BRIEFING PAPER
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Keeping Poverty Eradication and Human Rights at the Heart of Ireland's Changing Relationship with Africa

Introduction: The 'Private Sector for Development' debate

The increasing role of private, profit-making entities is currently one of the most hotly debated issues in international development cooperation. In recent years there has been a surge in references to "promoting the role of", "engaging" or "partnering" with the private sector for development. Commitments made at the Busan High Level Forum on Aid Effectiveness, by the G8, in the EU's Agenda for Change and more recent EU communications such as "*A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries*," and also a number of individual donor country strategies, all reflect this trend. They range from involving the private sector in designing and implementing development policy, to "leveraging" private sector activity and finance, and improving the environment for businesses in developing countries.

This trend is inscribed in a wider context where financial resources for publicly funded official development assistance (ODA) are shrinking, development cooperation is evolving beyond the traditional "aid" concept, and the number of entities that are considered key players in development are growing. As the Finance for Development (FFD) and the Sustainable Development Goals (SDGs) conferences approach, and questions of implementation become more pressing, the role of the private sector in development will continue to be one of the top issues on the political agenda.[1]

When adequately regulated, the private sector can be a force for good. The private sector can play a key role in helping develop innovative solutions to development challenges and supporting societies to transition towards sustainable development, poverty eradication and respect for human rights. In particular, small and informal businesses make up a significant part of the private sector and are a source of income and employment for millions of poor people.

At the same time, however, this new trend raises significant new issues for those concerned with global justice, particularly given the poor track record of many private sector entities on issues of human rights and environmental issues in the developing world. Is it a case of poacher turned gamekeeper? Where will accountability lie for the delivery of the future SDGs – who will finance the goals and decide on priorities? Will key decisions be made in unelected boards of private companies or in democratic institutions? Where does the delivery of human rights fit within the drive to make profit for shareholders? Is this trend simply a way for donors to renege on commitments to international public finance rather than producing real benefits to those in poverty?

While the focus on "private sector development" is not necessarily new, the increased focus from donors on engaging the "private sector for development" is more recent. The more traditional policy area of "private sector development" purportedly focused on helping governments (in developing countries) to design and implement policies to encourage economic transformation through investment, productivity growth, business expansion and employment, therefore focusing more on the domestic economy. It is akin to the work done in Ireland by Enterprise Ireland. The second, more novel form of 'private sector for development', relates to engaging with international business activities and finance to achieve specific donor sponsored development cooperation objectives, often with the support of public ODA.[2]

1 Eurodad, CSO Partnership for Development Effectiveness and TUDN-RSCD, "Business Accountability for Development: Mapping business liability mechanisms and donor engagement with private sector in development." April 2015

2 Byiers, B., and A. Rosengren. 2012. *Common or conflicting interests? Reflections on the Private Sector (for) Development Agenda, (ECDPM Discussion Paper 131)*

This trend towards private sector for development goes hand in hand with another policy shift towards donors expecting that their ODA should benefit economic interests in their own country. In other words, a return of different types of tied aid, which dogged the development community through the Cold War. Evidence of this is seen perhaps most blatantly in Australia and the UK, but also in the Netherlands and Norway. A Eurodad report from April 2015 provides an indication of the extent of these trends in its analysis of 23 donor policies which found that 19 of the 23 have a strong focus on the private sector as a target of development activities, and that 9 of the 23 donors' policies contained explicit references to the promotion of national business interests abroad and facilitating their trade and investments in developing countries.[3]

Eurodad tracks a rise in ODA flows to the private sector by as much as sevenfold in Sweden and fourfold in Belgium. Eurodad also finds that the majority of aid flows through the private sector in the form of procurement contracts for goods and services, and that the vast majority of this goes to rich country firms.[4] There have been concerns that such trends will be increasingly mirrored in future ODA flows, with the potential for diversion of public funding to private sector initiatives in developing countries, which brings about serious concerns in terms of accountability, transparency, ownership, and most critically, development outcomes.[5]

This newer type of 'private sector for development' approach is based on a perceived 'win-win' scenario – both donor and the intended beneficiaries in developing country will benefit from increased trade and investment. However, as the UK Independent Commission for Aid Effectiveness (ICAI) has pointed out regarding the UK Department for International Development (DFID) approach: '*the private sector and markets are predicated on the idea of competition, which presupposes that there will sometimes be losers…A focus on private sector development may, from time to time, result in certain groups of the poor being worse off as a result of its interventions.*'[6] ICAI has also cautioned *"DFID needs to recognise that the private sector is not a developmental panacea. References to "the miracles" that companies are able to perform risks underplaying the role that donors like DFID and country governments have in ensuring that economic development provides benefits to the poorest in society."*

