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ActionAid Discussion paper

Aid to, with and through the private sector: emerging trends and ways forward

April 2014

Summary

A thriving private sector that provides decent jobs and generates revenue is an essential component of a successful development strategy. International donors are currently very interested in increasing aid to the private sector, whether to build it, leverage support, deliver projects or a combination of all three. But is all aid to the private sector appropriate, and if yes, is it being delivered effectively, reflecting international aid agreements?

Lack of transparency around aid devoted to the private sector, and particularly around the building and leveraging strategies makes it hard to evaluate the amount of money given to the private sector and its impact. This discussion paper tries to shed some light on this issue, identifying the different roles the private sector play in development and development cooperation while identifying some initial recommendations so as to make this aid more effective.

Context

The Global Partnership for Effective Development Cooperation (GPEDC) is the main global forum on development co-operation effectiveness based on multi-stakeholder governance; it is the outcome of the 2011 Busan conference on aid and development effectiveness, and the successor to the previous Rome/Paris/Accra process on development co-operation effectiveness led by the Organisation for Economic Co-operation and Development (OECD). Like these previous processes, it puts a commitment to developing country leadership and democratic ownership of development at its centre. However, while the previous process was initially about provider and partner country governments, later bringing in civil society, the GPEDC explicitly also includes a role for the private sector. The Busan outcome document states an intention to involve the private sector in development in several ways: by improving the environment to increase private investment and private sector development; by enabling "the participation of the private sector in the design and implementation of development policies and strategies"; by advancing innovative financing mechanisms; by promoting aid for trade, in order to mitigate private sector risk; and by seeking ways to make development and business outcomes mutually reinforcing.

This set of policies represents a significant shift from the previous aid effectiveness agreements. By contrast, the relevant monitoring indicator, a measure of the quality of public private dialogue, is surprisingly narrow, and its target, "continued progress over time", is decidedly un-SMART (specific, measurable, attainable, relevant and time-bound).[1]

As the GPEDC will be having a major stocktake and review at the Mexico City ministerial meeting on the 15th and 16th of April 2014, this discussion paper shines a light on aid and the private sector, an area currently receiving much attention as donors consider new ways to ensure there are sufficient and appropriate resources for development. As this trend looks set to intensify, there are important questions to ask about this aid, what benefit it brings and for whom and, if and when appropriate, how it can be most effectively be deployed? Our analysis of the trends to date shows that donors are not yet approaching aid and the private sector in a sufficiently evidence-based, targeted and strategic way.

Development, growth and the private sector

Economic growth – the creation of wealth – is a vital but insufficient component of development. For countries with very little wealth, this is self-evident. But to succeed in reducing poverty, growth must have certain characteristics: it must be inclusive and sustainable, creating decent jobs for both women and men, harnessing know-how and providing tax revenue. Without doubt, a dynamic private sector plays a crucial role in generating this type of growth. In this way, the private sector, inclusive growth and economic development are important issues for development agencies and – alongside other policy instruments – a legitimate focus of development finance, including aid. However, this does not mean that any form of aid to any private enterprise necessarily delivers good development results for poor people. An aid project or programme that involves the private sector should, like any other, be evidenced-based, poverty-focused and in line with agreed aid effectiveness programmes.

In 2008 the Independent Commission on Growth and Development, chaired by Nobel Laureate Michael Spence, examined the policies and strategies of countries that had achieved rapid and sustained growth and poverty reduction over the past 25 years.[2] It found a number of factors at the heart of success: political leadership, industrial policies, managed exchange rates and capital controls; effective institutions and governance structures; a talented public service; strong domestic savings and public investment in infrastructure, health and education; job creation; and social protection.[3]

To generate development, growth also needs to be transformative; genuinely developmental in the true sense of the word. The economies of developing countries need to change rather than retain their current production structures. They need to diversify beyond agriculture and very small informal businesses that directly provide livelihoods for poor people. Development means growing by developing higher value industries and activities, so poor people, especially women, are not permanently stuck at the bottom of the value chain. Furthermore, this approach may mean a revival of industrial policy – where direct support is given to particular sectors in pursuit of national goals. This crucial engine of development is not always given sufficient priority by donors.

