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# DAC Network on Poverty Reduction

**CIME-DAC WORKSHOP ON SYNERGIES BETWEEN ODA AND FOREIGN DIRECT INVESTMENT HELD ON 11 MARCH, 2004**

**30-31 March 2004**

*This note is circulated for CONSIDERATION to the POVNET. It provides a summary of the CIME/DAC workshop as well as the agenda/issues note prepared for that meeting.*

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English - Or. English

# CIME-DAC WORKSHOP ON SYNERGIES BETWEEN ODA AND FOREIGN DIRECT INVESTMENT
# HELD ON 11 MARCH, 2004

## Discussion Summary

1. The Committee for International Investment and Multinational Enterprises (CIME) and the Development Assistance Committee (DAC) held on 11 March, 2004 a joint workshop on ODA-FDI synergies as part of the OECD Investment for Development initiative. The Workshop focused on two main themes: 1) the role of ODA in support of efforts to enhance the investment climate, and 2) the roles of ODA in public-private partnerships in developing countries and in connecting up foreign controlled and local enterprises. The purpose of the workshop was to identify areas of policy action, focusing on where ODA can be effective in promoting productive investment. The meeting was chaired by Mr. Sikkel, CIME Chair, and by Mr. Manning, DAC Chair. Participants included representatives from the DAC and CIME committees, academia, the private sector, civil society, TUAC and BIAC.

## Main findings of the workshop

2. The co-chairs considered that:

- The project should focus on roles of ODA to facilitate investment (domestic as well as foreign) for development. To reflect this, the project should be renamed “ODA and Investment for Development (ODA/IFD).” The emphasis is on both attracting/supporting investment as well as maximising its benefits for development.

- Both policy communities see a real need to work together on these issues, but further reflection is needed to identify the specific topics that should receive particular attention in the course of the project. For example, the problems of groups of countries, whether on a regional basis or in terms of level of development, including least developed countries (LDCs), could merit special attention. Possible work on public-private sector partnerships (PPPs) could be narrowed to focus on some specific sectors where ODA-backed PPPs might be most appropriate. At the end of the fact-finding stages of the work, the policy lessons drawn from it could provide guidance to donors, including at the field level, to ensure practical uses of its results.

- Much information is already available on both the investment climate and PPPs (see, for example, the references below). The project should make maximum use of existing work. New analysis would be limited to areas that are not yet adequately covered, for example, on finding out more about what works and doesn’t work, and why. It would be directed towards identifying best practices for using ODA in support of investment in developing countries.

- It was clear that donors are financing a large and diverse set of activities, both in respect of the investment climate as well as in the more specific promotion of investment projects. It was less clear whether these activities were sufficiently strategic in their overall effect.

**Summary of discussions**

3. Participants shared their work and experiences on ways to promote investment in developing countries and highlighted areas where investment can contribute to poverty reduction. They highlighted key prerequisites for higher domestic and foreign investment and pointed to the importance of co-operation and capacity building in some of these areas. Issues included the importance of political stability, consistency in policies that affect investment, predictability and simplification of rules and regulations, adequate legal frameworks (including on property rights), infrastructure, competent interlocutors, regional integration and openness to trade and investment.

4. Several participants referred to the World Bank's work on investment climate assessments and firm-level surveys which provides data for many countries on various elements (such as the macroeconomic situation, financial sector, infrastructure, and tax administration). Such assessments provide a good starting point for problem identification, and for monitoring progress in enhancing the investment climate. In particular, they can be helpful in identifying areas where ODA can make a particularly valuable contribution.

5. Participants discussed the experiences with PPPs in developing countries' infrastructure sectors. Issues such as the role of partnerships in reducing transaction costs, providing guarantees or financial incentives, and mitigating risks (e.g. currency and political risk) were debated. A large body of evidence on PPPs already exists, but many unresolved questions remain. For instance, there is little consensus regarding the circumstances under which PPPs are successful, and on what should be the role of donors and of ODA. More work would be needed to review good and bad PPP practices, and policy guidance on PPPs might require case-by-case analysis.

6. Several participants also underlined the importance of promoting dialogue and partnership between the public and private sectors and civil society. A need to avoid that ODA-backed efforts introduce distortions in national business environments was stressed by participants. A concerted effort is needed to identify needs and to design policies that respond to these while maintaining mutual accountability.

