

Annex 4: Trends in other donor and development agency programming

Germany's support for private sector development and the improvement of framework conditions

Germany's support for PSD combines donor funding from the Federal German Ministry for Economic Cooperation and Development (BMZ) with implementation by the development agency, *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ).¹ Germany has a long history in supporting PSD and BER.² While there is no definitive determination of German PSD-BER spending trends, GIZ suggest that PSD programming for BMZ in general and GIZ in particular has increased. This is because the overall GIZ budget has increased from €2.1 billion in 2015 to €2.9 billion in 2019, and the overall BMZ budget has increased from €16 billion to €21 billion in the same period. In addition, very significant new PSD programmes have come on stream in this area.

This includes the [Investment Climate Reform Facility](#) (an EU-led partnership involving GIZ, British Council, Expertise France, and SNV), which claims that 'the private sector is a key engine of growth, providing income and job opportunities and innovation. Investments need a favourable business environment'.³

The BMZ has also launched the [Special Initiative on Training and Job Creation](#). This initiative aims to create 100,000 jobs and 30,000 training places in Africa over the next few years, to improve local working conditions and to promote sustainable economic growth. This is done by working to foster business locations, including business parks and industrial zones, that are attractive and likely to be successful in the long term; addressing specific investment constraints or trade barriers, such as a shortage of skilled workers, low levels of capacity among local suppliers or poor infrastructure, so that investment becomes feasible in the long-term; and building the competitiveness of SMEs by helping them to access new markets.

BMZ is also supporting the **Development Investment Fund: New Market Opportunities in Africa through Sustainable Investments** (see [webpage in German](#)). This includes *AfricaConnect*, which supports European companies with their investments in Africa with attractive conditions, via a special form of risk sharing and the experience and network of the German Investment and Development Company to make it easier for companies to choose the African continent; *AfricaGrow*, which is a fund for SMEs and start-ups designed to catalyse African SMEs and promote jobs and incomes in order to strengthen sustainable economic growth and employment; and the *Africa Business Network*, which bundles advisory and support services for foreign trade promotion and development cooperation in order to facilitate the market entry of German medium-sized companies as well as the expansion of business activities of companies already active in African growth markets.

These initiatives fall under the [Marshall Plan with Africa](#), representing 'a new pact on the future between Europe and Africa'. Under Germany's G20 Presidency, the G20 Compact with Africa (CwA)

¹ Data on German programming was provided by Birgit Seibel, Head of Competence Centre, Economic Policy, Private Sector Development, GIZ and Steffen Felix, Adviser, Private Sector Development, GIZ (March 2021).

² Kurz S. and A. Fröde (2005) [Promoting the Business and Investment Climate Experiences of German Technical Assistance](#), Division Economic Development and Employment Economic Policy and Private Sector Development, GIZ, Eschborn.

³ Elsewhere, the EU describes its support to [improving the investment climate](#), which includes business environment among other issues, such as macroeconomic stability, political stability, human development, and natural environment, climate change and migration.

was initiated in 2017 to promote private investment in Africa, including in the field of infrastructure. The CwA's primary objective is to increase the attractiveness of private investment through substantial improvements of the macroeconomic, business and financing frameworks in CwA countries. The Marshal Plan addresses 10 major 'starting points', which includes the prioritising of jobs and opportunities for young people and investment in entrepreneurship, recognizing that it is the private sector that will create long-term employment opportunities that are needed: 'it's not subsidies that Africa needs so much as more private investment'. Thus, 'creating an attractive environment within Africa' is essential, including the creation of 'new instruments for mobilising and safeguarding investments... topped off by proposals for corporate tax incentives and new investment opportunities, such as Africa funds or infrastructure bonds.

