

UNICE POSITION PAPER ON THE ACP-EU PARTNERSHIP
Lessons learned and avenues for action

Executive Summary

Substantial economic development in poor countries is a sine qua non for peace and prosperity in all parts of the world. Development cooperation, as organised during the last thirty years, has failed to achieve its goals. The overall trend in the amount of public aid to development is, despite some exceptions, downwards, mainly due to disappointment concerning results achieved so far with inappropriate methods of programmable aid. Moreover, programmable aid often lacks projects to be spent on.

To overcome this situation UNICE believes that private sector development in these countries is particularly crucial for the economic growth, job creation and promotion of social and economic reforms. In that context, UNICE strongly welcomes the Cotonou Partnership Agreement, that governs the EU-ACP partnership, as the basis to create an environment favourable to sustainable economic development, poverty reduction and integration of the ACP countries in the world trading system. This agreement formally recognises:

- the link between trade and development;
- the private sector as the engine of development, enhancing public-private dialogue and democracy, and creating the wealth necessary to conduct social and education development policies.

UNICE calls for its full, effective and concrete implementation.

UNICE believes however that making trade easier is useless without an appropriate enabling environment for private local companies to manufacture goods and offer services using modern technologies and skilled human resources. The new Partnership Agreement is a real basis for the development of the private sector provided the three following fundamental elements become concrete rapidly:

1. efficient functioning of the ACP-EU business forum, bringing together interested EU and ACP business organisations, as an independent body to address public institutions on private companies' needs and requests;
2. increased regional integration through successful negotiations of Economic Partnership Agreements (EPAs);
3. full and effective implementation of the specific initiatives for private sector development such as the new EC trade-related technical assistance funds, the ProInvest programme, the EIB's Investment Facility and successful private-public partnerships.

Regarding the European Development Fund and EU development aid management, UNICE believes that a new project culture needs to be developed in the EU in order for the largest world donor to achieve specific goals and visibility of results, leaving projects targeted at private sector development free from political intervention. It is also a priority to establish enhanced cooperation and coordination, between the different bilateral and multilateral donors and actors.

UNICE looks forward to increased cooperation with the European institutions and the ACP governments and business community in view of building a stronger ACP-EU partnership.

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Introduction

1. Substantial economic development in poor countries is a sine qua non for peace and prosperity in all parts of the world. The integrity and stability of the world financial system, the possibility to develop in a sustainable manner, our ability to develop new markets depends partly but also crucially on rich countries' capability to deliver concrete means of development and to meet EU commitments towards developing countries. UNICE stresses that private sector development in those countries is crucial for the economic growth, job-creation and promotion of social and economic reforms.
2. Developing countries, including the 77 ACP States party to the Cotonou Agreement, represent a large and young population on earth, yet ACP countries attract the lowest share of foreign direct investment and they account for only for a tiny share of world trade.
3. While Africa used to be seen as suffering the consequences of war and conflicts on its economic development, good governance and democracy are on their way on the continent. At the same time, important initiatives are being launched such as the New Partnership for African Development-NEPAD¹, merging development plans from all over Africa, setting goals and means to achieve social and economic development. UNICE supports the NEPAD initiative as complementary to the EU development policy and in line with the Cotonou Agreement. EU-ACP relations are now guided by the Cotonou Partnership Agreement, signed on 23 June 2000, which gives the unique opportunity to put in place a more comprehensive framework for a long-term ACP-EU partnership.
4. The EU development policy² focuses on six areas:
 - trade and development³;
 - regional integration and cooperation;
 - support for macro-economic policies and promotion of equitable access to social services;
 - transport;
 - food security and sustainable rural development;
 - enhanced institutional capacity-building.

The link between trade and development aims at integrating ACP countries in the world trade system. The negotiations on Economic Partnership Agreements (EPAs) started in September 2002, in order for our trade relations to be WTO-compatible when the derogation obtained in Doha comes to an end in 2008. UNICE welcomes and strongly supports the negotiations of EPAs conceived as a tool for development.