**The road ahead – possible directions**

7. The Workshop provided guidance to CIME and DAC Committees and to the Secretariat on possible cooperation in the context of the two policy communities' work programmes relevant to ODA/IFD synergies. In particular, it was suggested that the Secretariat explore how to carry forward this work in specific ways and, on that basis, to organise a further meeting between the two Committees. In so doing, proposals on some of the following themes could be developed:

8. A stocktaking and assessment of a limited number of donor agencies' recent experience with using ODA to support investment for development, focusing on a manageable number of selected topic areas (including the promotion of a good investment climate and the promotion of specific investment activities). The stocktaking would include an evaluation of the efficiency of alternative approaches in different developing countries. (The annex to the Issues Note prepared for the Workshop could provide a point of departure for this work.)

- An analysis of the experiences made with ODA/IFD synergies in selected developing countries at different levels of development and in different regional contexts. These country studies would assess the implementation of relevant ODA strategies, within the local policy contexts, analyse short- and long-term effect of these strategies on foreign and domestic investment and draw conclusions regarding what approaches seem to work, or not to work, and why.

- A linkage between existing "scoreboards" for the investment climate in developing countries and these countries' success with attracting investment. The purpose of this work would be to develop guidance for donors regarding suitable developing country candidates and policy areas where ODA could be particularly effective in encouraging productive investment.

- An analysis, based on investors' experiences, of how ODA can best be used to remove the main impediments to private investment in developing countries. This work could benefit from the cooperation of the World Business Council for Sustainable Development and BIAC's Task Force on Africa, both of which were represented at the meeting, and other shareholders.

9. The fact-finding work (or as much of it as the available resources permit) will be completed by end-2004. Tangible outputs will be consolidated into a background report. In early 2005, an effort will be undertaken under the joint auspices of the CIME and the DAC to derive policy lessons addressing questions such as: How can policy makers identify suitable candidate countries for ODA/IFD efforts? What ODA-backed approaches have so far been most efficient in mobilising investment for development? Could approaches that have not yet been widely used be developed for the future? What are the expectations of private sector investors and other stakeholders and how and where can policy-makers best accommodate them? What would it take to have a more strategic impact?

**Reference Documents**


- Unleashing Entrepreneurship: Making business work for the poor-- UNDP

- *World Business Environment Surveys*-- by A. Stone, D. Kaufmann, and G. Batra – World Bank

- African Foreign Investor Survey 2003—UNIDO

- Doing Business in 2004—World Bank

- Public-Private Partnerships in Developing Countries—World Bank (2003)

## DRAFT AGENDA

***Room 4, OECD Headquarters, 11 March 2004***

*09.45-10.00:*

Introductory address by *Shigeo Matsutomi*, Acting Chair of the CIME Advisory Group on Non-Members: Investment for Development and OECD's project on ODA/FDI Synergies.

**Session A: The role of ODA in support of efforts to enhance the investment climate**

*Chaired by Marinus Sikkel, Chair of the OECD Committee on International Investment and Multinational Enterprises*

*10.00-11.30:*

Part 1: What are the priority areas (institutional and supply-side) for building capacities to promote investment in developing countries?

Discussants:

- *Daniel van den Bulcke*, University of Antwerp.
- *Claude Revel*, BIAC's Task Force on Africa.
- Open forum

*11.30-11.45:*

*Coffee and contact break*

*11.45-13.00:*

Part 2: How is ODA best used to assist in building these capacities?

Discussants:

- *Karen Ellis*, UK Department for International Development.
- Open forum

*13.00-15.00:*

*Lunch break*

**Session B: The role of ODA in public-private partnerships in developing countries**

*Chaired by Richard Manning, Chair of the OECD Development Assistance Committee*

*15.00-16.15:*

Part 1: ODA-backed public-private partnerships in utilities: the experience so far

Discussants:

- *Frank Kehlenbach*, European International Contractors.
- *Andreas Schwarz*, EU Commission, DG Development.
- Open forum

*16.15-16.30:*

*Coffee and contact break*

*16.30-17.30:*

Part 2: Using ODA to foster linkages between foreign-invested and local companies

Discussants:

- *Cameron Rennie*, World Business Council for Sustainable Development.
- *Martin Roth*, Swiss Ministry of Economic Affairs.
- Open forum

*17.30-18.00:*

Conclusions by the co-chairs: priority areas for further work and directions for future co-operation.