A recent review of German development cooperation in Africa describes how the German government is prioritizing integrated investment approaches through its Reform Partnerships, such as those listed above. GIZ has developed a normative framework for an Integrated Investment Approach (IIA) and Economic and Investment Policy Competence Hubs. However, 'breaking down the wall between the promotion of private investment and development cooperation' presents a challenge. While 'reservations are often voiced in the donor community if ODA funds from donor countries are directly used to reduce the financial risks of companies' or appear to serve as subsidies for foreign companies investing in Africa, 'Western governments have a long history of supporting their companies through guarantee programmes and other trade and investment promotion instruments, using funds that are destined to help poor people around the globe raises the suspicion of many stakeholders'.⁴

The review presents a mapping of active GIZ projects in the 11 CwA countries and shows that in each country GIZ has projects covering areas of the IIA. Despite wide variations between countries, it can be observed that the GIZ portfolio in CwA countries is much stronger in areas that are not explicitly covered by the IIA. However, new project commissions are more likely to have a greater coherence with the IIA and include areas such as skills development and technical vocational education and training, employment promotion in economic sectors, renewable energies and agriculture. Very few measures included explicit objectives relative to mobilizing private sector investment (p. 19).⁵

Anecdotal, there are a number of new BER-related programming themes that are emerging. These include transparency and anti-corruption as well as regional cooperation, and green and sustainable BER. In addition to the new initiatives described above, increasing attention is also given to incentives for European investors to invest in Africa, support for clusters and industrial parks as well as investment promotion. Attention is also being given to addressing issues related to the 'green recovery' in the wake of the coronavirus pandemic. Many of these programming themes go beyond the narrow definition of BER but entail the integration of BER into a wider range of programme interventions.

Sweden's support for private sector development and the improvement of framework conditions

⁴ Saegert, J. (2019) *The Economic Transformation of Africa: How an Integrated Investment Approach Can Strengthen the Mobilization of Private Investments*, GIZ, Eschborn (p. 6).

⁵ Since 2020, GIZ have begun using a new set of programme categorisations called 'TOPICS', which provide break down and value of the current portfolio. However, this is not publicly available information. Also note, this contains not just BMZ financed project but also projects financed by other donors (such as EU). Further note that some of the issues on your Sida list are not covered in the below (financial systems development, infrastructure delivery etc) as they are covered within other topical areas in GIZ. PSD is included as a TOPIC but does not identify BER-related programming within this.

The [Swedish International Development Cooperation Agency](#) (Sida) is the Swedish government organisation under the Swedish Foreign Ministry that administers approximately half of Sweden's budget for development aid. The overall target of Sweden's development assistance is to ensure that those in poverty have the ability to improve their living conditions. To carry out this assignment effectively and strategically, Sweden's development cooperation encompasses different thematic areas, of which PSD is one. It also integrates five dimensions in all programmes: poverty focus, human rights-based approach, environment and climate change, peace and security, gender equality.

Sida has supported PSD for many years.⁶ Sida collaboration with the private sector has been described as present in one form or another in Swedish development cooperation since its start in the 1960's. The first PSD policy in the history of the agency was adopted in 2003.⁷ This policy was influenced by the early ideas of making markets work for the poor (M4P), which is reflected in a strong emphasis on inclusive economic development. The policy also emphasised the cross-cutting nature of PSD and the need to create linkages with other sectors and themes across Sida organisation.⁸

Sida recognizes the crucial role of the private sector for inclusive economic development as well as driving innovation, investment and growth. Thus, PSD is important for achieving Sida's overarching goal of creating conditions that will enable people living in poverty to improve their living conditions. While Sida's approach to PSD is strongly influenced by the market systems development (MSD) approach, within the agency's PSD portfolio, BER is an important component.⁹

In private sector engagement Sida also forms partnerships with companies and PSOs that contribute to economic, social and environmentally sustainable development throughout their activities, production processes and value chains. A 2016 OECD-Donor Assistance Committee (DAC) *Peer Learning Country Report* describes how Sweden sees private sector engagement as a complement to traditional grant aid, not a universal solution. This approach applies aid 'catalytically to leverage additional flows, mobilise know-how and expertise from the private sector, and improve the poverty focus and quality of other financial flows (e.g., by promoting corporate social responsibility and sustainability in relation to investment).' Key mechanisms for private sector engagement were challenge funds; public-private development partnerships (i.e., engaging the private sector in proactively committing to developing countries through investments, trade, technology transfer and problem-solving); a drivers of change approach (i.e., supporting organisations that work to influence the private sector and markets for the benefit of people living in poverty and toward sustainable development); guarantee funds; and equity, loans and guarantees (i.e., provide via Swedfund).¹⁰

Sida's [current PSD portfolio](#) addresses identified 'obstacles that make it hard for the private sector to develop and create jobs, which in the long term makes it more difficult for people to improve their standard of living and for the country to strengthen its economy'.¹¹ These include:

- **Business climate and financial inclusion.** Addressing the challenges associated with the lack of capital and investment that inhibits innovation, such as obstacles in the financial system (e.g.,

⁶ For example, see: Danielson, A. (2003) '[Support for Private Sector Development; Summary and Synthesis of Three Sida Evaluations](#)', Sida Studies in Evaluation 03/05.