¹ <http://www.nepadsn.org/> and http://www.nepadsn.org/nepad_english_version.pdf

² http://europa.eu.int/eur-lex/en/com/cnc/2000/com2000_0212en01.pdf

³ <http://europa.eu.int/comm/trade/miti/devel/pr180902.htm>

5. Trade is perceived as a key element for sustainable economic development in ACP countries. Indeed, building on the European integration experience, trade is essential for growth. As emerged from the Doha WTO Ministerial, trade-related technical assistance and capacity-building is fundamental for the full integration of developing countries in the multilateral trading system and global economy.
6. However, trade alone is not enough because “how can Africa benefit from increased market access if it has nothing to sell?” as said the former WTO Deputy Director General, Ablasse Ouedraogo who insisted on “the need for Africa to strengthen its human resources and production capacities to participate in the world trading system”⁴.
7. If improved market access and more money for development cooperation are to help eradicate poverty through economic development, private sector development is the necessary key if ACP countries are to benefit from the positive aspects of globalisation. Because ACP countries and their people will not be better off in the long term with only humanitarian aid, combined actions on social and economic development are necessary, and only private companies will make ACP countries and their people richer in the long run, allowing progressive but sustainable social development. Private sector development is the key to achieve the Millennium Development Goals⁵. Therefore UNICE supports EU development cooperation in the framework of the Cotonou Partnership Agreement and is prepared to do its share of the work through actions vis-à-vis the governments and institutions concerned.

Towards a new development cooperation: lessons learned from a failure

8. The international community has had to admit that development cooperation, as organised during the last thirty years, has failed to achieve its goals. After the Lomé Convention expired, the EU and its Member States took this fact into consideration when recently restructuring its external assistance system to ACP countries.
9. The overall trend in the amount of public aid to development is towards diminution every year, at both bilateral (despite some exceptions between the EU Member States) and multilateral levels. This downward tendency is mainly due to disappointment concerning results achieved so far with inappropriate methods of programmable aid. This downward trend must be reversed, for old methods being inefficient does not mean that development aid is not acutely needed. It is to be hoped that the Cotonou Agreement is perceived as the appropriate framework for development cooperation and provides new methods offering better perspectives.
10. Paradoxically, programmable aid often lacks projects to be spent on! Surprisingly, money gathered for development aid is not sufficiently turned into implemented projects, because of a lack of local skills and dynamism as well as the absence of the rule of law, i.e. transparency, predictability, no corruption. EC projects face the weak absorption capacity of local economies stifled by state intervention.
11. Achieving the poverty eradication goal requires a rebalancing of EU development actions in three complementary pillars:
 - **aid to the states** conditional on the rule of law and good governance (technical assistance, structural adjustment, budgetary support, capacity-building)
 - **aid to social development** (humanitarian urgency, health, social and education development),
 - **aid to economic development**, which does not necessarily mean privatisation (private sector development, business environment, private sector capacity- building, promoting private-public partnerships)

⁴ <http://www.africaonline.com/site/Articles/2,3,46532.jsp>

⁵ <http://www.undp.org/mdg/Millennium%20Development%20Goals.pdf>

12. Whereas the first pillar is a natural field of intervention for public authorities, the second pillar a field of action for private-public partnerships and for NGOs, the third pillar is an area where only the EU and ACP private sector and ACP States can achieve results. The EU private sector, building on its own successful experience, is determined to act to achieve the third pillar's objectives. EU development actions in this field must consider that **economic development depends first on enterprises, and more precisely on private initiative**.
13. The Cotonou Partnership Agreement satisfactorily integrates this shift between the three pillars. However, a real positive change in the ACP countries will only be possible through concrete implementation of the principles set out in the new Agreement. Therefore, enterprises must be involved in the definition of actions, since they are active on the ground, facing practical reality, and creating wealth in the ACP countries.
14. All around the world, social and economic progress has been made possible because of economic growth. In order to create conditions for economic growth so as to achieve **improvement of the standards of living in ACP countries**, priority objectives such as health, education, rule of law, good governance, conflict prevention must be progressively directed towards economic objectives.