## ISSUES NOTE

### I. Background

10. Efforts at enhancing the standard of living in developing countries are guided by the United Nations' Millennium Development Goals (MDGs), which set out an ambitious agenda for progress in the areas of poverty reduction, education, gender equality, public health, environmental sustainability and international cooperation. It is clear to most observers that financing the MDGs will rely first and foremost on mobilising domestic resources, supplemented by external financing, such as foreign direct investment (FDI) and official development assistance (ODA). This workshop takes a specific look at how to strengthen the synergies between ODA and FDI, including how to use ODA to increase the volume FDI to developing countries and its contribution to their development.

11. The Monterrey Consensus, adopted in March 2002 in support of the Millennium Development Goals, highlights the need for policies within developing countries to mobilise domestic resources and attract private investment, and for utilising aid effectively. The developing countries have committed in Monterrey to implementing sound economic policies, tackling corruption, putting in place good governance, investing in their people, and establishing a favourable investment climate to attract private capital. In turn, the international community committed to scale up and intensify their efforts to help developing countries by, among other things, improving synergies between ODA and FDI.

12. OECD Members are the main ODA providers and FDI exporting countries. At the May 2003 OECD Ministerial Meeting there was broad support for a proposal from Japan for additional work on a strategy subsequently entitled the Investment for Development Initiative. A key element of the proposal was that the OECD should undertake a project investigating experiences with ODA measures in support of countries' efforts at attracting and maximising the benefits of FDI, and attempt to formulate policy lessons. (A first stocktaking of selected donor countries' practices is provided in Annex I.) Results of this project are expected to be delivered to the May 2005 OECD Ministerial Meeting. The ***Workshop on Synergies between Official Development Assistance and Foreign Direct Investment*** is intended to assist the OECD in shaping the priority issues to be addressed and identifying possible contributions by partners into this project.

13. Based on the workshop discussion, elements of the evolving project are likely to consist of:

- Studies summarising donor country practices in support of ODA/FDI synergies. This should build on new thinking on the roles and modalities for effective aid, particularly in bringing growth and the determinants of growth more fully into locally owned poverty reduction strategies and developing these strategies in a more participatory process, bringing in other stakeholders, including the private sector.

- A small number of country studies, bringing forward the experiences of developing countries with the use of ODA in support of investment for development.

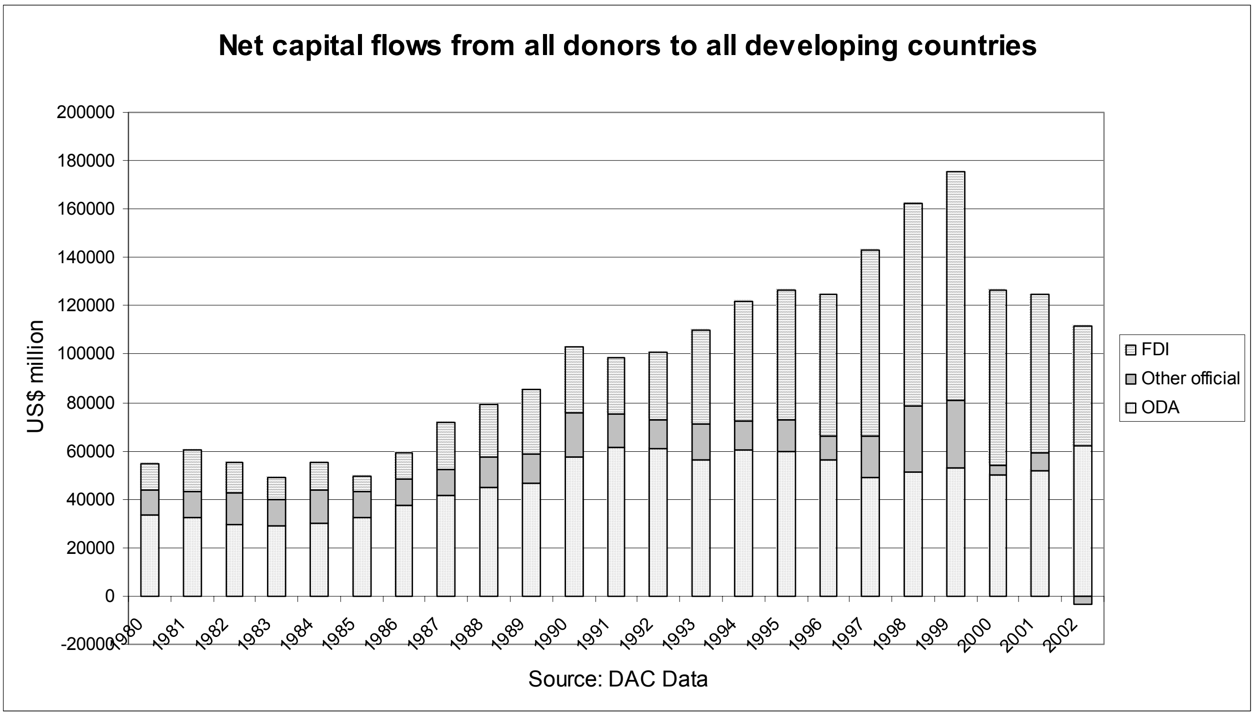
- An inclusive dialogue with the private sector investor community, possibly backed by a survey-based investigation into the most productive uses of ODA to overcome obstacles to investment in developing countries.