Current discussion around how to use aid to create growth emphasises the role of the private sector, but transformative, developmental growth requires a judicious balance between the roles of state and private sector, avoiding unhelpful dichotomies where one is demonised and the other lauded. Evidence from recent successful countries[4] show how the private sector fuelled growth, but the state was its engine. The recent experience of some of the much lauded emerging economies included state intervention in their growth policies, in various ways.

External financing to boost economic development needs to take account of these factors. Aid support – because it is uniquely available for tackling poverty – must be particularly carefully deployed. In general though, donors' private sector strategies tend to assume that partnerships among development actors represent "a win-win-win-win situation" for all stakeholders, including poor people, developing country governments, donors and companies.[5] However, this assumption does not sufficiently take account of and respond to the power differential between actors: donors and large multinational companies hold much more power than governments of small developing countries. In turn, aid support which does not take this reality into account may lead to outcomes that impact on countries' ability to be in the driving seat of their own development, the core principle of aid effectiveness.

Moreover, many donors approach promoting engagement of the private sector in development as if the kinds of reforms involved were not political but technical, and were the 'right thing to do' in all circumstances for all development approaches. In fact, they are the implementation of one particular approach to development, which has a highly political basis. They should be treated as such. In this regard, donors diverge in their views of the limits of the state's role. For example, Sweden states that it will not support a project contributing to reliance on the private sector for rights such as basic education that, in its view, the state has a responsibility to secure. But the UK explicitly states it will support the involvement of the private sector in the provision of basic services.[6]

Where aid is to be used to support the private sector, this must demonstrably contribute to economic development that benefits poor people, above and beyond other financing and policies, as well as representing the best use of scarce aid funds. And it must be possible to provide evidence that this is the case. One important reason for this is that equitable growth which responds to a strategic long term approach to transformative economic development is essential for the eventual end to aid dependence.

More than milk: aid to the private sector supporting structural transformation in Zambia[7]

As in many other African countries' tradable sectors, milk production in Zambia is characterised by its informality. It is mainly comprised of micro-enterprises or household production, and largely intended for local consumption. Private investment remains too low to promote structural transformation that could lead to more, better and sustained production, opportunities and jobs.

But a World Bank aid project, supporting the Zambian government's own institutions and plans, is helping to change that. Its Market improvement and Innovation Facility (MIIF) is assisting Zambia's National Agriculture Investment Programme (NAIP) with four key programme/investment areas to be implemented in the period 2014-2018. One of these is 'Market Access and Services Development', and a major component of it is to 'Promote Value Chain Integration' as a strategy for value addition, improving household income and ultimately reducing high poverty levels, especially in rural areas. To support this effort, the MIIF provided matching grants (funding 75%, totalling US$58,000) on a demand-driven basis for the development of innovative business linkages between smallholders and other actors in agricultural value chains (like animal feed producers, entrepreneurs providing veterinary drugs and commercial processors).

The Choma District Dairy Co-operative Union (CDDCU) has 1,000 smallholder dairy farmers as members. The CDDCU, unable to properly market the increasing volumes of milk provided by its smallholder farmer members, approached the World Bank programme, aiming to add value to the raw milk. There was a lot of untapped milk before ADSP/MIIF support, because smallholder dairy farmers were not incentivised by the low prices being offered by the commercial processors. MIIF funds and assistance were used to adopt new technologies to expand the range of dairy products produced, to increase storage capacity, and to improve water and power supplies.

Since the support of the MIIF, CDDCU's average daily milk production reached 3,000 litres (from 1,000 litres prior to accessing MIIF financing). The price paid per litre of milk to its dairy farmer members is now higher than other dairy cooperatives: ZMW3.00 (US$0.4886) versus ZMW2.25 (US$0.3664). Being able to open two new sales outlets helped to market all the increasing production and products. CDDCU noticed a tremendous improvement: a steady flow of income to its members, an increase in turnover, improvement in the bargaining power for goods and services, and growth in socioeconomic status at both union and individual member level. Mr Farmer Noole, CDDCU Board Chairman, said, "…we were struggling to establish ourselves when we just began. In my view, the support that we got was the biggest stepping stone. It is possible that we could have developed on our own but the journey could have been painfully slower than it has been with MIIF…"

Aid and the private sector

Using aid to support economic development is certainly not new. Development aid was first provided on a large scale during the 1950s and 1960s as many countries gained independence from their colonial rulers. It was seen as a complement to domestic savings, necessary to close the financial gap needed to generate investment and trigger growth. The key difference between then and the current approach, however, is that a higher proportion of that investment and growth was expected to be within the public sector, as opposed to the private sector now.

