

**Commercial Follow-up to Official Development Assistance in the Czech Republic:
Facilitating Sustained and Strategic Private Sector Engagement**

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Contents

Outline	3
Executive Summary.....	3
Introduction: Key Issues in Official Development Assistance in the Czech Republic.....	7
1. Official Development Assistance: Policy and Strategy in the Czech Republic	10
2. ODA Implementation: Recommendations toward Commercial Follow-up.....	177
3. Financial Instruments to Support Commercial Follow-up to ODA.....	26
4. Company and NGO Perspectives on ODA and Commercial Follow-up.....	28
5. Conclusion: Commercial Follow-up to ODA -- Who is Best Positioned?.....	34

Outline

It is increasingly recognized that private sector engagement is needed to reinforce official development assistance (ODA) in order to achieve desired results and maximize impact. It is further the case that assistance extended to beneficiary, or partner, countries provides opportunities for both the recipient and provider of assistance, in the sense that a donor country's private and civil society sectors can contribute to and benefit from participation in ODA and post-ODA work.

The Ministry of Foreign Affairs of the Czech Republic is exploring ways to facilitate commercial follow-up to ODA, seeing simultaneously a relatively low "take-up" on the part of the Czech private sector and opportunities for sustained, strategic engagement on the part of Czech companies and non-governmental organizations (NGOs) in partner countries. Czech expertise in a range of sectors, notably engineering, transport and environmental work, as well as experience in business practices like product development, marketing and export, can bring significant value to developing countries.

A key question, then, that the Ministry is seeking to address, is that of identifying the most effective approach to supporting commercial follow-up to ODA.

Executive Summary

This report endeavors to articulate modalities for incentivizing and facilitating strategic and sustained engagement by Czech companies and NGOs in beneficiary countries following the provision of ODA. A wide range of considerations is accordingly covered, including the institutional dynamics and procedural framework around Czech ODA, the interests of and challenges faced by contractors, and the absorptive capacity of beneficiary countries.

Key questions include whether the beneficiary country is willing to continue paying for services post-ODA, or will it rather wait for new donor funding. Is the contractor in a position to invest on a long-term basis, independent of state support? Is the construction of the project setting the engagement up to be a one-off "export" experience, or a long-term investment (much of relevant state support in the Czech Republic being used only for export purposes)?

The pool of Czech companies willing to engage in ODA is small and the support system, including availability of financial and insurance instruments, is limited in scope and reach. Some of these attributes can be sourced in the fact that the Czech Republic has never been a colonial power, and this to some extent explains the fact that its companies are relatively small, at most mid-sized, in international terms. In the 1990s, the free market was new, and it was all companies could do to deal with transition and survive major dynamics like privatization (in which some survived, some were bought, and some disappeared). Moreover, the Czech Republic is land-locked, and some companies are satisfied with, for example, sub-contracting to companies headquartered in their larger, more prosperous European neighbors.

The report has been compiled based on research and interviews conducted with some thirty officials in the various Czech ministries, agencies, and companies currently involved in the ODA "chain" and representatives of the Austrian Development Agency, European Bank for Reconstruction and Development, Japan International Cooperation Agency, and United Nations Development Programme

(UNDP).¹ The answer to the key question that this report addresses -- which entity in this “chain” is best positioned to support commercial follow-up to ODA? -- emerges not as a simple one, rather one that involves reforms and adjustments to the approaches, modalities and “cultures” of a number of relevant entities across the Czech landscape. It is further to be noted that the Aid for Trade Programme, conducted by the Ministry of Trade and Industry, is a critical element in supporting Czech business development abroad, while the Czech-UNDP Trust Fund should continue to play its key role in providing Czech contractors with references, crucial to their positioning for successful commercial follow-up.

Ultimately, it is argued that the Ministry of Trade and Industry, possibly through its CzechTrade entity, may be best positioned to support commercial follow-up to ODA, in coordination with the Czech Development Agency (CzDA) and the Ministry of Foreign Affairs (MoFA) through the embassies representing the Czech Republic in the beneficiary countries. Care would need to be taken, in such a scenario, that appropriate balances between commercial and developmental goals be maintained. In other words, commercial considerations should not come to overshadow the developmental profile of ODA projects, and CzDA should retain the appropriate degree of independence in designing and implementing its projects. This proposal further assumes a corresponding adjustment in resources made available to the Ministry and / or CzechTrade, as appropriate, and, again, involves a number of recommendations targeting many of the relevant entities, applicable from strategic formulation to project design and tender, to implementation and monitoring of ODA, right through to follow-up.

Summary: Recommendations for the Ministry of Foreign Affairs

- Regarding CzDA’s voice in the formulation of ODA strategy, as at this time CzDA is an observer at the IDC Council, and given CzDA’s experience, a reinforced mechanism whereby its recommendations are channeled to MoFA could be contemplated. This may imply an adjustment to the IDC Council structure, or CzDA’s relation thereto.
- Regarding the status of CzDA staff and their efficacy during field visits (or when stationed in beneficiary countries), MoFA may consider identifying a way to bestow diplomatic status on CzDA staff to facilitate the latter’s mobility and access to governmental offices in beneficiary countries.²
- Regarding addressing the complexity of, and rigidities in, the tender process and procurement rules, MoFA might consider reviewing, with CzDA and PPZRS, possibilities to make the rules more “user friendly” to enable more companies and NGOs to bid. This implies a change in, or exemption from, the relevant Czech legislation, without which there would be serious limitations for sustainability and planning. Possibilities to make adjustments, or grant exceptions, to existing procurement rules might also be considered in order to introduce flexibility to allow for changes that may be necessary in the course of project delivery. Introduction of more qualitative elements in determining awards should also be considered, as

¹ The list of individuals interviewed for this report is presented in Appendix I.