- Consultations with other international organisations, including the World Bank Group, regional development banks, the European Union, and relevant non-governmental interested parties, with a view to pooling and synthesising experiences with ODA/FDI synergy strategies.

## II. The broader context: trends in ODA and FDI to developing countries

14. ODA is now recovering from all time low levels and further increases are expected up until 2006. In 2002, ODA totalled US$ 58 billion, an increase in real terms of 7 per cent over 2001 and the highest real level achieved since 1992. The increase has been quite broad-based across DAC Members. In the Monterrey Consensus, donors pledged to increase aid to support the MDGs. Secretariat estimates based on Members' commitments and plans indicate that ODA should increase by 32 per cent in real terms over 2002 - 2006 (US$ 19 billion), raising the ODA/GNI level from 0.23 per cent in 2002 to 0.29 per cent in 2006 (further details are provided in a room document).

**Figure 1:**




15. The importance of the ODA/FDI nexus derives from the commonly held perception that ODA is insufficient as developing countries' main source of external finance. Alternative source of funds include "other official flows" (i.e. non-concessionary public finance), but these have dwindled in recent years and in 2002 even turned negative (Figure 1). Private capital flows other than FDI (e.g. bank loans, portfolio investment) have in some cases been the major source of finance for the developing world, but they are notoriously volatile and hence not most government's preferred channel of development finance. Between the mid-1980s and 1990 and again in 2001 and 2002 there was a considerable withdrawal of this "other" private capital from the developing world[1].

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1 The implications of this are discussed by Dailami, M., H. Kalsi and W. Shaw (2003), "Coping with Weak Private Debt Flows", *Global Development Finance: Striving for Stability in Development Finance,* World Bank.

16. Direct investment, on the contrary, has proven to be a more resilient source of private finance[2]. In recent years, gross FDI flows into developing countries have been more than twice the level of aid flows. Figure 1 indicates that, even when applying the narrower measure of net FDI flows from OECD countries to developing countries (which is arguably a more suitable measure for comparing FDI with ODA)[3], the contribution of FDI to the external financing of developing countries has been growing steadily relative to that of ODA over the last twenty years. Furthermore, the amount of FDI among developing countries themselves (the so-called "south-south investment") has increased in the last decade, and while this does not entail a resource transfer to the developing world as a whole, it is nevertheless likely to have had a positive developmental impact.

17. The direct comparison of ODA and FDI, and the usefulness of FDI to alleviate financial constraints across a larger group of developing countries, is however not uncontroversial. For instance, a couple of problems relate to often very different national and sectoral distribution of the two. First, according to a well-known adage, almost all of the ODA goes to the poorest countries while almost all of the FDI goes to the middle-income countries. Second, even within the group of middle-income developing countries, FDI is concentrated heavily on a few dozens of nations which possess natural resources or are otherwise particularly attractive for investors. These observations are underpinned by the reality of the world's poorest continent, Africa, which continues to be overwhelmingly dependent on aid for its external finance, although it should be noted that FDI did grow from previously very low levels during the 1990s (Figure 2).

18. The concentration argument should, however, not be exaggerated. It is true that China attracted almost one third of the developing world's FDI in 2002 (though less so when regional flows are discarded) and briefly became the world's foremost recipient of direct investment, but this needs to be seen relative to the size of the Chinese economy. A measure of FDI's potential benefits to the host country's economic performance is the net inflows relative to domestic value added. Measured thus, the fifteen main developing country recipients of FDI contain several countries that are not usually considered as important FDI recipients[4] (Figure 3). It must be recognised that some of them have attracted investment largely as a result of resource availability (e.g. Equatorial Guinea, Angola, Azerbaijan and Kazakhstan), and others due to the proximity of a comparatively wealthy neighbour (e.g. Swaziland, Lesotho). Others have, however, been able to attract broad-based FDI whose potential domestic economic impact easily rivals that of the largest recipients of direct investment.