In light of these debates, Trócaire commissioned independent background research to examine these international trends towards a greater focus on "private sector for development" and to further explore to what extent Ireland is following these trends in its engagement in development and trade promotion, particularly in relation to its relationship with Africa. (See *Where Aid Meets Trade: Ireland's role in the changing development landscape in Africa*, May 2015 report by Hannah Grene.) Some key findings from this research are presented below, along with proposals around how Ireland might frame future trade promotion and engagement with the private sector in order to maximise the impact on reducing poverty and injustice.

Key Findings:

Analyses of current trade promotion and donor supported private sector development initiatives demonstrates that a true 'win-win' scenario where both donor and developing country will benefit from increased trade promotion and investment is difficult to achieve, and needs to be carefully managed.

Most large-scale donor initiatives focus on facilitating Africa's trade with the rest of the world; however, unless more support is given for manufacturing and value-added in African countries, "aid-for-trade" is more likely to facilitate a landing strip for expensive imports from the rest of the world, than a launching pad for African goods and services. If aid for trade is to benefit those living in poverty, a better starting point would be a focus on regional and local markets in the first instance.[7]

3 Eurodad, CSO Partnership for Development Effectiveness and TUDN-RSCD, "Business Accountability for Development: Mapping business liability mechanisms and donor engagement with private sector in development." April 2015

4 Jeroen Kwakkenbos, 'Private profit or public good? Can investing in private companies deliver for the poor?' Eurodad, 2012.

5 Eurodad, CSO Partnership for Development Effectiveness and TUDN-RSCD, "Business Accountability for Development: Mapping business liability mechanisms and donor engagement with private sector in development." April 2015

6 Independent Commission for Aid Impact Report on "DFIDs private sector development work" May 2014 at http://icai.independent.gov.uk/wp-content/uploads/2014/05/ICAI-PSD-report-FINAL.pdf

7 Adam Sneyd, Lauren Sneyd, 'Food security is about more than land grabs' 24 April 2014, http://thinkafricapress.com/agriculture/emerging-economies-occupying-african-food-systems

An overriding focus on export strategies must not be at the expense of food security and land tenure of vulnerable groups, and particularly women, who despite producing 90% of the African continent's agricultural produce, are frequently denied land title and decision making power. One example of an initiative which partners with the private sector which requires significant land reform is the G8 New Alliance for Food Security and Nutrition in Africa. Many civil society organisations, including Trócaire, have concerns that the approach it adopts risks serving primarily as a vehicle for market access by multinational companies, paving the way for them to extend their reach into African markets and exert control over African resources.[8] Despite its title which focuses on food security, the New Alliance Initiative promotes export of agricultural goods: tobacco, coffee, cocoa, and biofuels, rather than nutritious foods which could be consumed locally.[9]

> **The OECD has found that "Ireland continues to excel in delivering effective aid" and "Ireland punches above its weight on global development issues."**
>
> DAC Peer review, December 2014

For the most part, Ireland has resisted the trend towards self-interested development policy and, as evidenced by the recent OECD DAC peer review, Ireland's aid programme is widely regarded as second to none. However, given the increased emphasis placed on promoting Ireland's economic interests in developing markets, and particularly Africa, robust mechanisms for policy coherence for development and for the prevention of potential human rights abuses by private companies are urgently needed.

Shifting Priorities in the Ireland-Africa Relationship

Following the financial crisis an increased emphasis has been placed on promoting Ireland's economic interests in the rest of the world, including in Africa. Recent years have seen the Department of Foreign Affairs take on new responsibility for trade promotion, with Irish embassies across Africa given a strengthened mandate to promote Irish trade and investment.

The development of an *Africa Strategy* for Ireland addresses development partnerships, political objectives and strengthening trade and investment. Since 2011 an annual Africa Ireland Economic Forum has been hosted in Dublin to provide a networking opportunity for Irish business and African delegates to "identify areas for mutually beneficial trade and investment." Enterprise Ireland opened offices first in South Africa and then in Nigeria, and in 2014, the (re) opening of an Irish embassy in Nairobi, Kenya was announced, with the stated intention of helping *'to accelerate the planned transition from 'aid to trade' in Africa'*.[10]

> **"It is probably in the economic sphere where the most scope exists for increasing and shaping the interaction between Ireland and Africa in the longer term."**
>
> Africa Strategy, September 2011

Greater prominence to trade and inclusive economic growth is also evident in Ireland's policy for international development *One World, One Future,* which also contains an important commitment to *"strive to ensure that economic development, including engagement by Irish companies, is compatible with our commitment to human rights*." There is a pledge to untied aid within the *One World One Future* Policy but also "*at the same time explore synergies between our aid programme and sectors where Irish companies have particular expertise or comparative advantage*."