That period ended with the economic instability of the 1970s, and the contraction and austerity of 1980s with the implementation of economic structural adjustment programmes and their emphasis on shrinking the public sector. By the 1990s aid levels had plummeted, while interest in private sector development grew, supported principally by the World Bank. However, this gradually faded with the lack of results as well as controversy surrounding the privatisation of water and other utilities. Meanwhile, growth and development in many developing countries seemed a distant dream. The main perceived purpose of aid shifted instead to the social sectors, more directly supporting the poorest people with money for health, education and so on. This swing of the pendulum was clearly expressed with the Millennium Development Goals (MDGs). Now, as 2015 approaches, support for economic development, but this time encapsulated by 'private sector driven growth', is coming strongly back into fashion as a development priority and as a purpose of aid.

There have been mounting political statements about the intention to increase aid to the private sector. However, it is impossible to tell for sure how much aid is allocated to or through the private sector, its trend and exactly for what purpose, nor whether these aspirations are bearing fruit, due to the fact that aid to the private sector goes largely unmeasured. Despite this, it is possible to discern three different but overlapping strategic intentions behind the ways in which donors talk about and provide aid to the private sector. These can be categorised as building, leveraging and delivering.[8]

Building

Developing countries tend to have a thriving private sector characterised by drive and entrepreneurialism, but as noted above, without the qualities needed to create the right kind of growth. In the 'building' category, the strategic intention is the development of the private sector in the partner country. In so far as the aim is transformation, aid may be one of several suitable tools to support 'building'. A strategic medium to long term approach to economic development aims to reach a point where the private sector creates value in a more efficient fashion through a network of slightly larger or much larger domestic businesses. This network should provide secure and decently-paid jobs for women and men, generate revenue and build domestic business know-how, so that ordinary people have the opportunity to live less back-breaking and precarious lives.[9]

Transformational business development is an essential component of economic development in reducing poverty, and goes beyond simply tinkering with the existing system. Aid is one instrument that may support it through, for example, direct investment in certain strategic sectors and companies, building access to finance, or developing skills (sometimes known as 'making markets work for the poor' or M4P). It may support it indirectly, for example through infrastructure development or through support to policy development. Direct equity investment in developing country companies may sometimes fall under the 'building' category.

When trying to capture the amount of aid devoted to build the private sector, the picture is unclear. Although the OECD breaks down all aid by sectoral areas (health, education, agriculture, infrastructure and a host of others) it does not track how much of the aid reaches the domestic private sector. This is a large blind spot. One proxy could be the aid supporting the business and banking sector, where we can see that DAC members devote around $US3 billions annually to these sectors. Germany, the US and EU institutions are biggest contributors, accounting for two of every three US dollars given. This constitutes around 3% of bilateral aid, a figure that has remained fairly constant in recent years. For another proxy we can use aid to infrastructure (including transport, energy and communications) which has an indirect effect on building. Aid from DAC providers to this sector has increased during the last five years (from $US8 to $US12 billion). The EU institutions, Japan and France are the most active donors.

Leveraging

By leveraging, the strategic intention is to expand the resources available for development by involving the private sector. It often translates into engaging donor countries' companies in development activities, although that is not necessarily the case.

Recent fiscal tightening since the beginning of the financial crisis in 2008 on a scale not seen in rich countries for many decades has meant that it seems more difficult for providers to prioritise their global responsibilities and find the practical means to make steady progress towards their aid commitments. This is what has led to the new emphasis on harnessing private sector expertise, resources and efficiencies for development. Until then, there was a consensus that aid was primarily a responsibility of governments.

However, owing to this same economic context, another strand of this thinking is about capturing markets and partnerships for donor country companies in the increasingly vital emerging economies, and political relationships with these same countries. This has always been the case, assuring political support for aid policies, but some donors are now making it more explicit. [10] The nature of the 'leveraging' intention is that it is often about involving established multinational companies, as these are the ones with the resources and experience that donors are hoping to make the most of. In practice it may take many forms: the nurturing of Public Private Partnerships (in all sectors from agriculture to industry to education), and blending (leveraging private sector investment through an aid contribution).[11] The challenge fund is another popular mechanism.