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2. This point was for instance made in OECD (2002), *Foreign Direct Investment for Development – Maximising Benefits, Minimising Costs*, pp. 60-61.

3. However, this measure fails to take into account FDI flows from wealthy countries other than OECD members to developing countries. During the 1990s such flows accounted for roughly 15-20 per cent of FDI to the developing world.

4. Small island states and off-shore financial centres have been omitted from the sample.

**Figure 2:**

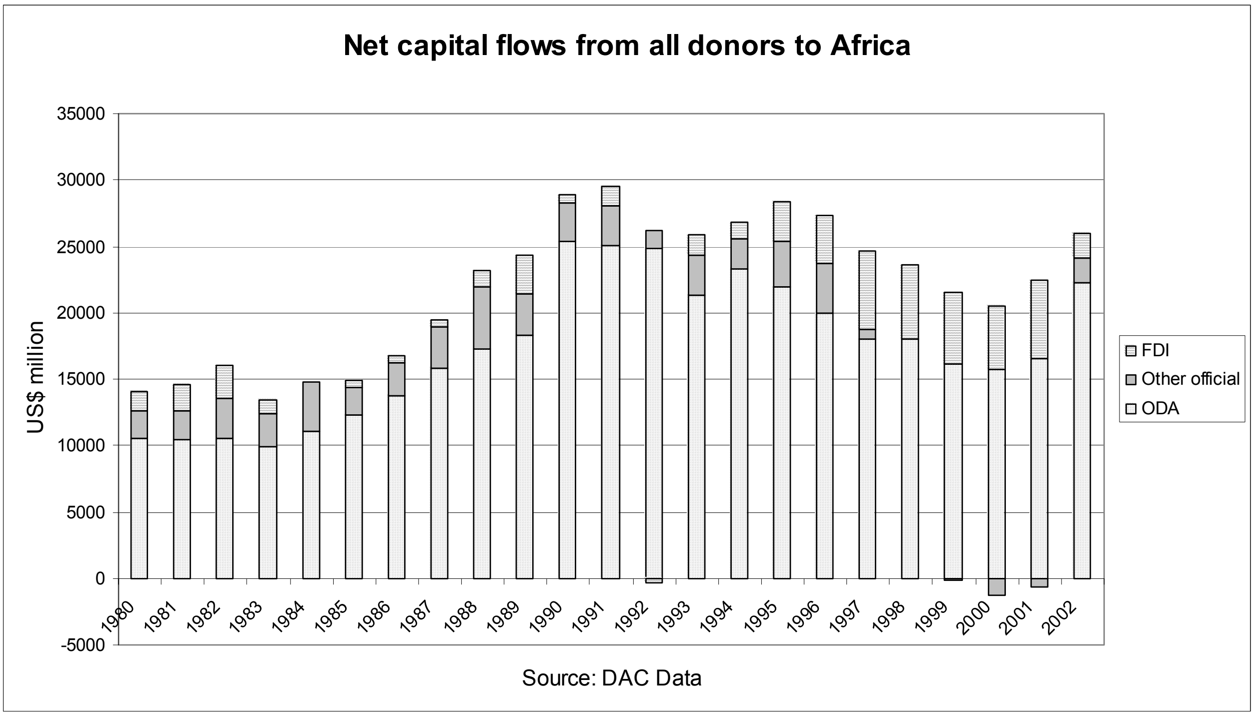
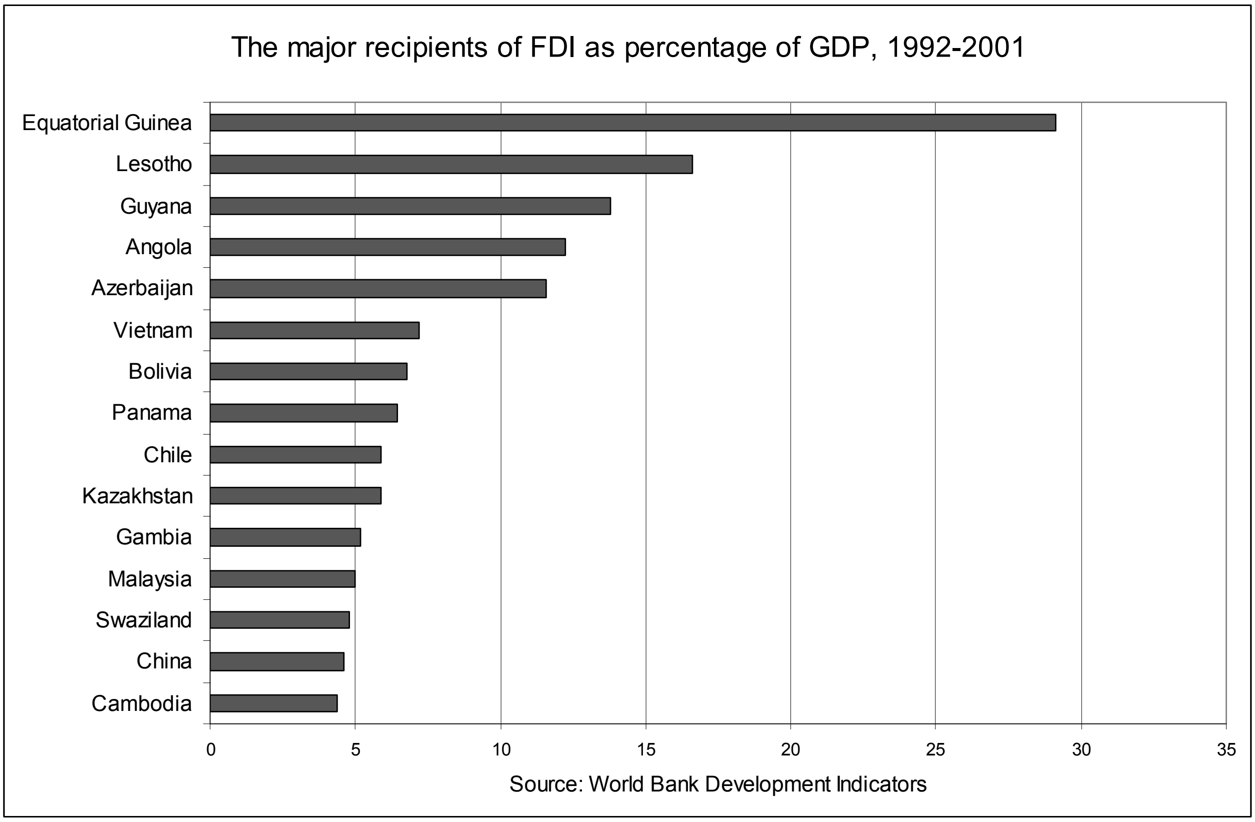



