Business Partnerships

Guideline

An Instrument of Austrian Development Cooperation

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AUSTRIAN DEVELOPMENT AGENCY

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1. Background

To implement the third pillar of its Private Sector and Development policy area, Austrian Development Cooperation (ADC) has launched a Business Partnership programme for enterprises in Austria and the European Economic Area wishing to engage in Southern and Eastern development and transition countries in an economically and socially responsible manner. This Guideline deals with the concrete formulation of this aid programme.

Austrian Development Cooperation supports countries in Africa, Asia, Central America, South Eastern Europe as well as South Caucasus in their sustainable social, economic and democratic development. While the Federal Ministry for Europe, Integration and Foreign Affairs (FMEIA) plans strategies and programmes, the Austrian Development Agency (ADA) - the operating unit of Austrian Development Cooperation - implements these strategies and programmes in collaboration with public institutions, non-governmental organisations and business enterprises. Austria's development cooperation programmes and projects contribute to the reduction of poverty, peace building and conservation of natural resources. Water and energy supply are the prerequisites of progress. Education opens up new perspectives. Building democratic structures leads to stability. All programmes and projects take particular account of gender equality and the needs of children and persons with disabilities.

When ADA was established in 2004, the new policy area of Private Sector and Development was added to Austria's development cooperation activities: Sustainable reduction of poverty requires an efficient private sector that stimulates economic "pro-poor" growth. Private investment generates jobs, know-how and chances to generate income. A healthy private sector ensures tax income and enables the delivery of public services as well as an efficient social system. A number of policy papers such as the recent Accra Agenda for Action, or the Doha Declaration on Financing for Development, have paid recognition to the private sector as a partner of development.

The following three pillars allow benefiting from synergies between the private sector and development cooperation:

- Improvement of enabling conditions for the private sector's engagement in Southern and Eastern countries: The point is to shape the economic, social and institutional environment in which private entrepreneurship takes place. The programmes and projects focus on interventions safeguarding the rule of law, on fair rules to improve competitiveness and on trade relations as well as measures to create infrastructures.

- Direct support to the private sector in Southern and Eastern countries: A number of instruments are envisaged to strengthen the market position of local enterprises, to improve their information base and facilitate their access to funding.

- Increased involvement of the Austrian private sector: Successful business relations between industrialised countries and development or transition countries contribute significantly to sustained improvement of local living conditions. In accordance with the Austrian development cooperation act (EZA-G), support must be provided to sustainable, social and environmentally sound development in development and transition countries by making best use of Austria's business potential.

This Guideline uses the term "European enterprises" to mean businesses in the European Economic Area (EEA) and Switzerland.

2. Aims of the Business Partnership Programme

The Business Partnership Programme supports Southern and Eastern countries' socio-economic development through close collaboration with the Austrian or European private sector. The Programme supports projects submitted by enterprises which are simultaneously committed to

- developmental benefit for the beneficiary country's common welfare as well as
- entrepreneurial benefit.

The developmental agenda of the Business Partnership Programme is as follows:

- Added developmental value, e.g. improvement of the living situation of major sectors of the population; public institutions are strengthened; new technology introduced and knowledge transferred
- Mobilisation of additional private funds for measures of relevance to development
- Optimised developmental effects of private business relations and investments
- Strengthened competitiveness, consequently opportunities, of small and medium-sized local enterprises to participate in the global market.

The entrepreneurial agenda of the Business Partnership Programme is reflected in the following:

- European companies' business success assured in the long term
- Investment risk in Southern and Eastern countries minimised
- Parameters for local business engagement improved.

3. Which types of project are eligible for funding?

The following substantive criteria are relevant for project funding:

Developmental impact

The project must generate a distinct benefit in development terms. It must be consistent with the country's development goals and meet its qualitative criteria.

It is crucial that the impact of the project contributes verifiably to addressing a major problem faced by the beneficiary group; including effects such as the creation of additional and/or higher-quality employment and income opportunities, improved working conditions or better living circumstances. Effects of relevance to development may manifest themselves in a number of different ways as follows:

Where European enterprises engage in direct partnerships with local business, the local private sector is strengthened – especially as small and medium-sized enterprises are given access to national, regional and international markets. This may involve the development of supply chains, qualification measures, transfer of technology and know-how, joint marketing measures, optimised production processes or introducing quality, labour and social standards. Businesses might cooperate as joint ventures, outsource activities or enter into supply contracts, management contracts or franchising agreements.