ACP countries as potentially important markets and trade partners

15. At first sight, ACP countries look to businessmen to be neither a homogenous area nor economically interesting. The African continent, accounting for 1.7% of world trade and less than 2% of foreign investment, is better known for its instability than its economic dynamism.
16. The African states, companies and people made it clear during the Doha conference that they are determined to take advantage of the globalisation process and benefit from increased world trade. Accounting for 38% of WTO membership, ACP countries will secure better effective access to markets while opening their economies after the Doha round.
17. They are consequently potentially important **growing markets and trade partners** of the EU, and EU development policy must **support this development**. Some examples:
 - a. Many EU companies have well developed activities in the ACP countries. Those companies are market leaders as well as **SMEs**, making profits from investments. Competitors from third countries are also developing businesses in the ACP zone, increasingly booking good results, and extending their market share and continent-wide presence.
 - b. Of the 77 ACP countries, 56 are **WTO members**. More will become members, and as a group they will use their weight in the negotiations to secure a better deal. Therefore the EU has to consider ACP countries as important partners and allies in the WTO negotiations. ACP countries should play an important role in the WTO negotiations. UNICE supports **capacity-building actions** financed by the EU in order to upgrade their negotiating ability and technical expertise.
 - c. The ACP countries, which are 77 independent states with strategic natural resources and raw materials, and a population of more than 650 million, represent potential markets for the future. Many of these countries have already embarked on democratisation processes, and economic reforms are producing some results.

- d. Finally, all elements for a **successful shift in development policy** exist: a comprehensive Partnership Agreement tackling the rule of law, good governance, social and economic development, providing for € 25 billion (EDF) over 7 years. Compared with € 10 billion spent yearly on EU external actions, Cotonou represents one third (around € 3 billion) of this whole amount to be spent annually. Being the largest donor, the EU has the means to achieve economic development in the ACP countries, and should be able to promote its views on other development actors.

UNICE actions and proposals in the framework of the Cotonou Agreement

18. UNICE federations' actions before and during the Cotonou negotiations contributed to the conclusion of an Agreement favourable to the creation of the **necessary conditions for private sector development**. UNICE strongly believes that making trade easier is useless without an appropriate enabling environment for private local companies to manufacture goods and offer services using modern technologies and skilled human resources.
19. The new Partnership Agreement is a real basis for establishing **three fundamental elements for private sector development**, but has to become concrete rapidly:

First, it provides for the creation of an adequate discussion **forum** for the EU and ACP states, civil society and specifically for the ACP and EU private sectors to exchange views. Work should be speeded up on the structure and objectives of the **ACP-EU business forum**, which would bring together interested EU and ACP business organisations, as an independent body to address public institutions on private companies' needs and requests, specifically concerning a **straightforward and favourable legal and tax environment, and further regional integration**. UNICE urges that, in conformity with Chapter 2 of the Agreement, **non-state actors**, including the private sector, are consulted and participate in definition of the priority spending areas for financial aid transferred to ACP States.

Second, it paves the way towards the end of dispensation systems that have distorted markets during the last decades, doing more harm than good. The Economic Partnership Agreements (**EPAs**), negotiations on which were launched on 27 September 2002, will have to be fully compatible with WTO rules. The EPAs should contribute to improving regional integration between ACP countries themselves, reducing their trade barriers and creating larger markets with increased potential for attraction of domestic and foreign investment. However, concerning agriculture, UNICE believes that a CAP reform should be envisaged in parallel with the EPA negotiations, as many developing countries in the ACP could expect large potential gains from a CAP reform that improved market access for agriculture products (Everything but arms initiative) alone cannot achieve.

Third, it allows for the start of **specific actions for private sector development** adapted to companies' needs.

- a. UNICE welcomes the new **trade-related technical assistance** funds (€ 30 million) that are being implemented to upgrade ACP countries' expertise and ability to negotiate the Doha Development Agenda, implement existing WTO agreements, as well as achieving fruitful EPAs. The ACP private sector must be associated and considered an essential actor in the EU trade and development strategy. Enterprises are best placed to identify obstacles to trade and solutions to enhance commercial links between ACP states themselves and third countries such as the EU. Only the ACP private sector is able to express companies' interests to national

governments so that States can negotiate international trade agreements satisfying national and regional economies.