**Figure 3:**



19. Even as FDI apparently has considerable potential to supplement and complement ODA as a source of external finance, it should be kept in mind that the main source of sustainable growth in most developing countries will be domestic capital accumulation. In this context, it should also be noted that a large share of the upsurge of FDI into the developing world in the mid- and late 1990s was motivated by the privatisation of public utilities in several countries[5] (see also text box). While the positive development impact of international strategic investors' participation in privatisation is well documented[6], and while the proceeds from the privatisations may eventually be sunk into fixed investment, the short-term effect on domestic capital formation of such FDI is limited. Consequently, measures such as FDI relative to domestic investment tend to provide a high-end estimate.

***FDI in developing countries: a shift to services***

*FDI flows to developing countries' service sectors increased rapidly in the late 1980s and early 1990s. Between 1988 and 1999, service sector FDI increased at an annual rate of 28 per cent and accounted for around 37 per cent of total FDI inward stocks in developing countries in 1999. The share of infrastructure in total FDI flows nearly doubled during the period 1990 to 1998. This increase was led by a surge in flows into the telecommunications sector (the increase was around US$ 84 billion, or one-tenth of the change in aggregate FDI stock) as global telecom and utility companies took advantage of their rising stock prices and participated in privatization programmes in many developing countries. Such investment peaked in 1998, however, in line with the asset price movements in the information, communication and technology sectors in global markets. Also, privatisation efforts began to slow around this period in many developing countries.*

*Despite the slump in the telecommunication sector since 1998, developing countries have continued to receive FDI into this sector. The profile of investors is, however, changing. A growing number of new (relatively small) regional firms are now competing with the global players. The mode of investments is changing as well, from privatisation to licensing and joint ventures.*

