

Business Partnerships Directive
*A Funding Programme
of Austrian Development Agency*

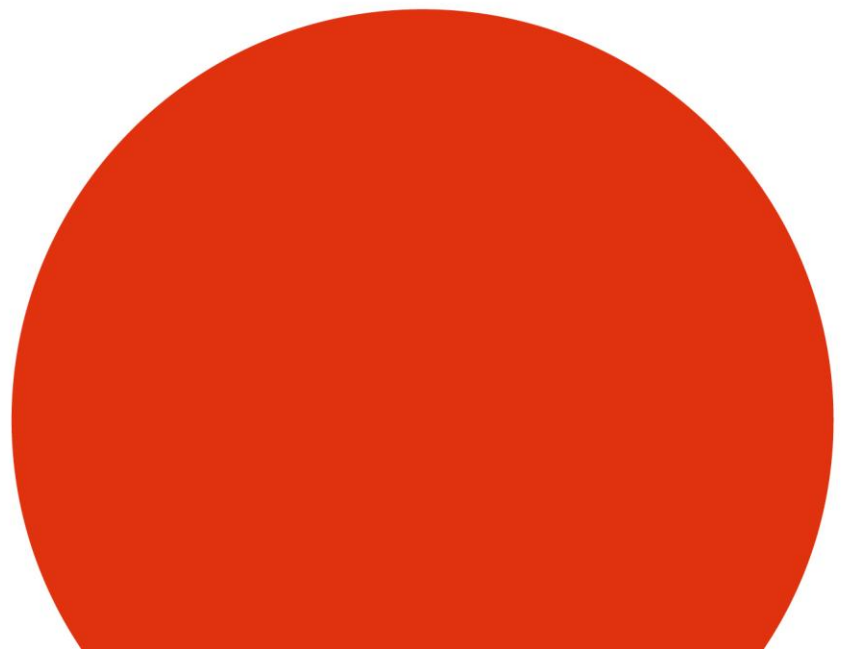


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1 Purpose

With the Business Partnerships, Austrian Development Agency (ADA) has initiated a programme designed to promote sustainable economic and social development. It targets companies from Austria, the European Economic Area (EU, Norway, Liechtenstein and Iceland) and Switzerland interested in engaging in countries of the Global South and East economically and in a socially responsible manner.

2 Scope

This directive regulates the implementation of actions that serve the private sector and development in countries of the Global South and East and are supported by ADA funds through this funding programme.

3 Definitions and classification

ADA funds actions that sustainably improve the living conditions and development prospects of the population in economically less developed countries and contribute to the reduction of poverty. The principles and objectives of international guidelines, such as the 2030 Agenda (Sustainable Development Goals, Addis Ababa Action Agenda on Financing for Development) of the Paris Agreement (climate protection) and the Global Partnership for Effective Development Cooperation (Busan Partnership), are considered and contributions are made towards their achievement.

Sustainably reducing poverty requires an efficient private sector and economic growth that enables the poor to actively participate in economic activity and benefit significantly from it. Private investments create jobs, expertise and the opportunity to generate income. A functioning private sector secures tax revenues and is a prerequisite for the provision of public services and a functioning social system. The private sector has been recognised as a development partner in various policy documents, most recently in the Accra Agenda for Action and the Doha Declaration on Financing for Development.

The harnessing of synergies between Private Sector and Development Cooperation is based on three pillars:

- Improving the framework conditions for private sector involvement in countries of the Global South and East: This is about shaping the economic, social and institutional environment in which private sector action takes place. At the core of the actions lie measures aimed at ensuring the rule of law, establishing fair regulations to enhance competitiveness and trade relations, and implementing infrastructure development initiatives.
- Direct support of the private sector in countries of the Global South and East: Various instruments are used to strengthen the market position of local companies, improve their information base and facilitate access to financing.
- Greater involvement of the Austrian economy: Successful business relationships between industrialised nations and countries of the Global South and East significantly contribute to long-term improvements in local living conditions. In accordance with the Development Cooperation Act, BGBl. I no. 49/2002 (EZA-G) it is therefore equally important to promote sustainable, social and environmentally friendly development in countries of the Global South and East by utilising the potential of Austrian companies. Regarding the use of the term “qualified companies” in this directive, it specifically pertains to companies registered in the European Economic Area (EEA) as well as in Switzerland.