² This point has been raised by a number of persons interviewed for this report.

this could contribute to more bids and enhanced competition in the tender process. Implicit in this is the anticipation that more companies taking a “longer (strategic, sustainable) view” to engagement would participate in the tender process, improving prospects for commercial follow-up.

- Regarding covering opportunities along the “value chain”, stronger links between embassies and companies and related institutions, like local chambers of commerce, would reinforce possibilities for commercial follow-up. This could be part of the dynamic of the proposed handover from CzDA, via the embassy, to the commercial counselor or CzechTrade representative. As noted above, such dynamic should not permit an “overshadowing” of developmental goals in ODA projects, nor should it motivate undue interference in CzDA’s conduct of its business.
- Regarding fostering relationships between contractors and embassies, CzDA or MoFA may consider introducing the practice of convening an “introductory” event, providing the opportunity for Czech companies and NGOs to interact in person with newly-appointed Czech Ambassadors, who are to be stationed in beneficiary countries.³
- Regarding provision of financing instruments for development projects, the relevant ministry(ies) might consider establishment of a development finance institution, taking account of implications with respect to legal, regulatory and institutional dynamics.
- Regarding working with local partners and developing projects, prospective contractors should be permitted to develop and submit project proposals together with local partners. While this raises the optic of an “insider’s track”, this approach would contribute to more effective project design and to setting the basis for commercial follow-up. CzDA’s Business Partnership Program and Feasibility Studies Program are the appropriate instruments whereby companies could submit their proposals in cooperation with local partners.
- Regarding support from embassies, provision of information on local companies as potential suppliers for ODA, and more proactive advice on forthcoming project opportunities, even in general terms, would support contractor planning and engagement.

Summary: Recommendations for the Czech Development Agency

- Regarding increasing the pool of companies engaging in ODA, more tenders issued by CzDA (on a correspondingly increased budget) would help by expanding reach to companies, as prospects for more companies would be enhanced and therefore more companies would get involved in the ODA process. In addition, CzDA could consider developing projects targeting improvement of the business environment designed in conjunction with technical, sector-specific projects.

³ This recommendation assumes that the practice is not still being handled by ICC or some other entity.

This would encourage companies to enter and invest in the beneficiary market, improving prospects for commercial follow-up, and would have the added benefit of fostering cooperation between NGOs and companies.

- Regarding project design, CzDA may consider mechanisms to build project design strategically with explicit indications of commercial follow-on opportunities. This should include linking the project logframe (baselines and monitoring and evaluation (M&E) framework and related indicators) to a holistic strategy.
- Regarding reinforcing its Business Partnership Programme, CzDA may consider developing a strategy to engage its staff more intensively, and on a more sustained basis, with contractors from the beginning of the project development process, through design, implementation, monitoring and evaluation, and follow-up, in order to improve the quality of projects and to forge closer working relationships with contractors. This would further serve to improve prospects for commercial follow-up. In general, increased funding for the Business Partnership Programme would, by strengthening private sector interventions, support commercial follow-up.
- Regarding reinforcing collaboration between companies and NGOs as a means to generate more contracting relationships, project design could include identification of opportunities for company-NGO partnerships. The project team could also be tasked with monitoring possibilities for such partnerships, where established, to lead to subsequent direct contractual relationships with CzDA.
- Regarding communication of “success stories”, where currently CzDA communicates successful models of development work involving large, well-known companies, it may be effective to also showcase successful Czech small- and medium-sized enterprises, for example, to motivate further private sector interest.
- Regarding identification of ODA projects, CzDA should consider ways to deepen the technical capacities of its staff, for example through provision of expert training on a regular basis. A related idea is to team CzDA staff with an external expert, for example from the relevant line ministry, for project identification, and for this team to also prepare bid formulation. In general, budget for staffing at CzDA should probably be increased, also to address issues of turnover.

Summary: Recommendation for the Business Platform for Development Cooperation

- Regarding the role of PPZRS in ODA and commercial follow-up, introduction of some manner of performance benchmarking ought to be considered, partly in view of the fact that PPZRS

projects of capacity building are funded from the ODA budget. PPZRS may also consider ways to increase and diversify its membership to achieve a more representative set of companies and to enhance the pool of companies engaging in ODA and commercial follow-up activities. Diversification of membership could itself be a performance benchmark.

Introduction: Key Issues in Official Development Assistance in the Czech Republic

Official Development Assistance as a Priority in the Czech Republic

A common measure of a country's commitment to Official Development Assistance (ODA), in budgetary terms, is the amount allocated to ODA as a share of Gross National Income (GNI). In 2014, the Czech Republic provided USD 209 million in ODA, representing an ODA/GNI ratio of 0.11 percent (an increase of 2.5 percent in real terms from 2013). This is a good performance relative to its immediate neighbors (Hungary's figure for 2013 is .10 percent, Poland's is .08 percent and Slovakia's is likewise .08 percent), however clearly is falling short of the EU-12 target for 2015 of 0.33 percent. Most recently, the migration crisis affecting Europe highlights the importance of ODA in the region, Czech Republic included.

While development assistance is cited as a priority in the context of Czech foreign policy (discussed further below), there is a general perception that development is not receiving the attention it should, at the moment, in Czech governmental circles. The frequent rotation of relevant MoFA staff, including at the embassies, is often cited as a reflection of this. There is also an ongoing, and at times confusing, tension between the concepts of development and commercial support, which in turn tends to position non-governmental organizations (NGOs) and the private sector in a wasteful adversarial position.⁴

For example, there is indeed a role for NGOs in commercial follow-up, and NGOs are now participating in tenders in addition to calls for proposal. NGOs can subcontract to companies, and vice versa, and this type of cooperation is based on synergistic opportunities, as in the case where one Czech company, following its sub-contracting to a Czech NGO, became a direct contractor to CzDA.⁵

Development vs. Commercial Objectives

In attempting to identify the most effective means to support commercial follow-up to ODA project work, the distinction – or tension – between the development and commercial agendas surfaces as the pivotal ministries and agencies involved, including the overarching requirements of the Organization for Economic Cooperation and Development (OECD) / Development Assistance Committee (DAC), require a clear understanding of the difference between these agendas. At the same time, they perhaps should not be entirely separated, as commercial follow-up to ODA by definition involves both objectives. The distinction may more readily apply to considering companies as opposed to NGOs, as the former clearly

⁴ The *distinction* between development and commercial objectives is an important one, including with regard to OECD DAC rules, however the *tension* between the two agendas should be minimized, as discussed below.