⁷ Sida (2004) [Policy Guidelines for Sida's Support to Private Sector Development](#), SIDA Stockholm.

⁸ Söderbäck, M. (2015) '[Desk Study of Sida's Experience from Private Sector Collaboration; Final Report](#)', Sida Decentralised Evaluation 2016:6, Sida, Stockholm, p. 4.

⁹ DCED website: [Swedish International Development Cooperation Agency](#), viewed 12 March 2021.

¹⁰ OECD-DAC (2016) '[Peer Learning Country Report: Sweden](#)', *Private Sector Peer Learning*, OECD-DAC, Paris.

¹¹ Information on Sida PSD programming was provided by Mr Julian Sievers, Senior Policy Specialist for Trade, Department for International Organisations and Policy Support, Swedish International Development Cooperation Agency (March 2021).

difficulties opening a bank account, saving digitally, taking out insurance or obtaining a loan). Increasing access to financial services encompasses the Financial Sector Deepening programme in countries such as [Kenya](#), [Mozambique](#) and [Zambia](#), and regulatory reforms that create jobs and provide food security by supporting the [Facility for Investment Climate Advisory Services](#) programme in implementing reforms to simplify trade, which in turn creates jobs, provides food security, reduces climate impact and contributes to gender equality and sustainable development.

- **Developing small businesses.** Supporting the growth of SMEs, including female entrepreneurs, who often operate small holdings and enterprises and must negotiate social norms that make it even harder for them to grow their businesses. This includes market systems development programmes, as the [Tree Aid](#) programme in Burkina Faso which promotes sustainable forestry and strengthens entrepreneurship by developing markets for shea butter and baobab fruit and supporting small business owners, particularly women. It also includes support to the Palestinian digital communications sector via [Mercy Corps](#), which works to build up the country's digital communications sector and make it competitive internationally in order to create jobs for young people and women in particular, including by supporting start-ups and freelancers online and promoting outsourcing and entrepreneurship.
- **Corporate sustainability.** Sida works with the business sector to fight corruption and promote environmental sustainability, gender equality and human rights. This is done by increasing corporate transparency and sustainability through collaboration with the [Danish Institute for Human Rights](#) and the [Global Reporting Initiative](#).

In addition to the above programming themes, Sida's PSD programming is closely connected to its support for trade and employment. The [trade programme](#) focuses on trade policy and free trade agreements, which includes increasing regional influence over trade in Africa by supporting the [Consumer Unity and Trust Society International or CUTS](#) and the South African non-profit organisation [Trade Law Centre in Africa](#). This work also includes support for simplified trade procedures, specifically for SMEs, through support to the International Trade Centre and other Geneva based organisations working to promote trade. The [employment programme](#) includes support for programmes working in the informal economy, where productivity and incomes are low, as well as support for improving working conditions, which most recently includes support to the ILO to respond to the employment impacts of the COVID-19 pandemic.¹²

Overall, little change is anticipated in Sida's future PSD programming, which maintains an overall focus on PSD and, where relevant, BER for poverty reduction.

The International Labour Organisation's support for Enabling Environments for Sustainable Enterprises

The ILO has supported enterprise development for over 30 years, under the leadership of the [Enterprise Department](#). In recent years, attention has been given to [Enabling Environment for Sustainable Enterprises](#) (EESE) within the department's [SME Unit](#).¹³ The ILO is a development agency and part of the UN system. Thus, it benefits from donor support for specific programmes, including support provided by Danida.¹⁴

¹² See ILO (2020) [The Sweden-ILO response to COVID-19](#), ILO, Geneva.

¹³ Information on the ILO EESE programming was provided by Ms Severine Deboos, Team Leader, Enabling Environment for Sustainable Enterprises, SME Unit, Enterprise Department, ILO Geneva (March 2021).