- b. UNICE welcomes the start of **ProInvest**, the specific ACP Partnership Programme, set up by the European Commission, for the promotion of investment and technology flows to the ACP countries. It participates in its Investors' Advisory Committee. UNICE, however, regrets that the EuroTech facility has not been accepted by EU Member States. Moreover, UNICE hopes that efficient instruments such as the pilot EU-ACP Business Assistance Scheme (EBAS) will be pursued and fully developed.
 - c. It also welcomes the **Investment Facility**, managed by the EIB, but wishes the money available to be redirected to risky projects rather than operations that commercial banks would finance anyway. In order to remove obstacles to companies, particularly SMEs' activities in the ACP countries, the suggestion to create a "European Warranty Fund" should be developed. This Fund should be able to provide equity for potentially viable projects but which might be unable to attract it from conventional sources. Lastly, it believes that the "global loans" do not adequately meet the needs of EU SMEs for finance. It wishes instead that credit lines are put in place and made directly available to EU-ACP private partnerships.
 - d. **Private-public partnerships:** experience shows, concerning public goods and generally infrastructures, that early and close cooperation between public and private sector is a successful model benefiting the national state and budget and the population.
20. Concerning **the European Development Fund and EU development aid management:**
- a. **A new project culture** is to be developed in the EU in order for the largest world donor to achieve specific goals and visibility of the results. UNICE welcomes the creation of the Europe-Aid Cooperation Office and the current decentralisation process which should allow projects to be designed and implemented according to the needs of actors on the ground. In this light, it calls on the EU to promote streamlined and business-compatible procedures. UNICE also requests that projects targeted at private sector development are left free from any ACP or EU **political intervention**. Just like NGOs implementing social and health projects, private sector actors need **more freedom** to act efficiently towards successful results. The successful operation of an ACP-EU private sector network depends highly on its independence from political actors. UNICE wishes, for instance, that the Centre for the Development of Enterprise is spared from political interference impeding its efficiency, and the ACP states should better understand the role of private sector actors and let it define the appropriate means to develop its advocacy capacity, upon which depends the design and implementation of appropriate projects.
 - b. **Eradicating poverty is not possible without eradicating corruption.** Corruption distorts competition. It is true that good governance (article 96 of the Cotonou Agreement) will have highly positive effects on social and economic development, but development aid must be carefully monitored, especially when aid transferred to states, for instance in the form of budgetary support, represents half or more of the total budget of some ACP states.

- c. **New concepts** must be developed for the development of poor countries. It is a top priority to establish enhanced **cooperation and coordination**, between the different bilateral and multilateral donors and actors. Again, the EU must use its position as the largest donor worldwide to promote its views. Bilateral and multilateral actors and donors such as the EU and EU Member States, the World Bank group, the IMF, the UN must work towards more cooperation. The Monterrey International Conference on Financing for Development (18-22 March 2002) secured a commitment to increase development aid by 0.1% of GDP but did not put in place any **reform of methods**. The risk is high that documents and actions will continue to overlap, and that financial aid transferred to ACP states will remain without sufficient projects to be spent on. UNICE request the setting up of a temporary working group bringing together representatives of all bilateral and multilateral donors and actors to put in place more cooperation and coordination.

Conclusion

UNICE supports the Millennium Development Goals, and deeply believes that integration of ACP countries in the world trading system will foster all ACP countries' development. It also stresses that private sector development is the key and the essential means to achieve these goals, notably through private-public partnerships, mainly for utilities (water supply and treatment, energy, transport and health infrastructures).

UNICE strongly welcomes the Cotonou Partnership Agreement, taking into consideration the private sector as the engine of development, enhancing public-private dialogue and democracy, and creating the wealth necessary to conduct social and education development policies. UNICE calls for full, effective and concrete implementation of the Cotonou Agreement.

UNICE calls for private sector development actions in ACP countries to involve more coordination between donors of development aid as regards strategies and programming. As the largest donor in the world, the EU should cooperate rather than duplicate or compete with other donors, especially the World Bank group, from which the EU can learn a lot. We hope that, through the Cotonou Agreement, which includes political action, the EU will use its financial weight to become more active at political level, to promote its views.

UNICE looks forward to increased cooperation with the European institutions and the ACP governments and business community in view of building a stronger ACP-EU partnership.
