through capacity building for policy management, the promotion of policy dialogue between ACP countries and Europe, and through the provision of information and facilities for knowledge exchange.

Designed for policy makers and practitioners in ACP and EU countries, the Cotonou Infokit brings together, in a readable form, information on the implementation of the new Cotonou Partnership Agreement. For further information on the infokit, please contact Kathleen Van Hove (kvh@ecdpm.org).

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