8 See, for example, World Development Movement, Carving up the continent: How the UK government is facilitating the corporate takeover of African food systems, April 2014; Oxfam Briefing Note, 'For whose Benefit: the New Alliance in Burkina Faso' May 2014; Grain, The G8 and land grabs in Africa, March 2013 and Wolfgang Obenland, Corporate Influence through the G8 New Alliance for Food Security and Nutrition in Africa, Misreor/Global Policy Forum/Brot fur die Welt, August 2014. CIDSE, Whose Alliance? The G8 and the Emergence of a Global Corporate Regime for Agriculture, May 2013.

9 Ibid

10 Department of Foreign Affairs and Trade press release, 21 January 2014

The January 2015 statement of Irish foreign policy, *The Global Island* expands on these themes in the "Our Prosperity" section which focuses on economic growth, investment, trade and exports, particularly agri-food exports and also notes the importance of "*capturing opportunities in dynamic, rapidly growing economies in Asia, Latin America and Africa.*"[11] Notably, this section does not refer to the strong focus on overcoming poverty and inequality and advancing human rights evidenced elsewhere in the policy, particularly in the "Our Values" section.

Following on from the Africa Strategy, responsibility for development, politics and trade in Africa are all located within Irish Aid. This could potentially be a positive development, but it raises questions as to how, when competing interests in aid and commercial interests arise, will they be dealt with? Robust measures to address policy coherence and human rights become even more critically important in this context. The cross-departmental committee on human rights recently established by *The Global Island* will have a key role to play in this respect.

Irish business presence and trading relationships with Africa

Reliable information on Ireland's business presence in Africa was difficult to obtain. Currently, it is estimated that Ireland's business presence in Africa is relatively small– particularly in terms of foreign direct investment which represents just a quarter of 1 per cent (0.25%) of Ireland's total direct investments overseas.[12] Ireland's current trade with Africa is significantly imbalanced in favour of Irish exports by a ratio of just over 2 to 1 (with a total of €3.2 billion exports in 2013, representing 1.5% of Ireland's total exports of goods, and 2.1% of Ireland's total trade in services, whereas imports to Ireland of African goods and services was less than half of that, at €1.25 billion).[13] Despite this low base, as outlined previously, there is a clear increase in official efforts to promote Irish trade and direct investment in Africa.

Business and Human Rights

Ireland's excellent reputation in promoting human rights internationally has not always been well integrated with economic diplomacy. One example is the need to do more to fulfil Ireland's commitment in *One World One Future* to promote a culture of zero tolerance for corruption, particularly in terms of its current engagement of Irish private sector currently investing or considering investing in less developed economies with weaker regulatory frameworks, where risks of human rights abuses occurring are higher. This is evidenced to some extent by an OECD working group against bribery report which raised serious concerns about Ireland's failure to prosecute a single case, even though it has jurisdiction over foreign bribery offences committed abroad by Irish companies.

To ensure long term responsible investment of Irish businesses in Africa the Irish Government must mitigate against the risk that Irish companies become complicit in human rights violations by ensuring companies adhere to the highest possible standards of behaviour overseas, and rather than assuming this is the case, making it mandatory via Human Rights Due Diligence requirements. For example, risk of gross human rights violations against women are particularly heightened in conflict affected areas. As such it is concerning that employees of Irish companies are incentivised via the Foreign Earnings Deduction to operate in the Democratic Republic of Congo, without any accompanying provisions for Human Rights Due Diligence.[14]

In the context of a drive for higher levels of Irish investment in Africa, Ireland's commitment to develop a National Action Plan to implement the UN Guiding Principles on Business and Human Rights is very welcome. Trócaire has also developed a separate detailed briefing paper with recommendations on this.[15]

Irish Aid's private sector for development initiatives

At present, Ireland is bucking the international trend which has seen donors use their ODA to focus on creating an enabling environment for business and connecting private sector actors to global markets. A major concern with such interventions is the extent to which countries in the Global North are really those with the most to gain, in programmes which facilitate greater links with Africa via "aid for trade" or "making markets

11 See *The Global Island* at https://www.dfa.ie/media/dfa/alldfawebsitemedia/ourrolesandpolicies/ourwork/global-island/the-global-island-irelands-foreign-policy.pdf

12 Foreign Direct Investment 2013, Central Statistics office release, 12 February 2015.

13 CSO data on merchandise exports and import to Africa, provided by request to the author, 18 January 2014; compared with CSO statistics on overall external trade for 2013.