⁵ Described in Section IV.

have the profit motive motivating their work, while the latter are more focused on achieving development results for their own sake.

Some confusion further obtains as the commercial side of the equation is often interpreted, incorrectly, as export promotion. The key distinction here is that commercial follow-up refers to a sustained, strategic engagement of the contractor in the beneficiary country – investment, in a word – while export activity, important as it is, has far less to do with investment and sustained presence in the beneficiary country. The sustained presence is expected, moreover, to continue generating positive development impact in the beneficiary country in terms of supplying technical expertise, building markets and generating employment and thereby, raising the standard of living.

Czech companies tend to be exporters of goods and services (technical assistance and capacity-building being a prominent component of the latter) as opposed to investors, exports being less risky than investment. This is a fundamental reason for the relative shortage of commercial follow-up at present: Export to beneficiary countries may be a potential result of ODA, but it is not a goal thereof. Some see insufficient distinction between development and commercial objectives at senior policy levels (CzDA's Business Partnership Programme being an example of support to both sides). While it is crucial that policy makers at the highest level have clarity on the issue so that they can properly design and align incentives, sustainable commercial presence will ultimately derive from the profit motivation as a driver for investment and sourcing from the beneficiary country for, for example, distribution and re-export. The impact of concomitant efforts to improve the business environment (through legal and regulatory reform and certification, for example) in beneficiary countries, often handled by NGOs, will likewise be reinforced, and will be most worthwhile from the "return" point of view (one of MoFA's criteria in country selection), where commercial opportunities exist. This is where the real synergy between companies and NGOs obtains with respect to ODA.

As mentioned elsewhere in this report, in recent years considerably more emphasis has been put on the business and economics side of the equation in ODA. In the Czech Republic, concurrence between MoFA and MTI that ODA complements development and commerce is relatively recent. Since its establishment in 2003, MoFA's Development Cooperation and Humanitarian Assistance Unit "shifted homes" between political and economic pillars fairly frequently, reflecting a certain ambivalence on the issue.

All this said, the major question is how to motivate commercial follow-up to successful ODA. Part of the answer lay in making adjustments to the current ODA dynamic, as set out below, and in identifying a responsible party to facilitate such follow-up. The solution also involves approaching the question with a strategic perspective on the involvement of companies and NGOs in the development assistance process, early in that process.

Toward Commercial Follow-up: A Strategic Approach to Official Development Assistance

Achievement of commercial follow-up to ODA requires consideration of all the relevant institutions and dynamics among them. Incentives and mechanisms facilitating such follow-up, moreover, need to be built into the entire process – introducing mechanisms for follow-up on completion of the ODA project, for example, will be too late to be effective. Accordingly, recommendations set out in this report relate

to the range of entities involved and apply to the process from the start, affecting, for example, strategy at the ministerial level, project design at the development agency level and implementation, monitoring and follow-up at the field level.

A strategic approach to ODA, as, for example, encapsulated in the “value chain” approach to development and commercial engagement in beneficiary countries, is helpful in addressing the question of facilitating commercial follow-up to ODA projects. In effect, this approach links development with commercial sustainability, covering the range of activities from product identification and sourcing to “getting the product on the shelf.”

This view is based on the fact that there is a gap between expertise and promotional activities within the relevant sector. While the provision of expert advice as an input, or complement, to project implementation is not necessarily a goal of ODA, it is logical to work to the contracting company’s advantage and to thereby give Czech companies opportunities for sustained engagement. The current lack of coordination, which is an impediment to commercial follow-up, should, in this view, be addressed by linking recommendations to deployment of technologies. As illustrated in Section IV (the case of Dekonta in Bosnia), advisory work can lead to implementation, and this is also the underlying concept to strategic project design, as recommended below. CzechTrade, for example, could play a key supporting role in this dynamic, while embassies could reinforce it with on-the-ground coordination and contacts, particularly in cases where the project involves government-to-government relationships, as in the water sector, for example.

The situation of a company contracting to CzDA as a result of its sub-contracting to an NGO in Moldova again applies here: The NGO brought capacity-building to the local community in cultivation of crops, and the United States Agency for International Development suggested adding a sales component, whereupon a Czech company was identified to assist in placement of the product on the market – introducing capabilities to export to the European Union (EU) market (see recommendation below to systematize this dynamic via engagement of relevant experts in the project design stage).

Another example can be found in Georgia, where potatoes are imported from Iran despite possibilities to grow them locally, and there is a lack of knowledge on how to get the products to sales points – the knowledge gaps represent missing links in the value chain, which could be addressed by strategic Czech intervention, i.e. sustained investment – commercial follow-up.

1. Official Development Assistance: Policy and Strategy in the Czech Republic

Following a redesign of the ODA “architecture”, the Ministry of Foreign Affairs sets ODA strategy with the engagement of various ministries and other key supporting institutions, a consolidation that by most accounts has improved the process of relevant policymaking and delivery.