In other cases, business partnerships focus on cooperation with the country's social welfare actors; in these cases, the investing enterprise from the EEA or Switzerland contributes to the delivery of services that are actually public by nature. This may include training and refresher programmes for professionals through generally accessible institutions; transfer of knowledge to public decision-makers or multipliers; strengthening the communities or creating advocacy groups; voluntary measures to protect natural resources and the environment; contributing to the health system and local infrastructures or introducing social standards.

Entrepreneurial benefit

Enterprises must convincingly demonstrate the cost effectiveness of projects. The economic benefit of the project may be of direct operational advantage or long-term strategic value. Increased competitiveness or better business prospects for the company – a rise in production, for example -, access to new supplier and consumer markets or added profitability might be points in case.

Fair benefit-sharing

European and local partners should share the benefit or income generated from the project in a fair proportion.

Sustainability

Entrepreneurial benefits and developmental effects are sustained beyond the formal termination of the supported project.

Additionality

The project must add value that would not have been created without project assistance. When evaluating projects, it must be assured that activities which the eligible enterprise would have undertaken anyway / effects that would have taken place anyway are not supported / achieved. Likewise, assistance is not granted to activities whose sole purpose is to meet legal obligations.

Eligibility for official development assistance

The project must be implemented in a recipient country of public development assistance (according to OECD: official development assistance, ODA). The current list of eligible countries is available on the website www.oecd.org/dac/stats/daclist.htm. Preference is given to projects in priority countries of Austrian development cooperation. Projects in other countries are approved depending on available budgetary resources or due to particular developmental qualities of the project. The country restrictions imposed by the FMEIA are relevant for granting assistance.

Neutrality

Unfair competition vis-à-vis companies not participating in the project – such as obstacles to entry or exit, monopolies or cartels - must be avoided wherever possible.

Exclusion list

The project must not, either directly or indirectly, support the production or proliferation of weapons or other munitions. Projects aiming at the production or trading in dangerous goods or environmentally harmful substances are also excluded.

4. Who is eligible for funding?

Applicants

Those eligible to apply for funding are exclusively

- enterprises,
- voluntary associations and non-profit foundations, under the proviso that development cooperation forms part of their statutory purposes and actual business activity, as well as
- chambers, under the proviso that they engage in development cooperation in the meaning of section 2 par. 3 of the Austrian development cooperation act (EZA Act),

- with headquarters in the European Economic Area (i.e. EU, Norway, Liechtenstein or Iceland) or Switzerland, if they contribute adequate resources of their own (see below).

- Consortia: If at least one partner meets the above requirements, additional partners are entitled to participate in the project financially or with contributions of other monetary value - as a rule, as a formal consortium. For calculation of the funding amount, the contributions made by these partners are also considered own contributions (according to item 5).

In the following, the above eligible entities are referred to as applicants.

Project funding is based on the applicant's creditworthiness and the commercial consistency of the project-related business plan. ADA verifies the applicant's financial standing and the business plan if required.

Other actors

The project is also available to local institutions – government agencies, non-government organisations, scientific institutes or companies other than consortia –, which may also contribute non-monetary resources; however, these contributions are not recognised as own contributions (according to item 5).

5. Requirements on applicants

To receive funding, applicants must meet the following requirements:

Substantial own contributions

Own contributions may take the form of cash, payments in kind or services, such as technical expertise, business know-how, technology and/or capital and must amount to at least 50 percent of the project cost. For consortia, eligible own contributions should be provided by both the applicant and other partners.

Long-term commitment

The applicant must engage in a long-term commitment in a development country or transition country, for example by taking an investor role. It must be ensured that the business commitment continues in an economically sustainable manner beyond the project term. Therefore all projects involving non-recurring exportation of goods and services from the

European Economic Area not based on any other local activity of the enterprise are excluded.

Responsibility for implementing the project

Based on the funding agreement, the applicant assumes responsibility for the entire project, even though subcontracting is permitted for certain tranches of the project. ADA's funding contributes to the costs of the business partnership.

Consortium members are jointly and severally liable for the performance of the funding contract.

Compliance with legal provisions and conventions

The applicant undertakes to comply with the beneficiary country's legal system and abides by internationally recognised reference texts, in particular:

- ILO's Tripartite Declaration concerning multinational enterprises and social policy
- OECD's guidelines for multinational enterprises
- The ten principles of the UN Global Compact.

