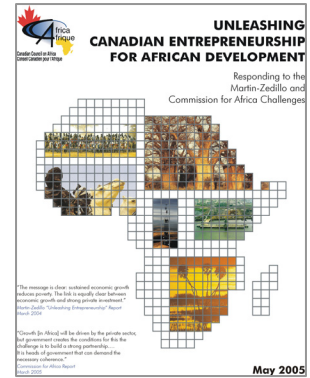


Backgrounder

MAJOR FINDINGS

Canadian commitment to African development can be characterized as:

- ❖ Committed to the global agenda for African development (OECD DAC, G8, NEPAD, Commission for Africa, Martin-Zedillo) to create the conditions essential for sustainable development in sub-Saharan Africa (e.g., debt reduction, governance capacity building, primary education, etc.).
- ❖ Supportive of the need for good governance in nurturing indigenous private sector development and as necessary for attracting foreign direct investment.
- ❖ Handicapped by the lack of an overall government approach to ensure coherence between the Government's stated objectives and the policies and practices of departments and agencies.
- ❖ Limited in respect to Private Sector Development (PSD) in general and particularly in pillars two (affordable financing) and three (business skills) of the Martin-Zedillo Report.
- ❖ Lacking focus on harnessing the potential for Canadian private sector involvement and investment in Africa as compared to other OECD donors.
- ❖ Marginalizing the involvement of Canadian corporations, universities, colleges, business associations, and NGOs (with economic development experience in Africa) in Canadian aid policy-making and implementation, unlike most other donor governments who have coordinated programmes specifically to encourage and include their private sector in African PSD and ODA (Official Development Assistance) delivery.
- ❖ Constrained by the traditional DAC definition of ODA, which encourages donors to shift new resources only to "qualified" ODA, including administration. Traditional ODA does not address the fundamental issues outlined by the Martin-Zedillo report (e.g., increased Foreign Direct Investment is directly linked to economic growth, but is not considered ODA; PSD activity, such as know-how and skill transfers between Canadian and African organizations, is difficult to support as ODA). Other G8 and OECD donors use innovative incentives to unleash G8 entrepreneurship in Africa that may or may not qualify as ODA.



Synopsis of the Canadian private sector involvement situation today:

- ❖ Canadian success in winning international ODA or privately funded contracts in Africa is often dependent on the level of experience acquired in the first instance on CIDA managed contracts.
- ❖ Canadian private sector can make an important contribution to African PSD.
- ❖ There is recognition at the political level in Canada of the importance of Canadian private sector involvement in African PSD: "Canada will do more to enable developing countries, particularly African countries, to build their private sectors, make markets work for the poor, and to compete globally. The Government will also encourage additional incentives for Canadian firms to do business in Africa in a way that better considers each community's social and economic development issues." (Budget 2005, page 215).

The Epiphany of African Private Sector Development:

- ❖ PSD is widely recognized as fundamental to African development in general although this is a recent policy phenomenon in most OECD countries and in international forums (NEPAD, Global Coalition for Africa, Martin-Zedillo, Commission for Africa, etc.).
- ❖ Without a strong and efficient partnership between all Canadian actors (government, financial institutions, private sector, NGOs), Canada's contribution to African PSD will be limited.
- ❖ This review clearly demonstrates that there are a number of policies and practices that have been developed and implemented by other G8 and OECD donors that enhance national private sector participation in Africa, which Canada could emulate.
- ❖ In some G8 and OECD countries, organizations dedicated to the promotion of increased trade and investment between Africa and their national private sector are strongly supported by their government as a policy and implementation partner.

RECOMMENDATIONS

To ensure a whole government approach, it is recommended that:

1. Linking Canadian public and private sector interests in Africa be recognized as a substantial element of Canadian foreign policy.
2. Africa be recognized as an important Canadian foreign policy challenge.
3. The Government of Canada develop a comprehensive and coherent Africa policy that ensures the participation and cooperation of all interested federal departments and their private sector partners, including corporations, cooperatives, universities, colleges, business associations, and NGOs involved in economic development work in Africa (e.g., Denmark has recently developed a comprehensive Africa policy).

To build a strong partnership between government and private sector, it is recommended that:

4. The Government of Canada charge the Canadian Council on Africa with leading the coordination of an inclusive private sector advisory group to assist the government in the development and ongoing implementation of an Africa policy, which complements interdepartmental coordination.
5. Canada's Africa Policy recognize that private sector development is the critical foundation for the continent to achieve sustainable poverty reduction and reach the Millennium Development Goals by 2015.
6. The Government of Canada and its agencies and departments promote and ensure the participation of Canadian partners in the implementation of its Africa policy.

To harness Canadian know-how and capabilities, it is recommended that:

7. The Government of Canada, in an effort to create a level playing field for Canadian development partners, allocate a part of its growing ODA budget for Africa towards emulating European Union (EuropeAid) practices that encourage the participation of and partnership between EU private sector and recipient country organizations in program delivery.
8. The Government of Canada align its presence across Africa to improve monitoring of ODA budgetary transfers and expenditures, to gather market intelligence on ODA discretionary spending and Multilateral Development Bank projects early in the procurement cycle, and to promote actively Canadian interests, expertise and technology transfer.
9. The Government of Canada push for a review of the DAC definition of ODA so that increased resources can be directed towards promoting FDI as an agent of PSD and other innovative approaches that support national involvement in achieving the goals of the Martin-Zedillo Report, NEPAD, the Commission for Africa and the MDGs.
10. CIDA maintain an appropriate balance between bilateral and partnership programmes it administers directly and development it provides through multilateral channels and direct budget support.
11. A centralized system be developed to ensure user friendly access to: a) bidding information for Canadians in respect of about all ODA and Multilateral Development Bank funded projects (e.g., publication of tenders, downloading of bidding documents, market intelligence and project pipeline information); b) partnership opportunities with ODA programs that enhance Canadian investors' CSR initiatives of in Africa.
12. An Africa-specific programme be developed (with objectives similar to the former Canadian "Programme for Export Market Development" (PEMD) and similar programmes used by other countries) to assist Canadian SMEs in investigating and developing African commercial and aid-related opportunities and in finding local partners.
13. A responsive Public-Private Partnership (PPP) programme linking CIDA, EDC, CCC and other agencies be developed to stimulate Canadian involvement in the provision of critical infrastructure across Africa in response to the Commission for Africa and NEPAD infrastructure priorities.
14. Specific provisions for business with Africa be developed by EDC to support Canada-Africa commercial linkages, emulating similar programmes in other OECD donor countries.
15. Canadian ODA be used to enhance Corporate Social Responsibility (CSR) projects that complement Canadian investments in Africa and build expeditious, efficient and effective partnerships between CIDA and Canadian Investors.
16. The Canada Corps ensure its scope of activity includes working with Canadian investors on CSR initiatives in Africa.
17. The Government of Canada build on the launch of the Canadian Investment Fund for Africa by creating incentives (e.g., guarantees, tax-based incentives) for the private sector, including institutional investors and individuals, to invest in Africa directly or via privately managed funds or financial institutions.