4 Objectives of the Business Partnership Programme

The Business Partnership Programme supports socio-economic development in countries of the Global South and East by working closely with Austrian and European companies. Funding is extended to actions led by companies that are at the same time committed to

- fostering developmental benefits for the collective welfare in the target country, while also
- striving for entrepreneurial benefits.

The developmental interest of the Business Partnership Programme resides in

- additional developmental benefits, e.g., the life situation of a larger circle of people is improved, public institutions are strengthened, technologies are introduced, and expertise is shared;
- additional, private funds being mobilised for developmentally relevant measures;
- the development effects of private business relations and investments being optimised;
- competitiveness and thus the opportunities for local small and medium-sized enterprises to participate in global trade being strengthened.

The entrepreneurial interest of the Business Partnership Programme is expressed in the fact that

- the business success of the qualified company is sustainably secured;
- the risk of investments in countries of the Global South and East is reduced,
- the framework conditions for entrepreneurial engagement on the ground are improved.

5 What types of actions are eligible for funding?

The following criteria with respect to an action's content are decisive for the eligibility of an action:

Developmental impacts

The action must generate significant developmental benefit. It must be compatible with the development goals of the target country and meet its quality criteria. In addition, the action must make a significant contribution to the Sustainable Development Goals (SDGs) and comply with the Environmental, Gender and Social Standards of ADA¹.

It is essential that the action's impact contributes transparently to addressing significant challenges for the target group. This includes outcomes such as the generation of additional or improved employment and income opportunities, enhanced working or living conditions. Developmentally relevant effects manifest in various forms:

When qualified companies collaborate directly with local counterparts, it fortifies the private sector itself. This is achieved by providing access to national, regional, and international markets for local small and medium-sized enterprises. Such collaboration may involve developing supply chains, implementing training programmes, transferring technology and expertise, joint marketing efforts, optimizing production processes, and adopting quality, labour, and social standards. Collaborative efforts between companies take shape through joint ventures, outsourcing, supplier or management contracts, or franchising agreements.

In other cases, the focus of a business partnership is on partnerships with stakeholders from the community of the target country; in this constellation, the investing company from the EEA or Switzerland contributes to the provision of public services per se. These encompass various activities such as:

- providing vocational education and training for specialists through widely accessible institutions,
- transferring knowledge to public decision-makers or influencers,
- strengthening communities or fostering the formation of interest groups,
- implementing voluntary measures for the protection of resources and the environment,

¹ See the Environmental, Gender and Social Impact Management (EGSIM) Manual, in its current version, under <https://ada.kontainer.com/cdownload/b4Tw8awc3Wbx/egsim-manual.pdf>

- making contributions to the healthcare system and local infrastructure, or
- introducing social standards.

Commercial viability

The commercial viability of an action is a crucial prerequisite. Companies must convincingly demonstrate this aspect. The action's business benefit can result in either an immediate operational advantage or a long-term strategic benefit. For instance, it could lead to increased competitiveness or improved economic prospects for the company, such as enhanced production, access to new procurement and sales markets, or heightened profitability.

Fair distribution of benefits

The benefits or revenues generated by the action should be distributed fairly between the qualified and local partners, ensuring an equitable ratio that benefits both parties.

Sustainability

The benefits derived from the action, both in terms of corporate gains and development impacts, extend beyond the formal conclusion of the funded action.

Additionality

The action generates an additional benefit that would not have been realised without funding. Consequently, when evaluating the concept, careful consideration is given to avoid funding activities that the recipient company would also undertake without ADA funding. In other words, funding is not allocated for effects that would also occur without ADA funding. Likewise, activities aimed solely at fulfilling legal obligations are not eligible for funding.

Eligibility as official development assistance

The action takes place in a country that is a recipient of official development assistance (ODA) in accordance with the OECD. The current list of countries can be found on the website: <https://www.oecd.org/en/topics/sub-issues/oda-eligibility-and-conditions/dac-list-of-oda-recipients.html>.