14 See http://budget.gov.ie/Budgets/2015/Documents/FED_Report_Oct14_final.pdf

15 See Trocaire, "Developing a Comprehensive Irish National Action Plan for Implementing the UN Guiding Principles on Business and Human Rights" October 2014 at http://www.trocaire.org/sites/trocaire/files/resources/policy/trocaire-position-paper-irish-national-action-plan-ungps-bhr.pdf work" initiatives.[16] In keeping with their pro-poor emphasis, Irish Aid displays a strong focus on the micro-level, investing in business and people and supporting sustainable livelihoods.

Irish Aid's bilateral spend on private sector and economic development is relatively small, totalling €5.5 million in 2013. Public-private partnerships accounted for €8 million, representing 2% of Irish Aid's bilateral budget. However, Irish Aid has been involved in another notable trend in private sector for development: leveraging or blending of private sector finance to achieve development goals, via its funding of €5.2million over 4 years until the end of 2013, to the Private Infrastructure Development Group, a group of 6 bilateral donors together with the International Finance Corporation which aims to mobilise private sector investment in developing countries and selling them on to private investors.[17] Ireland has also become more active in exploring business opportunities from these types of funds, for example the Department of Foreign Affairs and Trade commissioned a market assessment *Winning Business in Africa - Building a Cluster for Infrastructure* which identified a €12billion project pipeline -including grants, tenders, loans as well as general procurement notices from the EU, the European Investment Bank, the World Bank, and the African Development Bank.

Traidlinks in Uganda[18], funded by Irish Aid was initially set up to promote business links between Irish and Ugandan businesses, but changed its business model on the basis of key learnings that it had greater development impact by employing an approach of mentoring Ugandan business and focusing on regional export promotion, rather than solely focusing on building links between Irish and Ugandan companies.

The Africa Agri-Food Development Fund (AADF) co-funded by the Department of Foreign Affairs and Department of Agriculture is an example of a newer approach seeking to engage Irish businesses in overseas development cooperation. It aims to develop partnerships between the Irish agri-food industry, with grants to projects in Ethiopia, Zambia and Uganda.

Overall, Ireland has not wavered in its commitment to untied aid and its focus on empowering the poorest, however the few smaller scale private sector development initiatives that have sought to engage the Irish private sector have been less successful to date. Any future efforts involving the Irish private sector in publicly funded initiatives will require clear eligibility criteria, and indicators to assess development outcomes.

Ireland has a long established, well respected and important role to play in Africa as an 'honest broker' in politics and development. In the context of significant trends towards private sector for development, Ireland should frame future trade promotion and engagement with the private sector in order to maximise the impact on reducing poverty and injustice.

Recommendations

1. **Ireland should continue to uphold its commitment to 100% untied aid, and to the principle that the objective of development aid is to fight poverty in the poorest countries, not to benefit Ireland.** Ireland's overseas aid programme is widely recognised as one of the best in the world. Ireland is seen as a trusted partner at country level, and as playing the role of an 'honest broker' and development advocate at international level. Ireland should therefore play a leading role in challenging the view increasingly taken by donors that development aid should produce economic returns for the donor country.

2. **Irish Aid should continue to prioritise micro-level initiatives in private sector development, such as ensuring sustainable livelihoods.** Irish Aid has a strong track record in supporting small-scale livelihoods initiatives in Africa, and this should continue to be the primary focus. Where relevant, this should be enhanced by **initiatives promoting value-added African businesses, such as through Proudly Made in Africa.**[19] To a large extent, increased trade with the rest of the world is not contributing to poverty reduction in Africa because goods are exported as raw materials, with minimal local job creation, and manufactured goods must be expensively imported.

3. **'Aid for trade' initiatives supported by Irish Aid should focus on access to local and regional markets in the first instance.** The majority of private sector development initiatives seek to connect African businesses to international markets. Many emerging businesses, however, will

16 Bruce Byiers and Anna Rosengren,' Common or Conflicting Interests? Reflections on the private sector (for) development agenda', ECDPM discussion paper no 131, July 2012.
17 For more information about the Private Investment Development Group see http://www.pidg.org/resource-library/other-documents/pidg-an-approach-supporting-psp-in-infra-2008.pdf/at_download/file.
18 See http://traidlinks.ie/
19 See http://www.proudlymadeinafrica.org/

not immediately be able to access these markets on favourable terms. The experience of Irish Aid supported organisation Traidlinks demonstrates that a focus on regional markets is more realistic and rewarding in many cases than a sole or principal focus on connecting African companies to international markets.