*This shift toward services is likely to have increased the benefits of FDI to developing countries. Foreign-owned service companies can be an important source of spillovers to the domestic business sectors, particularly compared with the often limited linkages between extractive industries and the host economies. For example, the entry of foreign banks has helped improve the efficiency of developing countries' financial sectors, a critical input to growth.*

*Source: Global Development Finance 2003, World Bank.*

20. According to the World Bank's World Development Indicators, which offer data for FDI and gross capital formation in over 130 developing countries, the average share of FDI in total fixed investment over the last decade has been around 15 per cent. The national variations were, however, considerable. In certain resource-rich countries such as Angola, Sudan and Venezuela FDI accounted for at least half of fixed domestic investment, whereas, at the opposite end, Iran, Niger, Sierra Leone, Haiti, Bangladesh and several (other) LDCs had almost no direct foreign private involvement in their fixed investment.

21. As regards the policy options for using ODA in support of investment, the separation of FDI from fixed domestic investment may in most cases be an artificial one. Foreign and domestic companies respond to the same inducements and disincentives to invest, and their assessments of the investment climate in a given host location tend to converge. Domestic investors are sometimes more resilient to

5 For further detail, see Aykut, D., H. Kalsi and D. Ratha (2003), "Sustaining and Promoting Equity-Related Finance for Developing Countries", World Bank, *op. cit.*

6 See for example La Porta, R. and F. Lopez de Silanes (1997), "The benefits of privatization: evidence from Mexico", *NBER Working Paper*, No. 6215, and Bortolotti, B., J. d'Sousa, M. Fantini and W. Megginson (2001), "Sources of performance improvements in privates firms: a clinical study of the global telecommunications industry", *University of Oklahoma Department of Finance Working Paper/FEEM Working Paper*, No. 26.

shortcomings in governance than foreign companies, owing to their inside knowledge of the host country's social and economic structures. Also, micro-enterprises and producers operating on the edges of the formal economy (e.g. subsistence farmers) may have altogether different perceptions of the investment climate, but private companies operating on a fully commercial basis can in most contexts be treated as equivalent. ODA-backed efforts to enhance the investment climate is relevant in the context of attracting FDI, in mobilising domestic funds for investment and in enhancing the contribution of any kind of investment to economic development.

## III. Issues for discussion

22. The Workshop is expected to provide guidance to the OECD Secretariat in at least two central areas as it takes its ODA/FDI Synergies project forward. First, it should help identify key areas in which to develop and implement ODA/FDI strategies. The two main orientations of the project are ODA-supported strategies for enhancing the investment climate and ODA-backed public-private partnerships in developing countries. One outcome of the discussions would be to enhance the focus of this overall orientation by identifying areas that are particularly important to investors (e.g. represent important barriers) and that are actionable by ODA (i.e. where ODA can help make a difference).

23. Second, it is hoped that the discussions at the Workshop will help identify areas of cooperation between OECD and other interested parties. Several national and international organisations (and several parts of the OECD Secretariat) have ongoing projects that are relevant to the ODA/FDI project. The discussions at the Workshop should help identify areas in which information can be shared, comments solicited and, as appropriate, common undertakings initiated between the interested parties.

### *a) The role of ODA in support of efforts to enhance the investment climate*

24. Numerous studies of investor intentions have concluded that investment into developing countries – and to a large extent also by domestic investors – is principally determined by two factors, namely the size of the markets that can be accessed from a given location and the institutional quality of the investment climate. Other motivating factors such as particularly low taxes, investment incentives and administrative derogations can play a role on the margins, but their usage is fraught with fiscal and political risk. The 2002 OECD publication *Foreign Direct Investment for Development: Maximising Benefits, Minimising Costs* highlighted the importance of macroeconomic stability, the quality of financial intermediation, the rule of law, non-discrimination and competition, the quality of public and corporate governance, openness to foreign trade and a sufficient level of infrastructure, human capital and know-how in attracting investment.

*25.* In other words, the areas in which developing country authorities might ideally wish to take action are legion. The challenge is to identify areas for policy action and building capacities of particular importance for attracting and maximising the benefits of investment, and within this category pinpoint those that can be effectively supported through the application of ODA. OECD's project sets out to examine the experiences with ODA/FDI synergies that have been made in the following general areas:

- *Public and corporate governance.* Improving public and corporate governance is becoming a key objective of developing countries wishing to attract and retain investment (and, increasingly, a factor influencing ODA allocations and aid effectiveness ). Some areas of recent interest have been: (i) implementation and enforcement of rules; (ii) enhancing public sector transparency; (iii) improving administrative efficiency; and (iv) technical assistance to design property and tax rules;.