The focus is on respect for international standards concerning human rights, in particular the right to organise and bargain collectively, fair pay and working conditions for all, prohibiting forced labour and child labour, as well as job discrimination on the grounds of race, colour, sex, religion, social class, political opinions, or personal preferences.

6. How to obtain funding

In principle, the initiative to engage in a business partnership is taken by the applicant, who submits a draft project to ADA. ADA's business partnership office provides advice to the applicant throughout the application process, ranging from the project brief to the elaboration of the complete grant application.

If in a particular country or sector ADA identifies significant potential for participation of the European private sector, ADA might organise an additional public tender, i.e. a call for proposals, or other events, to mobilise companies for a joint commitment. If companies from Southern and Eastern countries demonstrate an interest in business relations with Austrian partners, ADA – abiding by relevant rules of transparency – may inform selective Austrian partners that are eligible because they belong to the same sector, or because of other qualifications, of the possibilities of developing a project and applying for funding.

7. Funding options

Under the programme, ADA supports classical business partnerships as well as feasibility studies and strategic alliances.

Business partnerships

ADA supports business partnerships in the form of non-repayable grants amounting to no more than 50 percent of the project cost, up to euro 200,000.-. Total private and public contributions should add up to no less than euro 100,000.-. The maxim duration of the project is three years.

Feasibility studies

To specify the economic feasibility and developmental relevance of a business partnership, ADA provides assistance in the form of non-repayable grants to finance a maximum 50 percent of the costs of a feasibility study up to euro 20,000.-. The main purpose of such study is the concrete formulation of a business partnership (for potential future funding) or to analyse the prerequisites for its implementation. Thus the object of the study must be closely related to the planned business partnership.

Strategic alliances

Moreover, ADA supports strategic alliances, which are generally business partnerships of a larger scale, with a maximum 50 percent of the total cost, up to euro 500,000.-. In addition to the general criteria for business partnerships set out under items 2 to 5, strategic alliances must meet at least four of the following criteria:

- Supra-regional dimension: The project comprises at least two Southern or Eastern countries.
- Financial volume: The project volume including all contributions amounts to no less than euro 750,000.-.
- Extraordinary structural effects: The project's contribution is above average, for example to institutional capacity-building, to connecting local and international partners, or to creating or embedding (legal) norms and standards.
- Maximum inclusiveness: In proportion to the target group or region, the project reaches an exceptionally large number of people or results in special multiplier effects.
- Participation of public stakeholders and civil society: In addition to local enterprises, the project and its management also involve local public institutions and civil-society organisations (multi-stakeholder approach).
- High degree of innovation: By triggering innovative processes or products, or creating novel institutions, the project is innovative in solving development problems.
- Potential replicability: The project is an international role model of best practice and can be implemented in other contexts as well.
- Special relevance for key priorities of Austrian development cooperation: The project is strongly geared to Austrian development cooperation priorities or is of particular relevance for the realisation of the Millennium Development Goals (MDGs).

8. Legislative basis

This Guideline is based on the Austrian development cooperation act as laid down in legal gazette I no. 49/2002 and no. 65/2003 as amended (EZA-G) as well as the 2004 general framework instruction for granting subsidies from federal sources (Allgemeine Rahmenrichtlinien).

ADA funding may be subject to European laws on State aid. Feasibility studies are only granted as de-minimis aid as a matter of principle. Other assistance is primarily disbursed in the form of "de-minimis aid". This is possible if the total State aid (including ADA aid) received within the last three years of taxation does not exceed the sum of euro 200,000.-, subject to any (including provisional) relaxation of the European laws on State aid. If the applicant fails to meet this condition, aid might be granted under the "SME Exemption Regulation" for small and medium-sized enterprises, or the applicant might seek individual funding from the European Commission. State aid not capable of adversely affecting intra-Community trade qualifies for exemption from the European prohibition of State aid.

Limitation to the threshold set by the EU Commission also applies to the funding of strategic alliances. Funding beyond this threshold is possible if the EU Commission has granted a permit on an individual basis, or if the condition of State aid has not been fulfilled.

9. Legal title

Decisions on the granting of aid are made by the Management of the Austrian Development Agency upon consultation with a panel of experts on aid; decisions are exclusively based on this Guideline depending on available budgetary resources. There is no legal title to receiving funding.

The aid panel comprises representatives from FMEIA, Austrian Economic Chamber, Austrian Development Bank and Austrian Development Agency. The panel meets as soon as several applications have been received.

10. Effectiveness

This Guideline enters into force on 11 December 2013, superseding the previous guideline for business partnerships of 22 April 2009.