Official Development Assistance strategy in the Czech Republic is set by the Ministry of Foreign Affairs (MoFA). Coordination of ODA with other ministries and relevant institutions is achieved via the International Development Cooperation Council (IDC Council), which meets every two months and whose membership comprises line ministries and organizations such as the Czech Development Agency (CzDA, which has the primary mandate for ODA implementation), the Czech Forum for Development Cooperation (FoRS, representing Czech NGOs) and the Business Platform for Foreign Development Cooperation (PPZRS, representing Czech companies).⁶

In the context of the global development scheme, the Czech Republic joined the OECD / DAC in 2013. DAC sets the framework for member countries’ development assistance through a range of activities including monitoring and sharing of ODA statistics and other flows of development assistance and untied aid, with a view to ensuring transparency, evaluating development programmes to help improve processes and management, advising on the range of development policy issues, and fostering partnerships to facilitate integrated approaches to development.

Ministry of Foreign Affairs

The Ministry of Foreign Affairs develops and articulates the country’s ODA at the policy and strategic levels. ODA strategy formulation and implementation has been consolidated under the MoFA’s mandate via a restructuring that has taken effect since 2008. Prior to this restructuring, ODA was handled by individual line ministries, the restructuring a response to this “fragmented” approach and attendant need to improve coordination of ODA implementation. There remain a number of specific “line” programmes handled by individual ministries, for example the Ministry of Trade and Industry (MTI) administers Aid for Trade in support of Czech exports, and it houses CzechTrade, which supports Czech companies in their efforts to invest abroad. The Ministry of Finance (MoF) handles technical assistance in public financial management and the Ministry of Interior handles programmes related to migration and domestic humanitarian assistance, while the Ministry of Education handles scholarship programmes. Aspects of MTI and MoF programming are discussed below.

⁶ For a comprehensive list of members of the IDC Council and the background of its formation, see [Transformation of the Czech International Development Cooperation System 2008](#), Ministry of Foreign Affairs of the Czech Republic.

Development cooperation is identified as “an integral part of the Czech Republic’s foreign policy and contributes to the achievement of its objectives.”⁷ Its principles are based on democratic ownership, strengthening partner countries’ systems and capacities, and an approach to implementation based on a policy of transparency. Three key elements of ODA in the Czech Republic are the establishment of the Department of Development Cooperation and Humanitarian Aid within MoFA as the dedicated unit to development cooperation, the establishment of the Czech Development Agency in 2008 as the key entity tasked with implementing development cooperation, and the expansion of development cooperation to include the concept of transformation cooperation and its implementation, most (though not only) relevant among the Czech Republic’s neighbors in Central and Eastern Europe.

Beyond bilateral cooperation, the Czech Republic is engaged in multilateral cooperation in supporting development, participating in the various platforms of the EU, the United Nations (UN, in particular the UNDP, including the Czech-UNDP Trust Fund, discussed below), the OECD and the World Trade Organization (WTO). The Czech Republic further collaborates with the range of international financial institutions, including the World Bank (and within which, the International Development Association and the Global Environment Facility), the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB).⁸

MoFA, in its position of coordinator of development cooperation, runs awareness-raising activities including preparation and dissemination of documents and publications, operation of a website, ongoing engagement with the media, convening of conferences and exhibitions, and extension of financial support to the nongovernmental and academic sectors.

Country Priorities

As set out in MoFA’s Development Cooperation Strategy for the period 2010-2017, definition of territorial priorities for development cooperation takes into account the Czech Republic’s comparative advantages, geographic distribution of beneficiary countries, recommendations made by OECD / DAC and the World Bank, and, importantly, attempts toward an approach balancing development cooperation as a tool of poverty eradication and achievement of other Millennium Development Goals on the one hand, and as an integral element of Czech foreign policy on the other (this balance requires extension to the objectives of development and commercial support, as will be elaborated below).

Priority (“programme”) countries have been accordingly defined in the current MoFA strategy as Afghanistan, Bosnia and Herzegovina, Ethiopia, Moldova, and Mongolia. Project countries (beneficiary countries in which Czech ODA is active, however without full programmes) comprise Cambodia, Georgia, Kosovo, the Palestinian Autonomous Territories, and Serbia.⁹

⁷ Source: The Development Cooperation Strategy of the Czech Republic, 2010-2017, MoFA.

⁸ There is some dissatisfaction in some quarters regarding multilateral cooperation, with a view that the Czech government contributes to organizations like the EU, WB, and GEF, however “gets little back” in terms of engagement.

⁹ Cooperation has essentially been phased out, or is being phased out, of a third group of countries including Angola, Vietnam, Yemen, and Zambia.

In the process of selecting beneficiary countries, considerations further include security and the related need to support stabilization of volatile situations, particularly those “in the neighborhood”, which motivates the focus on the Western Balkans. Second, the Sustainable Development Goals and a requirement to maintain a presence in developing countries imply that such countries must comprise at least half of ODA target countries. Third, at least one country must be such that a subsequent return in terms of benefits to the Czech Republic can be seen, and fourth, the new issue of migration and the pressures it is bringing onto European countries requires that there must be at least one “source” or “transit” country on the list of beneficiary countries.¹⁰ In general, it is desirable that beneficiary countries have a national development strategy to which Czech ODA can be effectively linked.

As the current ODA strategy comes under review, major changes to the list of beneficiary countries are not generally anticipated as there is a desire to maintain some consistency and longer-term presence for the benefit of effective ODA implementation (and as is desired by more than one ODA implementing contractor). One change in targets that has generated some concern among contractors is the exit from Vietnam, discussed below, where ODA is now focused only on scholarships and small local projects in the health and education sectors.

Sectoral Priorities

The Czech Republic has established, in its current strategy, sectoral and thematic priorities taking into account a recommendation made by OECD/DAC in 2007 that Czech ODA should concentrate “... on areas where the Czech Republic has a clear comparative advantage and value added.”¹¹ Accordingly, the five priority sectors are environment, agriculture, social development (including education, social and health services), economic development (including energy), and the promotion of democracy, human rights and transformation. With regard to economic development, focus is on supporting small- and medium-sized enterprises and development of labor markets and trade, with reference to priorities as identified by the WTO, as well as assistance in the formulation of trade policies, development of supporting regulatory environments and support to state administrations in establishing rules and helping to remove barriers. The Ministry of Industry’s Aid for Trade Programme is a key instrument to this end. In the area of transformation, in which the Czech Republic has substantial experience, assistance is provided to beneficiary countries via the “Transformation of Financial and Economic Cooperation Programme”, run by the Ministry of Finance.