- *Human capital and entrepreneurship.* A recurrent problem with attracting investment to developing countries is a lack or shortage of labour with the relevant skills (a problem sometimes exacerbated by the "brain drain" from developing countries) as well as a lack of effective local business partners. ODA can be employed to redress skill lacunae, *inter alia* providing vocational and technical education and providing onsite training of staff. It can also be used to foster business and entrepreneurial skills among local firms to make them better business partners for foreign investors.

- *Infrastructure and utilities.* Inadequate or absent infrastructure is a key impediment to investment in many countries. ODA-backed schemes to provide transportation, water, energy and telecommunication improve competitiveness, opportunities for economic growth and the ability to connect up to markets and business opportunities. A special role for infrastructure investment relates to the regional dimension of economic development. In small and poor countries cross-border transportation networks can help reach a market size that is sufficient to attract investors.

- *Trade capacity building.* A capacity to trade internationally is crucial to obtaining a good investment climate for at least two reasons. First, multinational enterprises rely on an ability to move goods swiftly between subsidiaries and are unwilling to invest where this process is unduly impeded. Second, regional trade liberalisation can help small countries achieve a sufficient size of their "relevant market" to attract investment. ODA can assist in providing trade capacity building, at the policy, institutional and supply side response level.

**Questions:**

- **The investment climate in some developing countries suffers from serious inadequacies, not all of which can be addressed at the same time. In the view of participants, what are the main issues that need to be addressed to win the confidence of domestic and foreign investors? Are these impediments broadly similar across developing countries, or do they differ among, or even within, continents? Have they developed over time and, in particular, have some of them been successfully addressed?**

- **Not all shortcomings in the investment climate can be addressed with the help of ODA. Which of the impediments identified above would participants list as the main candidates for ODA-backed remedial action?**

- **What experiences have been made regarding aid delivery? In particular, to what extent have developing country governments, domestic and foreign businesses and civil society been involved in identifying and remedying obstacles to investment?**

- **Based on the experiences so far, what policy approaches are seen as having been successful, and what is the evidence of their impact on investment?**

*b) The role of ODA in public-private partnerships in developing countries*

26. Public-private partnerships seek to create a framework in which public and private actors can bring their distinctive competences to a project while also ensuring a transparent and fair allocation of the project's risks and returns. In this context, investment projects that lack sufficient commercial viability can be carried out in the form of partnerships in which a subsidy is provided by the public purse – or by donors of development assistance. Recent examples include the provision of utilities services to poor neighbourhoods in developing countries through foreign-invested commercial entities, using ODA to subsidise the services and make them affordable to the local residents.

27. A special brand of partnerships that has attracted increasing attention in recent years (e.g. UNCTAD's 2001 World Investment Report) concerns linkages between foreign-invested and purely domestic companies. This is also a theme of OECD preparations for the June 2004 Istanbul international conference on fostering competitive SMEs in the global economy. Host country authorities have numerous policy options for encouraging such partnerships, many of which could in principle be supported by ODA-financing. In practice, ODA-based strategies have often focused on supporting partnership programmes through the existing architecture of investment and trade promotion agencies. Related efforts have gone into assisting local enterprises in meeting sufficient standards to make them suitable partners for large foreign-owned companies.

**Questions:**

- **For the ODA-backed participation of foreign enterprises in utilities to make economic sense, these enterprises need to be more efficient or possess more know-how than local operators (public or private). What may have been the reasons for some of the less encouraging experiences so far? What sectors are particularly strong candidates for PPPs[7]? Do the experiences differ according to geographic areas?**

- **In the view of participants, what are the best ways of satisfying investors' demand for predictability and a positive return to investments, while at the same time safeguarding the interests of local communities? What may be the role of governance and regulatory frameworks in this respect? Is ODA merely a way of boosting the available public funds, or can aid agencies make important additional contributions?**

- **To encourage linkages between MNEs and local enterprises, authorities have three options: raising the expected returns of MNEs from engaging in partnerships; enhancing the capacities of local enterprises; and providing information and matching services. What ODA-backed strategies have been attempted, and what conclusions can so far be drawn? How can foreign and domestic enterprises be best involved to secure that programmes are relevant and efficient, and what is the appropriate role of aid agencies in this respect?**

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7 Discussants could take as a starting point