¹⁴ The ILO report that the last Danish-funded programme related to PSD was [the Programme on Responsible Business in Myanmar](#) (2014-15). In addition, there is a small component on enabling environments for sustainable enterprises

The 2007 International Labour Conference's [Conclusions Concerning the Promotion of Sustainable Enterprises](#) provide a framework for the ILO's enterprise development programme. These conclusions define the components of an enabling environment, a list of enterprise-level sustainable and socially responsible practices and the roles of governments, the social partners, and of the Office. The objective is to promote sustainable enterprises in a manner that aligns enterprise growth with sustainable development objectives and creates productive employment and decent work. The ILO's EESE work differentiates itself from other development and donor programmes supporting PSD by focusing on realising a conducive business and investment climate for enterprise development, with the special concerns of SMEs, businesswomen and informal sector. Grounded on a rights-based approach of the international labour standards, and the 17 conditions for sustainable enterprises agreed to in the ILC's 2007 [Conclusions](#), it creates opportunities for tripartite actors to engage in a policy dialogue to build an improved business environment, rather than the bipartite public-private approach.

The ILO works with constituents and social partners to promote sustainable enterprise development and decent work at macro, meso and micro levels. Across all these levels it seeks to catalyse change in institutions, market systems and public and private governance. It works with governments, Employers' Organisations (and other business representative organisations) and Workers' Organisations such as trade unions to support social dialogue, including public-private dialogue.

The EESE programme seeks to improve the conditions for sustainable enterprises to form and grow, providing new productive and decent employment. Strategic policy advice is provided to constituents to design, implement and monitor enabling environment reforms.¹⁵ The programme supports the assessment and reform of national and subnational policy, legislative and regulatory frameworks for sustainable enterprises and their workers. While previously attention has been given to national assessments, more attention is being given in the future to supporting targeted reforms that are conducive to sustainable enterprise promotion and the creation of productive and decent employment, particularly in the context of COVID-19 and the challenge of building more resilient economies and enterprises. Future programming themes related to EESE are likely to include:

- **Supporting green BER.** This would focus on the enabling environment for green growth; applying a 'green lens' to BER.
- **Supporting the formalization of economic units.** This would support reforms that make formalization easier, less costly, more attractive and feasible (e.g., improvements in business registration and taxation) while making non-compliance less attractive to aid the transition from the informal to the formal economy, based on information collected through diagnostics at the country level.¹⁶
- **Supporting improvements in labour laws and regulations for micro and small enterprises.** This involves support for reforms that extend the coverage of labour laws and regulations to micro and small enterprises.¹⁷

in the Neighbourhood Programme (i.e., Georgia and Ukraine) but the core focus of these two projects is on social dialogue, International Labour Standards and labour market governance. In the past five years, the ILO has not received Danida-funding for PSD-BER focused projects.

¹⁵ Some of the resources produced by the EESE programme include: [EESE Toolkit](#); ILO (2020) [Enabling Environment for Sustainable Enterprises and the Post-COVID-19 Rapid Response](#); ILO (2020) [Applying labour law to micro, small and medium-sized enterprises](#).

¹⁶ For examples, see: ILO (2021) [Enterprise Formalization: Simplifying and Facilitating Business Start-up and Compliance](#), Thematic Brief 2/2021, ILO, Geneva; and ILO (2021) [Enterprise Formalization: Enterprise Formalization Tailored registration, tax and social security requirements for MSEs](#), Thematic Brief 3/2021, ILO, Geneva.

¹⁷ For example, see: Vargas, A.M. (2020) ['Applying labour law to micro, small and medium-sized enterprises: A comparative study of 16 countries'](#), *ILO Working Paper 9*, ILO, Geneva.

Other areas of future EESE programme are likely to include the use of ‘big data’ in policy design, the integration of BER into market systems development programmes, support for local reforms within the context of local economic development and support for social and solidarity economy enterprises, BER in fragile and conflict-affected situations, reforms to boost enterprise productivity, and reforms that enhance skills development in SMEs.

World Bank Group’s support for private sector development and the improvement of framework conditions

The WBG provides a wide range of support for developing economies in business environment and investment climate reform.¹⁸ The [International Finance Corporation](#) (IFC), a member of the WBG, is the largest global development institution focused exclusively on the private sector. IFC helps developing countries achieve sustainable growth by financing investment, mobilizing capital in international financial markets, and providing advisory services to businesses and governments.