Cross-cutting principles further contributing to the development agenda are good (democratic) governance, respect for environment and the climate, and respect for the basic human, economic, social and labor rights of ODA beneficiaries, including gender equality.

It is possible that the number of priority sectors will be reduced, in the context of the review of the current strategy and preparation of the next period strategy, to two or three per country (for example, agriculture in Georgia and inclusion in Kosovo, possibly).¹²

¹⁰ Information provided by Hana Sevcikova, Director, Department of Development Cooperation and Humanitarian Aid, Ministry of Foreign Affairs of the Czech Republic.

¹¹ Development Cooperation of the Czech Republic – DAC Special Review, 2007.

¹² MoFA prepares a “Global Opportunities” document, a compendium of ODA opportunities.

While MoFA, and CzDA are the central institutional entities in formulating and delivering ODA, important roles are also played by the Ministry of Trade and Industry and the Ministry of Finance.¹³ It should be noted, moreover, that ODA's priority is not to support Czech business, but rather to respond to needs and priorities identified in partner countries. As will be elaborated below, the intersection of these two agendas informs the question of how best to facilitate, or incentivize, commercial follow-up to ODA projects.

Ministry of Trade and Industry

In the context of ODA the key activity administered by MTI is the Aid for Trade programme, which supports Czech companies' exploration, entry and strategic planning in partner countries. That said, the priority for this programme is, as in ODA, the partner country. Furthermore, the crucial point of contact for this programme in the field is the embassy, which is best positioned to deal with particular local issues and establishing relationships with partner entities.

The process for engagement in-country starts with a local company or state agency (the latter necessarily involved) submitting a request for assistance to the local Czech Embassy, which, where the request concerns trade issues, forwards it on to MTI for consideration. MTI then selects the most viable projects and consults with MoFA before preparing tenders. Tenders are announced in February-March of a given year, contracts issued in May-June, and projects generally wind up in November. Tenders are open to competition worldwide, although internet postings are in Czech-language only (which is a *de facto* restriction). MTI also advises companies, NGOs, academic institutions, and chambers of commerce regarding tenders. A dedicated commission then reviews offers and makes selections.

MTI's budget for Aid for Trade is CZK 6 million, with individual projects averaging around CZK 700,000. Projects target, among others, improving the business environment, supporting SMEs, and nurturing competition. While projects do not always have a trade component, MTI expects that there will be some linkage to trade, at some point. The one-year duration is arguably too short and could benefit from lengthening (as could other aspects of ODA, indicated below) in order to foster a longer-term and more strategic and sustained engagement -- and correspondingly heightened impact -- in beneficiary countries.

Indications are that currently MTI's scope for ongoing engagement post-project are limited -- the general view is that it is up to the contractor to progress beyond the project. MTI does engage in some informal follow-up, doing "exit interviews" and performing informal monitoring and results assessment, however the engagement more or less ends there. That said, MTI's new strategy is under preparation and future approaches for Aid for Trade, as it relates to ODA, are under discussion under the auspices of the IDC Council.

This is an important point given this report's views on MTI involvement in commercial follow-up. It may be considered, for example, that MTI, possibly through its subsidiary entity, CzechTrade, could be well positioned to support commercial follow-up in beneficiary countries, pending certain changes in structure and approach. Key issues, as always, are budget -- more or less all institutions and related

¹³ As noted above, other ministries are also involved on ODA, e.g. the Ministry of Education and the Ministry of Interior, however for the purposes of this report focus is on, in addition to MoFA, MTI and MoF.

entities seek additional funds for their programmes – and capacities. In addition, CzechTrade may have some reticence with respect to supporting post-ODA work, as they are focused on their current agenda to support “real business”. In this respect, according to some involved, CzechTrade and CzDA do not have much in common. As will be elaborated below, however, some de-emphasis on the distinction between development and commercial agendas, and a corresponding adjustment in approach, could entail a “handover” from one agenda to the other – from development assistance to commercial follow-up -- to the benefit of both.

There is, in any case, already some overlap between the two areas and, therefore, between MoFA and MTI: Where MTI is not present in the field, MoFA handles some of the more basic services supporting Czech companies, as well as business-to-government (B2G) networking. Currently there are some 60-70 staff in the field handling B2G, in every embassy.

Ministry of Finance

The Ministry of Finance (MoF) is engaged in ODA planning through its membership in the IDC Council. This involves consultations on, among others, budgetary issues and mid-term forecasts.

The relevant programme at MoF with respect to ODA is the Technical Cooperation Project (TCP), which was initiated in 2007 in response to requests from various countries on issues related to financial and economic transformation, in particular matters regarding EU accession, the *acquis communautaire*, and public financial management (including tax issues, municipal financing, and protection of investments), areas requiring attention in light of, among others, EU and donors’ compliance requirements.¹⁴

In terms of coordination with MoFA on ODA, while, as noted above, MoFA conducts, as part of its awareness raising and knowledge dissemination strategy, seminars for private sector actors as prospective ODA participants, indications are that MoF does not receive feedback on a regular basis regarding the utility of these activities. Enhanced communication on feedback and follow-up to such awareness-raising activities may therefore be beneficial in terms of inter-ministerial coordination.

Most MoF activities regarding ODA are now conducted in the multilateral context, in partnership with, among others, the World Bank, EBRD and other International Financial Institutions (IFIs). Cooperation includes awareness-raising activities regarding opportunities that IFIs offer, such as workshops with IFI representatives on opportunities for Czech entrepreneurs, investors, suppliers and consultants. Success stories are monitored and lessons learned are disseminated. While opportunities at the multilateral level are broader in size and scope than those with bilateral projects, there is an information gap regarding the magnitude of IFIs’ annual investments and the corresponding need for quality consultants and contractors to support implementation of these projects. Again, improved communication in this regard might contribute toward raising the number of Czech companies that could successfully compete in open IFI tenders.