4. **Where government trade promotion activities are focused on trade between Ireland and Africa, this should promote two-way trade, rather than a predominant focus on Irish exports.** Currently there is an imbalance in favour of Ireland in Ireland-Africa trade, and this is particularly skewed in Irish Aid key partner countries by a ratio of 43:1.[20] Trade promotion activities, within the Department of Foreign Affairs should also focus strongly, therefore, on promoting and encouraging imports from Africa to Ireland.

5. **Ireland should carefully examine the implications of a stronger focus on trade in Africa, particularly in agriculture, and put in place adequate measures to address issues of policy coherence in this area.** Despite its strongly favourable assessment of Ireland's development policy generally, the latest OECD DAC report notes that Ireland does not have clear procedures for managing trade-offs between competing policy priorities, and recommends that: '*Ireland should have a clear cross-government plan of action on a few policy issues of strategic priority which it can influence.*'[21] Trade, particularly in agricultural products in Africa, should be one of these priority policy issues.

6. **Irish Aid should clearly define what it means by inclusive growth, and what measures it will put in place to ensure that growth strategies are truly inclusive.** Trócaire's sister agency in the UK, CAFOD, have suggested the following key ingredients for an inclusive growth strategy: investment in human capital; job creation; structural transformation and broad-based growth; progressive tax policies; social protection; non-discrimination, social inclusion and participation and strong institutions. In particular, growth strategies should consider how they can address structural barriers to women's economic empowerment.[22]

7. **The Irish Government should make clear the level of human rights due diligence which they expect of Irish companies operating in Africa, particularly in Irish Aid partner countries.** Ireland's commitment to producing a National Action Plan on Business and Human Rights in 2015 is a positive first step, and Trócaire have provided a detailed policy position paper to feed into this process.[23] Despite the welcome announcement of an inter-department committee on human rights, however, there is little mention of how human rights concerns will be addressed with regard to economic engagement overseas in the *Global Island* foreign policy statement, released in January 2015.

8. **Irish businesses should be fully engaged in discussions around human rights and corruption in Africa, and how to avoid such concerns.** The particular human rights issues pertaining to Irish companies engaging in Africa cannot be ignored or side-lined, particularly in state sponsored initiatives to encourage trade. Spaces need to be found to enable businesses to engage frankly and robustly with human rights concerns and to provide support to Irish businesses in tackling any problems that may arise.

9. **Ireland should take a leading role in ensuring that poverty reduction and human rights based approaches to development are central to the work of the multinational financial institutions in which it participates.** While the main focus of this report has been on the Irish Government's direct responsibility with regard to shaping the engagement of Irish business in Africa, it is important to remember that much of Ireland's development engagement is carried out in multilateral fora, and our trade policy is very much determined within the EU. We welcome Ireland's commitment in the Framework for Action on One World, One Future, to a '*strong poverty reduction focus*'[24] in its aid-for-trade initiatives and input into international trade policy negotiations. Ireland '*punches above its weight on global development issues*', according to the latest OECD DAC Peer Review, and as such, can be a credible advocate for better designed poverty reduction strategies at the global and EU level.

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20 Conall O'Caoimh from Value Added in Africa before the Joint Oireachtas Committee on Foreign Affairs and Trade, 29 May 2013, transcript available at: http://oireachtasdebates.oireachtas.ie/Debates%20Authoring/DebatesWebPack.nsf/committeetakes/FOJ2013052900004?opendocument

21 See OECD Development Cooperation Peer Reviews Ireland 2014 at http://www.oecd.org/dac/peer-reviews/Ireland%202014%20full%20report.pdf

22 See CAFOD "What is inclusive growth?" August 2014 http://www.cafod.org.uk/content/download/17223/133621/file/Inclusive%20Growth%20full%20paper.pdf.

23 See Trocaire "Developing a Comprehensive Irish National Action Plan for Implementing the UN Guiding Principles on Business and Human Rights" October 2014 at http://www.trocaire.org/sites/trocaire/files/resources/policy/trocaire-position-paper-irish-national-action-plan-ungps-bhr.pdf

24 One World, One Future Framework for Action, p7 at https://www.irishaid.ie/news-publications/publications/publicationsarchive/2014/september/framework-for-action/