Actions in priority countries of ADA are given priority. Actions in other countries are implemented in accordance with existing budget resources or based on their particular

developmental quality. Country restrictions of the Federal Ministry for European and International Affairs (BMeiA) are decisive for the award of grants.

Exclusion criteria

Actions that contain measures that are defined in Annex 1 to the Environmental, Gender and Social Impact Management (EGSIM) Manual are excluded from funding.

6 Who can apply for funding?

Applicant

Eligible to apply for funding are, exclusively:

- enterprises, under the proviso that they engage in development cooperation in the meaning of section 2 par. 3 of Austria's Development Cooperation Act,
- voluntary associations and non-profit foundations under the proviso that development cooperation forms part of their statutory purposes and actual business activities, as well as
- chambers, under the proviso that they engage in development cooperation in the meaning of section 2 par. 3 of Austria's Development Cooperation Act,

with their head office in the European Economic Area or in Switzerland, if they provide corresponding own contributions (see below).

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

Consortia: If at least one member is an applicant, the other members are also considered applicants, regardless of whether they meet the above-mentioned requirements.

The following serve as the foundation for funding for an action:

- the applicant's creditworthiness (ADA Financial Health Form, completed in full and signed by an auditor, accountant or tax consultant; including the evidence required therein and proof of creditworthiness according to a recognised rating system)
- the commercial consistency of the business plan related to the action.

ADA examines both the content of applications and the eligibility of applicants to submit an application. This assessment includes evaluating proper registration, ordinary business activities, and suitability. Further information on the funding process can be found on the ADA website.

7 Requirements for applicants

To receive funding, applicants must meet the following requirements:

Substantial own contributions

Own contributions can be made in cash, in kind or in the form of services, such as technical expertise, business know-how, technologies and/or capital, and must involve a cash flow and amount to at least 50 percent of the costs of the action. Only own contributions made by an applicant will be considered.

Other involved parties

In addition, local institutions – such as government agencies, non-governmental organisations, scientific institutes or companies external to a consortium – can participate in the action and also provide services of monetary value, although these are not recognised as own contributions.

Long-term commitment

ADA expects all applicants to convincingly demonstrate how they will engage in long-term commitments in countries of the Global South and East, for example by taking a direct investor role. It must be ensured that the entrepreneurial commitment is continued after the end of the action in the sense of sustainable management. Therefore, all actions involving exportation of goods and services from the European Economic Area not based on any other local activity of the enterprise are not eligible.

Responsibility for implementation of the action

Based on the grant agreement, applicants assume responsibility for the entire action. ADA's funding contributes to the costs of the business partnership.

Several applicants are jointly and severally liable to the ADA for compliance with the funding conditions.

Compliance with legal regulations and international agreements

Applicants commit themselves to complying with the partner country's/countries' legal system(s) and abide by internationally recognised reference texts, in particular:

- the International Labour Organisation (ILO)'s Tripartite Declaration concerning multinational enterprises and social policy,
- The Organisation for Economic Co-operation and Development (OECD)'s guidelines for multinational enterprises, and
- the ten principles of the UN Global Compact.

The focus is on compliance with international human rights, in particular freedom of association, the right to collective bargaining, appropriate working conditions and remuneration, the prohibition of forced and child labour and discrimination against employees based on ethnicity, skin colour, gender, religion, class, political views or personal preferences.

8 How to receive funding?

The process of obtaining funding typically begins with the applicant, who approaches ADA with an action idea. ADA's Private Sector & Development Unit accompanies applicants throughout the application process, starting from the submission of an initial concept to the development of a full grant application. Applications for funding can be submitted throughout the year.

The content of action applications is assessed on the basis of the following qualitative criteria:

- Competence of the applicant (experience, references, capacities, associated risks)
- Composition of the action team
- Impact of the funding (economic, relevance to development goals (SDGs), added value)
- Broad impact
- Contribution to capacity development
- Consideration of environmental, gender and social aspects
- Innovation/intervention content in the partner country
- Sustainability (development of structures, stakeholder engagement / political support, degree of scalability / replicability)
- Quality of the problem and context analysis
- Quality of the intervention logic/theory of change (ToC)
- Quality of risk assessment and risk management measures
- Quality of the time and work plan
- Appropriateness and traceability of financial planning
- Competition in the partner country is not affected by the funded action, so the action has no obvious negative impact on local competition

In parallel, ADA may organise public competitions, such as a "Call for Proposals", or other events to engage companies in collaborative endeavours. Additionally, when companies from countries of the Global South and East express interest in establishing business relationships with Austrian partners, ADA may, while maintaining transparency, notify eligible Austrian companies of the opportunity to develop an action and apply for funding based on their industry expertise or other competencies.