The Czech Republic established an instrument at the EBRD in 2008 which has proven to be quite effective in terms of engaging Czech companies, the bilateral Czech Technical Cooperation Fund. The Fund was established with a total contribution of over EUR 18 million as a means for securing

¹⁴ International tax cooperation is a point of emphasis on the Addis Ababa Action Agenda of the Third International Conference on Financing for Development (July 2015).

participation of the Czech private sector in EBRD projects, primarily targeting Czech consultancies. The Fund was also intended to serve as a training and educational tool, whereby the Czech-funded EBRD assignments were available to Czech consultants only, alongside a local component of up to 25-35 percent, enabling establishment of closer ties with local partners. Over fifty individual projects have been funded bilaterally across different sectors and regions through this instrument, providing Czech consultants with valuable opportunities to learn the procurement process while exposing them to international competition.

The Fund further has limited companies to winning tenders only twice, in order to encourage new companies' entry as well as formation of consortia, thereby facilitating knowledge and skills sharing. Czech consultants' participation in EBRD projects under open competition increased substantially (ranking several times among the top 10 EBRD consultants based on nationality). Czech expertise was most often deployed in the municipal infrastructure sector, in water and wastewater management, solid waste and public transport, as well as in the environment and energy efficiency sectors. The experience gained by Czech contractors through the Fund has further been useful for prospective work with other IFIs, given similarities across institutions' procurement rules, as well as for accessing sizeable grants from other donors via IFIs.

As IFIs are tending to focus on consultancies, with application to project identification and preparation as well as implementation, experience with this Fund has facilitated Czech contractors' engagement in numerous IFI tenders. That said, in view of the overall trend away from tied funding, this Fund is to be closed with effect from January 1, 2016, and will be replaced with funding provided by the Ministry to selected regional multi-year frameworks at EBRD that are likely to draw on Czech comparative advantage, specifically, the Energy Efficiency and Water and Wastewater Regional Frameworks.

Another area of particular interest at MoF is that of reporting on ODA to, among others, OECD / DAC. This reporting is increasingly complementary to other areas like climate financing, and institutions like the UN, European Commission and Eurostat are requiring relevant data. Inconsistencies in reporting on exports and other activities will be a key challenge going forward, particularly as these inconsistencies could affect private sector involvement. Even those responsible for gathering and reporting statistical data are increasingly showing concern that economic components like re-exports and remittances are at times difficult to define and report. This further implies questions as to the accuracy of figures like the ODA / GNI ratio.

Regarding ODA implementation, MoF has favorable experience collaborating with CzDA, for example working with state institutions in Georgia on public administration and hosting delegations in Prague for seminars on public finance and governance. MoF is currently planning seminars to be held jointly with the International Finance Corporation on Czech company involvement in IFC operations, which is a potentially important instrument for commercial follow-up.

ODA Strategy: Key Supporting Institutions

Business Platform for Development Cooperation

The Business Platform for Development Cooperation (PPZRS, in the Czech-language acronym) was established as "the voice of business" in ODA and is the primary interlocutor with MoFA, on behalf of

the Czech corporate community, in ODA affairs. PPZRS membership comprises the five major employers' associations (e.g. the Czech Confederation of Industry) and 18 individual companies.

Strategically, PPZRS was established to support the new ODA structure and to effectuate a change in companies' thinking about ODA, to progress companies from "just exporting," and to likewise contribute to a change in NGOs' thinking about the private sector. Dynamics between the two segments aside (see below), the agenda to bring ODA and the private sector closer together should evidently be assisted by the current, broad (global) trend toward increasingly engaging the private sector in development assistance -- thanks partly, in the Czech case, to the current government's private sector-orientation.¹⁵ One effect of this trend on PPZRS is apparently an enhanced interest in the Platform on the part of Czech governmental ministries, which are increasingly seeking assistance in building relationships with companies to implement the "new" company-friendly agenda. It is widely held, that more companies ought to be brought into the ODA framework (which in turn would reinforce possibilities for commercial follow-up).

Recommendation: Regarding the role of PPZRS in ODA and commercial follow-up, introduction of some manner of performance benchmarking ought to be considered, partly in view of the fact that PPZRS projects of capacity building are funded from the ODA budget. PPZRS may also consider ways to increase and diversify its membership to achieve a more representative set of companies and to enhance the pool of companies engaging in ODA and commercial follow-up activities. Diversification of membership could itself be a performance benchmark.

Czech Forum for Development Cooperation

The Czech Forum for Development Cooperation (FoRS, in the Czech language acronym), founded in 2002, is a platform of 54 non-profit, non-governmental organizations focused on development cooperation, development education and humanitarian aid. FoRS is a founding member of CONCORD, the European Confederation for Relief and Development, which represents over 1,600 European NGOs with respect to the European institutions.

FoRS' goal is to promote greater relevance and effectiveness of Czech and international development cooperation, to enhance positive impact on populations in developing and transition countries, and to strengthen cooperation and relations between Czech state institutions and the EU and European NGOs engaged in development cooperation.

The stated focus of FoRS is shared value, an important concept that underlies sustained investment, in particular from the perspective of Corporate Social Responsibility (CSR). This is relevant as CSR is not, in general, a concept that has yet gained much transaction in the Czech Republic (or elsewhere in Central Europe, for that matter). To the extent that company management, and corporate boards, understand, accept and act on the principles underlying CSR, and their closely associated, though more narrowly defined, principles of corporate governance, sustainable investment will become a more integral

¹⁵ The Addis Ababa Third International Conference on Financing for Development, held in July 2015, notes that "[p]rivate business activity, investment and innovation are major drivers of productivity, inclusive economic growth, and job creation."

component of business planning. In this regard, awareness-raising and capacity-building in the fields of CSR and corporate governance would serve to reinforce trends toward commercial follow-up.¹⁶

This also applies to beneficiary countries, for example Georgia, where an NGO recently accused a Czech contracting company of being unethical, despite the company's engaging in CSR activities, such as developing schools and roads. Over time, the company representative came to consider that the local community was pushing the company "to the limits" such that the company is now considering leaving the country. This type of pressure – where not warranted -- clearly runs counter to the goal of sustainable presence.