Measuring leveraging is even more elusive, as this kind of aid is least often consistently reported. The OECD reports on contributions to PPPs, but these are global, and do not include the many initiated by bilateral aid providers. Without more clarity on how much is being leveraged, and for what, it is very hard to determine its effectiveness and development impact. Anecdotal reports, however, suggest that 'leveraging' is on the rise. For example, USAID is reported now to programme 40% of its funding through PPPs, up from 8% in 2009. At the EU level, ODA being channelled through EC blending facilities has risen from euro 15 million in 2007 to euro 490 million in 2012, and the EU hopes to make greater use of these blending facilities in the near future.[12]

Delivering

In this final category, the strategic intention of the aid is to carry out development strategies and projects decided on by governments, involving procurement or broader contracting out of works. This is an area where the use of aid can be more easily determined as appropriate, in so far as it meets country ownership requirements and is not a cause of informal or formal aid tying. 'Delivering' is different from the other categories in that the private sector is implementing rather than co-driving the project. This is not new and one can find examples in any area of implementation (from infrastructure, to banking to health and education and education system reforms) and it can consider work on the ground or the provision of technical assistance.

The companies contracted may either be from the donor or the partner country, or a third country. While the primary purpose in this category is not to develop the private sector in developing countries, aid-financed projects can carry a 'double dividend' if the contracts are in fact awarded to partner country companies - from the projects themselves and from the building of the local private sector.

There is more information in the delivering category. The largest OECD bilateral contractor is Japan, spending US$6.4 billion, closely followed by the US at US$5 billion. Next comes France at US$1.6 billion, and Australia, the UK and Germany also have significant contract levels. Other donors do not report this information to the OECD, such as Ireland, Netherlands, New Zealand, Norway, Sweden and Switzerland.[13]

Concern arises from the fact that the donors often award contracts to their own companies, so that while the aid may be formally untied, the immediate financial benefit remains in the donor country. The share of untied aid that goes back to the donor is increasing, doubling between 2003 and 2010. In 2011 just over half of value of contracted aid was spent within the donor country, just over a third to developing countries apart from the poorest, and only 4% to the poorest developing countries.[14]

Variation between providers is enormous, and countries like Finland, UK, US, Austria and Australia give over 80% of the value of their aid contracts within donor countries' companies. While allowed within the reporting rules of the OECD Development Assistance Committee (DAC), this practice clearly goes against the spirit of the agreement to untie aid, and misses a key opportunity to build the domestic private sector.

Confusion abounds

Leaving aside imperfect numbers, a comprehensive survey of donors' private sector strategy documents show how varied donors' approaches are as well as the different priority they give to each intention.[15] In their strategies on aid and the private sector, donors mix up these different dimensions of private sector development, as well as the roles of the domestic and multinational private sector, and the intended private sector beneficiaries of aid.

Most bilateral and multilateral donors channel their economic support to the private sector through the so called development finance institutions (DFI). The development finance provided by DFIs ranges from straightforward equity investments to a range of different types of simple and complex loan structures, to guarantees for investors. Figures on DFIs' finance are hard to come by. Different DFIs' have different standards of transparency, but there are no overall figures. Donors also differ in the extent to which they use aid to subsidise their DFIs' finance – and this is not easy to quantify.

OECD figures for equity investments provide a comparison of donors' contributions in this way. UK, Germany and Finland all give around 5% of their ODA in this way, and Norway over 9%.[16] Many donors, however, do not provide any data on it.

When it comes to analysis of the recipients of this aid, we can see that aid to the private sector goes predominantly to middle income countries. Nearly two thirds of aid to the business and banking sector that can be traced goes to middle income countries. About a third of this is to upper middle income countries. This position is even more marked for equity investment. As much as 85% of the bilateral donors' aid for equity investment that can be traced goes to middle income countries, just over half of this being to upper middle income countries. Only about 13% of aid to equity investment goes to least developed countries or other low income countries.