9 Ways of funding

Business partnerships, inception phases and strategic alliances are considered actions within the scope of the programme.

Business Partnerships

In the case of a Business Partnership, ADA offers a non-repayable grant of up to 50 percent of the action costs, but a maximum of 300,000 euros. The maximum amount of EUR 300,000 is reduced by all other “de minimis” funding already received by a company or a group of companies within the last three years (e.g., if an inception phase was already funded immediately prior to this). The private and public contributions should amount to a total of at least 150,000 euros. The maximum duration of the action is three years.

Inception Phase

ADA offers a non-repayable grant for an action inception phase of up to 50 per cent of the costs, up to a maximum of EUR 30,000, in order to prepare a planned business partnership and to review its economic feasibility and developmental relevance. The primary objective of the inception phase is to concretise the business partnership (which may subsequently be funded) and to analyse the success factors and challenges for its implementation. The action inception phase must therefore be closely linked to the planned business partnership.

Strategic Alliances

ADA also offers funding for Strategic Alliances, which typically involve large-scale Business Partnerships. Funding for Strategic Alliances covers a maximum of 50 percent of the total costs, up to a maximum of 500,000 euros. In addition to meeting the general criteria outlined for Business Partnerships (points 4 to 7), a Strategic Alliance must fulfil at least four of the following criteria:

- Cross-regional orientation: The programme spans at least two countries of the Global South and East.
- Financial volume: The programme’s total volume, including all contributions, amounts to at least 750,000 euros.
- Exceptional structure-forming effects: The programme makes a notable contribution to activities such as building institutional capacities, fostering networks among local and international partners, or establishing and reinforcing (legal) norms and standards.

- Broad impact: The programme has an exceptionally wide-reaching effect, reaching a significant number of people relative to the target group or region and generating substantial multiplier effects.
- Participation of public and civil society partners: In addition to local companies, local public institutions and civil society organisations are involved in the programme and its management (multi-stakeholder approach).
- High degree of innovation: The programme pioneers novel approaches to addressing developmental challenges by introducing innovative processes, products, or institutions.
- Potential for replicability: The programme sets an international example as a “best practice” model and is replicable in various contexts.
- Special relevance for the priorities of ADA: The programme is closely aligned with the priorities of ADA and/or is highly relevant for achieving the Sustainable Development Goals (SDGs).

10 Visibility of ADA²

The Recipient shall affix the ADA logo or a reference to ADA funding in a clearly visible place in all publications and on the funded equipment and facilities in accordance with the guidelines for the visibility of ADA as amended. When reporting, the beneficiary shall inform ADA how the visibility of ADA was ensured.

² For more information, see <https://ada.kontainer.com/cdndownload/Zuq8KL2vE1g5/directive-visibility-and-communication.pdf>

11 Legislative framework

This directive is based on the EZA-G and, mutatis mutandis, the General Framework Guidelines for the Granting of Funding from Federal Funds (ARR 2014) both as amended.

ADA grants may fall under the purview of European state aid law. The cooperation of the applicant may be required for the assessment under state aid law.

12 Legal claim

The decision to award funding rests with the management of the Austrian Development Agency, following consultation with a grant committee. This decision is solely based on the present directive and is made in accordance with the available budget. It is important to note that there is no legal entitlement to the granting of funding.

The grant committee consists of representatives of the MFA, the Austrian Federal Economic Chamber, the Austrian Development Bank and the Austrian Development Agency. It convenes several times a year when multiple applications have been submitted and makes a recommendation on the eligibility of a planned action. The decision in this regard is made according to the majority principle.

13 Final provisions

Entry into force: 11/12/2013

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04/03/2021 with ref.: RL/3-W&E/2021; 02/07/2024 with ref.: RL/4-W&E/2024

The Private Sector & Development Unit is responsible for the further development of this policy.

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