Complementarity of the two platforms' agendas

Understandably, FoRS and PPZRS have a somewhat conflicted relationship, given their respective ideological bases, membership and agendas. To the extent that "debates" between FoRS and PPZRS contribute to a balanced ODA approach, the two sets of inputs are productive and necessary. They also reflect the recurrent question as to whether commercial follow up to ODA is a matter of development or commercial policy -- and, therefore, where the responsibility lies. While it is necessary to keep these distinctions in mind, not least with respect to conforming to DAC requirements on the use of development funds (with which the Czech Republic has had some experience), the two concepts ought not be over-emphasized, as in reality the answer covers both areas: Companies and NGOs that work in the interest of development, and have (particularly in the former case) a commercial interest in doing so. While clearly development cooperation should not serve as a "tool" of exports and commercial objectives, these need not be contradictory agendas.

Beyond PPZRS and FoRS, some consider that a reinforced role for sectoral associations, for example those of companies active in the environmental or water and sanitation sectors, in ODA would serve to provide focus to setting commercial follow-up strategy, and would mitigate any gaps in expertise (for example, at CzDA) in project preparation. This could be effectuated through the IDC Council (in which the Industry and Transport Association is currently a member).

2. ODA Implementation: Recommendations toward Commercial Follow-up

The Czech Development Agency and Czech embassies in beneficiary countries are the key implementation mechanisms for ODA. They can, and should, play reinforced roles in supporting commercial follow-up, alongside the critical roles played currently by the Czech-UNDP Trust Fund, and potentially by CzechTrade and MTI.

¹⁶ It should be borne in mind that CSR tends to play a role more with large companies which may have a greater stake in reputational risk, while also having more resources to allocate to such activities. Reputational pressures tend to be lighter on smaller companies.

Czech Development Agency

The Czech Development Agency (CzDA) is the key implementing agency for ODA in the Czech Republic. Established in 2008, CzDA cooperates closely with MoFA in the delivery of development cooperation, contributing to the articulation of development cooperation programmes in beneficiary countries, and ensuring proper operation of the various stages of management of project cycles. A key element of the Czech ODA “chain,” CzDA, with a budget of CZK 400 million, cooperates with, in addition to MoFA, the other participants in setting ODA strategy, namely the IDC Council, PPZRS and FoRS, and other ministries as needed. One issue regarding CzDA’s involvement in the ODA planning process involves a general view that it could have a stronger voice in the strategic preparation of ODA.¹⁷

Recommendation: Regarding CzDA’s voice in the formulation of ODA strategy, as at this time CzDA is an observer at the IDC Council, and given CzDA’s experience, a reinforced mechanism whereby its recommendations are channeled to MoFA could be contemplated. This may imply an adjustment to the IDC Council structure, or CzDA’s relation thereto.

CzDA’s focus is on bilateral assistance, with grants and technical assistance being the main tools of intervention. The Agency does not extend loans or other financial instruments, imposing something of a limitation on its modalities of engagement, with such areas being (potentially) covered by the Czech Export Bank (CEB), CzechTrade, and the Export Guarantee and Insurance Company (EGAP), discussed below.

An important “sideline” for CzDA is to help forge cooperation between PPZRS and FoRS. This objective is somewhat facilitated by the fact that, while the private sector and NGOs are normally competitive for ODA and do not view each other as complementary (a situation that was earlier actually reinforced by a *de facto* allocation of award quotas), there is an emergent tendency, as reflected in the IDC Council, among others, whereby NGOs are coming to see business development as a necessary part of the bilateral cooperation process, while companies are increasingly seeing advantages with respect to social impact, meaning, the positive developmental impact of their work.

Enhanced cooperation between NGOs and companies would bring benefits in terms of leveraging the synergies between the two, for example, NGOs’ focus on improving the environment for doing business alongside companies’ actual business engagement. Moreover, such cooperation would reflect the broader trend in development to increasingly engage the corporate sector in achieving developmental goals.

Progress on this front, however, is not yet translating into a flood of interest on the part of the private sector in ODA, and one of the main challenges in fostering increased commercial follow-up in the Czech

¹⁷ It has been suggested that CzDA might also benefit from enhanced cooperation with counterparts like the Swedish International Development Cooperation Agency (Sida).

Republic relates to the degree of private sector interest in ODA in the first place.¹⁸ Given the technical nature of most projects, the pool of companies is not large to begin with. In addition, CzDA is not receiving a sufficient number of quality proposals because companies often are not focused on the social impact, or development, side, which is CzDA's central mandate.

Moreover, there is limited interest among Czech companies in working abroad. Frequently cited reasons involve staffing limitations, lack of language skills, lack of familiarity with the beneficiary market (including lack of contacts and experience), unaccommodating legal and regulatory environments, insufficient protection of intellectual property (IP), transparency issues, and the presence of corruption. The following comment summarizes: "The main enemy of private sector engagement is fear. Suppliers are often technical people and not business people, therefore they lack the relevant understanding and knowledge." Reinforcing such fear, perhaps, is some experience with regard to IP. For example, consultancy and engineering are generally considered as growth areas. There was an instance where a company partnered on two occasions in Africa with an NGO and an agricultural university in project implementation, and on the third occasion the NGO and university competed against the company.