Nearly half of both these types of bilateral aid cannot be traced. The much-trumpeted and welcome push on aid transparency over the last few years does not seem to have reached the area of aid to the private sector. Given this lack of transparency questions arise as to whether it is possible for anyone to demonstrate results, or to ensure country ownership and democratic accountability.

Ensuring that aid to the private sector is appropriate and effective

Aid is a specific and unique form of development finance. It must contribute to the 'economic development and welfare' of developing countries in order to be classified as aid. However, aid is limited, and must be reserved for developmental purposes for which other finance is not available – for those development projects which will not provide direct, short to medium term financial returns. As well as the classic social sectors (health and education) this could include, for example, energy or water and sanitation infrastructure reaching people who cannot pay.

Given the plentiful availability of other forms of development finance (including loans at commercial rates, project finance, equity finance, structured finance and guarantees as well as private finance), care should be taken in allowing scarce aid to creep onto this terrain. As such, aid should not be used to subsidise private investment which would have happened anyway without the aid component (something particularly relevant where aid is used to leverage private financing in a project, through blending mechanisms). Given all these factors, donors need to consider the opportunity cost associated to scarce aid allocations and even where aid is supporting development that benefits poor people, giving more aid to the private sector means less aid for other areas.

Additionally, aid to the private sector appears more likely to go to middle income countries than aid in general. While there may be a case for 'game-changing' aid to go to middle-income countries, donors need to be wary that this does not lead to a reduction in aid for the poorest countries, which have least ability to alternative finance mechanisms (such as domestic resources mobilisation, or through government borrowing on international capital markets). Finally, some forms of aid to the private sector may be more suitable for provision as concessional loans rather than grants. A move towards aid to the private sector could underpin a gradual rebalance away from grants towards loans. This would contribute to reducing debt sustainability and the risk of another debt crisis.

In any case, once established that an instance of aid to the private sector will be appropriate, we need to ask ourselves: will it be delivered effectively? A series of international community meetings have resulted in a set of carefully-agreed principles. These reflect agreement that effective aid is aid that affords the partner country autonomy to deliver its own development priorities holding all stakeholders to account for the expected results. Keeping countries in the driving seat of their own development is important because developing country governments prioritise it, because it is value for money and because it delivers results. A series of studies published in 2011 by Brookings, *Catalysing Development*, took a historical approach and assessed the experience of Korea, Vietnam, Indonesia and Cambodia. The studies found strong country ownership to be key in the development of those countries.

Flowing from this central principle of developing country ownership, the global development co-operation effectiveness process has a number of globally agreed indicators for effectiveness. Those being measured include: aid predictability, aid on government budget (with parliamentary scrutiny), mutual accountability among co-operation actors and improved quality of and use of country procurement and public financial management systems.

While these are by no means new, somehow there seems to be a drift to thinking that aid to the private sector can bypass internationally agreed principles of effectiveness. A comprehensive 2012 survey of bilateral providers' aid to the private sector found that providers rarely connect their private sector strategies and their development co-operation effectiveness commitments. Most providers also do not measure results of their private sector work robustly (this should be done using partner country reporting systems, which should be published). The aid transparency agenda has so far left much of the aid to the private sector untouched.

In general, donors' progress on aligning aid to national development strategies has been glacial. Overall, none of the Busan targets have been met, something that is clearly disappointing given global commitments.[17] The latest monitoring report, issued in April 2014, suggests progress continues to be uneven and very slow, with progress against 3 of the 10 indicators being "too early to assess." Slightly less aid is tied formally (79%, compared to 77% in 2010). More aid is on budget, but nowhere near the target of halving the gap and at least 85% of aid being on budget. There has been no further progress on use of country systems. The only indicator focusing on the private sector: "Engagement and contribution of the private sector to development" it is still only at the stage of being piloted.

Support for the developing country domestic private sector, aligned with a national development strategy, is more likely to meet aid effectiveness principles for a number of reasons. Firstly, it follows from the principle of national leadership of development and the aim to transform developing country economies sustainably, up the value chain. Developing countries are self-evidently more likely to maintain leadership of their own development dealing with their own private sectors. Secondly, financial support to domestic companies is more likely to actually stay in the partner country and the local economy, rather than end up being effectively repatriated to the home country of an international company. Finally, aid support to developing country companies is more likely to be cost effective, in the same way that untied aid is more cost effective than tied aid.