The [World Bank Group’s](#) approach to business environment typically focuses on improvement of the regulatory environments, which it says are ‘at the core of efforts to unlock private sector investment and jobs.’ Its service offering is centred around four focus areas: (1) business entry, operation, and regulatory technology; (2) indicator-based reforms (e.g., stemming from the annual Doing Business assessments); (3) Quality infrastructure; and (4) Regulatory governance.

The WBG has recently undergone a reorganisation of its structure and programming related to PSD and support for the improvements of framework conditions. While this work was previously managed by a joint-World Bank-International Finance Corporation department, the IFC and International Bank for Reconstruction and Development (IBRD) are now separate with no joint practices.

The newly named Competitiveness for Jobs and Economic Transformation (aka. ‘Competitiveness for JET’) seeks to facilitate the economic transformation needed to enable better jobs for more people in client countries through programmes that promote the entry and growth of competitive firms and sectors. This is a global IBRD programme of around USD 100-200 million. It supports client governments to address the private sector competitiveness aims of the JET agenda by incorporating microeconomic structural reforms into country programmes. At the country level this includes financing World Bank advisory services and analytics including technical assistance and capacity building to promote policy reforms and PSD at the centre of country JET strategies. At the global level, knowledge and research activities support the strengthening of World Bank operational interventions including through analytical reports and studies, diagnostics and toolkits, impact evaluations and expanding and deepening global partnerships including through a knowledge platform with other relevant international institutions focusing on PSD.¹⁹

There are four core JET and PSD-aligned thematic areas under the Competitiveness for JET programme:

Theme 1: Strengthening the Business Enabling Environment. Because productivity and competitiveness are enhanced by the institutions, policies and regulations that make up the country’s business environment, reforms that enhance the enabling environment for businesses and investors are instrumental for firms to enter, thrive, compete, create better jobs and catalyse productivity from investment. This theme supports governments to improve their capacity to facilitate private investment

¹⁸ Information on the WBG Competitiveness for Jobs and Economic Transformation programming was provided by Ms Sylvia Solf, Global Product Specialist, Trade and Competitiveness (March 2020).

¹⁹ World Bank Group (2020) *Competitiveness for Jobs and Economic Transformation; A Global Partnership to Support Private-Sector Led Growth and Better Jobs for more People*, Umbrella 2.0 Concept Note, 16 July, World Bank, Washington, DC.

and provide a level-playing field for all market actors. It includes creating an efficient, transparent environment through supporting governments with technical assistance and analytics on: improving the policy and regulatory framework; reducing administrative burden and costs; enhancing regulatory predictability; and boosting enforcement and implementation capacities of governments.

Theme 2: Expanding Access to Competitive and Contestable Markets. While strengthening the overall regulatory environment is important, many constraints and opportunities are sector specific. The dynamics and market structure of a sector can also be important in shaping the appropriate policies to support firm entry, growth, competitiveness and job creation. This theme focuses on effective competition policy and enforcement for competitive and contestable markets; sector-specific approaches to building competitiveness; linking government support to sectors with longer run competitiveness and contestability agenda; spatial or ‘place-based’ approaches to competitiveness; and addressing how technologies are reshaping the competitiveness of sectors. In addition, climate and green recovery activities include advising governments on: integrating green measures into industry recovery policies; strengthening disaster resilience of firms, value chains and special economic zones; and policies and regulations in transitioning from linear to circular manufacturing.

Theme 3: Promoting Technology Adoption by Firms to Raise Productivity. Because today’s technological change is characterized by a high intensity of knowledge, an accelerating pace of diffusion, and the convergence of multiple technologies, traditional development pathways are increasingly subject to technology-based disruptions: global digital platforms emerge as new means of production; disrupting global value chains and production systems; and nature of work changes, which disrupts labour force, skills and learning mechanisms demand. Thus, this theme supports the adoption of new technology at the firm level.

Theme 4: Promoting Entrepreneurship and SME Growth. Because productivity growth is critical for development and poverty reduction, accelerating productivity growth and closing the wide productivity gaps between and within countries is a key factor in achieving the SDGs. This theme supports governments with the effective design and implementation of policy instruments, based on international best practice, to boost productivity at the firm level, enhance coordination of productivity policies at national and sub-national levels, and capturing of lessons learned and transmission of good practices across countries. It also addresses the challenges facing different groups of enterprises, by size, gender of the entrepreneur, and age.