

Aid and the Private Sector: Catalysing Poverty Reduction and Development?

Reality of Aid 2012 Report

The Reality of Aid

Aid and the Private Sector: Catalysing Poverty Reduction and Development?

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The Reality of Aid Network

The Reality of Aid Network exists to promote national and international policies that contribute to new and effective strategies for poverty eradication built on solidarity and equity. Established in 1993, the Reality of Aid is a collaborative, non-profit initiative, involving non-governmental organisations from North and South. It is in special consultative status with the United Nations Economic and Social Council.

The Reality of Aid publishes regular, reliable reports on international development cooperation and the extent to which governments, North and South, address the extreme inequalities of income and the structural, social and political injustices that entrench people in poverty.

The network has been publishing reports and Reality Checks on aid and development cooperation since 1993.

These reports provide a critical analysis of how governments address the issues of poverty and whether aid and development cooperation policies are put into practice.

The Reality of Aid International Coordinating Committee is made up of regional representatives of all participating agencies.

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Preface

Among the main objectives of the Fourth High Level Forum (HLF4) on Aid Effectiveness held in Busan, South Korea was to “enlarge the tent”, embracing the private sector as a partner on equal terms with other development actors – similar to what happened with civil society organizations at the HLF3 in Accra in 2008.

This is another, and a very significant one, manifestation of the growing importance that the official discourse is giving to the private sector as “actor and development partner” in a context of global financial crisis and declining budgets for Official Development Assistance (ODA) in order to improve the “value for money” of available aid resources to generate and catalyse additional development possibilities. Increasingly, the focus is being put on innovative mechanisms, using aid resources as “capital base” that will help leverage additional resources from the private sector or to engage them in identifying solutions to development challenges. To complement these investments, donors are also implementing new funding facilities and new modalities for combining ODA with private funds. Donors are also searching for new partnerships between the private sector, governments and civil society to deliver goods and services. A positive aspect is that they are also looking to support women entrepreneurs and provide microfinance for, or generate appropriate financial services to, small and medium enterprises (SMEs).

For CSOs involved in the Reality of Aid Network (RoA), aid delivery can only be considered effective in its development impacts in terms of eradicating poverty and reducing inequality. This means supporting people to claim their rights, promoting women’s rights, contributing to livelihoods and decent work, building a sustainable environment, and supporting the democratic determination of development priorities. Previous RoA Reports discussed the realities of ODA and donor practices through the lens of solidarity and equity placing at the center the obligations of governments and donors to international standards of human rights.

In this perspective, the new emphasis of official discourse on the private sector as a “development actor and partner” and its relationship with the ODA international system posed to the Network members a series of questions about their potential risks. For this reason, RoA proposed to conduct a more systematic mapping of the risks and opportunities that the private sector, domestic and international, pose to its vision of development.

This RoA 2012 Report focuses on the relationship between aid and the private sector, and it does address a number of issues such as: Which private actors are receiving domestic or international support from ODA? What is the profile of those actors? To what purposes are they being engaged? What principles are being applied to engage them, by whom and how? And above all, what are the anticipated development results and outcomes expected of them and how will they be measured? Civil society needs a much more comprehensive picture of the relationship between ODA and the private sector to inform the positions we take – and the demands we make – around their engagement. The RoA Network, with its broad coverage in both donor and developing countries, is in a unique position to investigate the issue.

Finally, and given more and more significance of the new donors (or non-traditional providers of development finance), the RoA 2012 Report introduces a major innovation with respect to previous years: for the first time it includes country chapters on the BRICS in addition to the OECD DAC donors. This also offers the opportunity to explore how and to what extent these South-South partnerships differ from those between DAC donors and developing countries, in the chosen focal theme of the RoA 2012 Report.

Jorge Balbis Pérez

Chairperson

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