Less than effective? Off budget and tied aid to the private sector[18]

Aid provides 26% of Nepal's budget, a high proportion. The largest donor is the World Bank; the largest bilateral providers are the UK, India, Japan, Norway and Germany. While Nepal has a results framework, provider contributions to development co-operation effectiveness were found by the 2011 Paris evaluation process to fall very short of targets in several key areas. Use of programme based approaches is low, co-ordination of technical assistance is poor, and less aid is being channelled through Nepali procurement and financial management systems.

Rama Dangi lives in Tulispur, near the valley of Dang in western Nepal. She is chair of a co-operative group which pools savings and where training and skill sharing "made us equipped to tackle economic hurdles by raising pigs and chickens, bee keeping, unseasonal vegetable farming, ginger farming and so on." The project she describes is project INCLUDE, funded by the German development agency GIZ, and run jointly by GIZ and the Nepali Ministry of Industry.[19] It is a 'building' project which aims to improve business skills and strengthen business institutions, targeting particularly poor, vulnerable and socially excluded people, in the west of Nepal. It has been running for several years, with a new three-year euro 5 million tranche running from 2014 to 2016. It aims to improve productivity along agricultural value chains, develop marketing and business management skills, improve access to financial services and build capacity of the Nepali government.

An examination of the INCLUDE project from a development co-operation effectiveness perspective finds a mixed picture. The Nepali Ministry of Industry is involved in the INCLUDE project as co-implementer, including chairing the steering committee, but bizarrely the project is off budget. GIZ stipulates that the technical manager of the programme must be an international expert, but officials stated that this is not necessary. They also critiqued the project for procuring goods in the donor country, when cheaper and more durable ones were available nationally.

Finally, the project is not using Nepali procurement or monitoring systems, instead requiring participants to use a system that will be set up by GIZ. It must be concluded that, while the project is contributing to economic development it fails to comply with several key dimensions of development co-operation effectiveness and thus misses some key opportunities to build the domestic private sector.

Recommendations

A thriving private sector that provides decent jobs and generates revenue is an essential component of a successful development strategy. Donors are currently very interested in increasing aid to the private sector, whether to build it, leverage support, deliver projects or a combination of all three. But is all aid to the private sector appropriate, and if yes, is it being delivered effectively, reflecting international aid agreements?

If the overall aim of development is to transform and diversify economies in a way that delivers sustained improvements in human welfare, then the private sector can be a legitimate focus of some of that aid. In that case, aid to building the domestic private sector appears to be the most appropriate use because it is a crucial and currently rather neglected development enabler among donors. Aid to support delivery can also be appropriate, especially when it reinforces local procurement and is not used as a means of informally tying aid. There are questions around the use of aid as a lever, given the growing concerns around development impact, additional financing that is actually secured and the extent to which leveraging effectively crowds out not only domestic companies but also the public sector.

Poor transparency in this area and particularly around building and leveraging makes it hard to evaluate the amount of money given to the private sector and its impact. But such data as is available, the statements made by donors themselves, academic studies, and examples of particular experiences, all suggest that this should be an area of some concern. In the excitement of the latest aid trend, donors need to make absolutely sure they are always rigorously assessing whether their aid to the private sector is strategically the right and best instrument to support development and increased welfare, given also the opportunity cost of using precious aid in this way. There is particularly unhelpful lack of clarity around the intention behind donors' private sector aid, with frequent emphasis on leveraging and delivery (often involving donor companies) rather than actually building domestic sectors to transform and diversify economies.

And donors are not always applying established and agreed development co-operation effectiveness principles to private sector aid. Perhaps unwittingly, it seems they consider aid to the private sector to be somehow separate and exempt from these important principles. Ensuring all aid to the private sector follows agreed aid principles would make it both more appropriate and more effective.

Is it appropriate?

Donors should ensure:

- aid to the private sector is based on evidence that it supports economic transformation and achieves developmental impact, thus increasing aid's value.
- aid to or through the private sector is not used as a way to critically influence developing countries' policies notably as regards the roles and responsibilities of the private and public spheres.
- aid is not used where other development finance and other types of policy instrument are available.
- they consider the opportunity cost of allocating aid to the private sector, if it means reducing aid to sectors such as health and education.

Is it effective?

Donors should ensure:

- all aid is provided in line with the partner country national development strategies and priorities.
- aid is on budget, predictable and uses country systems.
- aid is untied (formally and informally), and prioritises local procurement.
- they live up to their commitment to transparency by improving the measurement and impact of aid to the private sector.

1 GPEDC (2013) Guide to the Monitoring Framework of the Global Partnership.

2 Launched in April 2006, the Commission on Growth and Development brought together twenty-two leading practitioners from government, business and the policymaking arenas, mostly from the developing world. The Commission was chaired by Nobel Laureate Michael Spence, and Danny Leipziger, then Vice-President of the World Bank, was the Vice-Chair. Over a period of four years the Commission sought to gather the best understanding there was about the policies and strategies that underlay rapid and sustained economic growth and poverty reduction.

3 Commission on Growth and Development (2008) The Growth Report: Strategies for Sustained Growth and Inclusive Development, p7, "Governments in the high-growth economies were not free-market purists. They tried a variety of policies to help diversify exports or sustain competitiveness." https://openknowledge.worldbank.org/ handle/10986/6507

4 Commission on Growth and Development (2008), op cit.

5 Kindornay, S. and Reilly King, F. (2013), op cit.

6 Kindornay, S. and Reilly King, F. (2013), op cit.

7 Desk research and interviews for this case study were commissioned by ActionAid in January 2014. The full study is available from ActionAid.

8 The building and leveraging categories are similar to the concepts of promoting and partnering with the private sector in Kindornay, S. and Reilly King, F. (2013) op cit.

9 ODI (2013) Seminar: Structural transformation, growth and development in low income countries, http://www.odi.org.uk/events/3676-structural-transformationdegrp-dfid-esrc-growth

10 For example, the new European Partnership Instrument (around a billion euros over seven years, some of which may be counted as aid)aims to "support and promote EU interests." (EC Proposal for a regulation establishing a partnership instrument with third countries, COM 843 final, 2011)

11 The use of PPPs to deliver services including health and education is receiving particular attention from a growing number of donors, ostensibly with the intent of extending the availability of services. However, there is increasing evidence that PPPs in these sectors are actually going into institutions that request payment, despite the well-known negative impact of fees on poor people's access to services. As recently stated by the World Bank President: "There's now just overwhelming evidence that those user fees actually worsened health outcomes. There's no question about it. So did the bank get it wrong before? Yeah. I think the bank was ideological."

12 Eurodad (2013) A Dangerous Blend, http://eurodad.org/files/pdf/527b70ce2ab2d.pdf

13 OECD (2012) Aid Untying 2012 report.

14 OECD (2012), op cit. – 'The poorest developing countries' refers to least developed countries (LDCs) and non-LDC heavily indebted poor countries (HIPCs).

15 Kindornay, S. and Reilly King , F. (2013), op cit.

16 These figures cannot be added to the figures for business and banking, and infrastructure – they overlap.

17 Global Partnership Monitoring Framework (2014) Outline of key findings emerging from the monitoring evidence.

18 Desk research and interviews for this case study were carried out by Alliance for Aid Monitor Nepal in January 2014. The full study is available from ActionAid.

19 All factual information about the project is from project documents seen by ActionAid, including a tender document and an implementation agreement.

Acknowledgements

This briefing was drafted by ActionAid. ActionAid would like to thank Anna Thomas, consultant, Dr Stephen Tembo (Zambia), and Dr Dilli Raj Khanal and Prabhash Devkota (Nepal). The final document reflects contributions from numerous ActionAid staff who commented on drafts, including: Christy Abraham, Katie Allan, Soren Ambrose, Clare Coffey, Chris Coxon, Sameer Dossani, Luca de Fraia, Lucia Fry, Clement Kone, Inigo Macias-Aymar, Richard Miller, Nuria Molina, Raissa Ndogole, Kryticous P. Nshindano, Sumathi Pathmanaban, Javier Pereira, Bimal Phnuyal, Govinda Prasad Acharya, Tim Rice, Jenny Ricks, Rick Rowden, Kasia Stazsewska, Melanie Ward.