More broadly, some countries included in the ODA priority list are not of strategic interest to companies, usually given physical distance (logistical costs) and cultural dissimilarities. Specific to commercial follow-up, some companies are simply reluctant to work in markets abroad – particularly where the perception of risk is high -- without state support (a legacy, some suggest, of the previous economic regime).¹⁹

So there is the question of how to expand past the existing pool of bidders. Development assistance is, overall, not a priority for Czech companies, and often when they do engage in development work, it is as suppliers to other, larger companies based in other countries -- and they don't "graduate" past that position.²⁰

Recommendation: Regarding increasing the pool of companies engaging in ODA, more tenders issued by CzDA (on a correspondingly increased budget) would help by expanding reach to companies, as prospects for more companies would be enhanced and therefore more companies would get involved in the ODA process. In addition, CzDA could consider developing projects targeting improvement of the business environment designed in conjunction with technical, sector-specific projects. This would encourage companies to enter and invest in the beneficiary market, improving prospects for commercial follow-up, and would have the added benefit of fostering cooperation between NGOs and companies.

¹⁸ A lack of interest may have been unfortunately reinforced earlier by a strategy adopted by some Czech companies, at the time of EU accession in 2004. As the development assistance market was already then populated by, for example, British, French, and German firms, and given the relatively small size of Czech companies, some Czech companies adopted the tactic of joining consortia as junior partners. This worked to some extent, however did not lead to major traction for Czech companies.

¹⁹ According to CzDA, typically some twenty companies download a tender, and then two or three bid.

²⁰ CzDA is seen by some as "emergency aid."

A related point is that there is a relatively small group of Czech companies that are familiar with the tender process, and who bid on a recurrent basis, limiting the scope of private sector engagement. Some view these companies as using CzDA projects as a “crutch”, and as being generally unclear with regard to their own core business strategies, focusing on management while subcontracting the technical components of the project. According to this view, moreover, companies operating independently of state support tend to already be familiar with the target market, and have their own plan in place.

CzDA’s intentions to assess demand programmatically and to engage companies in covering various components of the development “value chain” (discussed above) will serve to expand the pool of companies engaging in ODA. This “chain” would include, for example, local sourcing, production processes, and marketing, sales and export strategies, all of which could involve Czech expertise, depending on the country and sector.

An enhanced approach to project design would motivate such strategic engagement and consequent commercial follow-up. Projects could be designed to explicitly account for Czech contractor involvement during different stages of project development and post-project work (various points along “the chain”). A mechanism to reinforce such involvement is used by the Austrian Development Agency (ADA), which extends soft loans with a requirement that the project contain at least fifty percent “Austrian” value added, a requirement that integrates the Austrian company more tightly in project design and motivates longer-term engagement.²¹

Recommendation: Regarding project design, CzDA may consider mechanisms to build project design strategically with explicit indications of commercial follow-on opportunities. This should include linking the project logframe (baselines and monitoring and evaluation framework and related indicators) to a holistic strategy.

CzDA is further addressing the need to incentivize companies that are truly serious about strategic, or sustainable, engagement in beneficiary countries to engage in the ODA process. Progress in this area will be important to generating the supply of companies that will pursue commercial follow up, either with some form of state support or independently. One response to this challenge has been CzDA’s introduction of a Business Partnership, or “B2B” programme, which endeavors to support companies and NGOs in their initial exploration of target markets.

This initiative was inspired by a similar programme run by ADA, although an important difference with the Austrian example is that ADA’s approach is more intensive, engaging with the contractor on a sustained basis from the first steps in the process in order to ensure proper use of the award.²² In this way, ADA develops a more comprehensive understanding of the contractor’s planning and objectives. Impediments to CzDA deploying this kind of approach include the aforementioned legacy of mistrust and related potential for accusations of preferential treatment – as well as, in all likelihood, budgetary and staffing limitations.

²¹ This type of requirement would, in the Czech case, necessitate engagement of another institution, e.g. CEB, as CzDA does not provide loans, or perhaps creation of a development finance institution, discussed below. It may also be more relevant with regard to engagement in more developed countries, given LDCs’ higher likelihood of inability to repay even soft loans.

²² ADA’s approach, and illustrative aspects of commercial support and ODA as practiced in Finland and Japan, are described in Appendix II.

This is an important point, as the share of companies engaged in the Business Partnership Programme that achieve substantive, meaningful business development is fairly low (it should be kept in mind that this type of activity typically carries with it a relatively low success rate). CzDA management is accordingly considering options to reform the proposal review process with a view to raising the proportion of contractors that succeed in business development. These include improved definition of activities, outcomes, outputs, indicators, and risks, as well as the aforementioned earlier and sustained engagement of CzDA staff.

Recommendation: Regarding reinforcing its Business Partnership Programme, CzDA may consider developing a strategy to engage its staff more intensively, and on a more sustained basis, with contractors from the beginning of the project development process, through design, implementation, monitoring and evaluation, and follow-up, in order to improve the quality of projects and to forge closer working relationships with contractors. This would further serve to improve prospects for commercial follow-up. In general, increased funding for the Business Partnership Programme would, by strengthening private sector interventions, support commercial follow-up.

A more general challenge faced by CzDA is that of staffing. CzDA currently has few tools for maintaining contact with companies following closure of ODA projects and, taking into consideration budgetary constraints, indicate their intention to request additional staff in the coming year, some of whom would be positioned on a full-time basis in the field. This would be helpful in terms of systematic feedback regarding opportunities in the field, more sustained monitoring of project progress and impact, developing local contacts, and supporting commercial follow-up. In addition, CzDA staff currently do not enjoy diplomatic status, limiting their access (for example, to host-country governmental offices) and imposing constraints on their mobility with respect to field visits.

Recommendation: Regarding the status of CzDA staff and their efficacy during field visits (or when stationed in beneficiary countries), MoFA may consider identifying a way to bestow diplomatic status on CzDA staff to facilitate the latter's mobility and access to governmental offices in beneficiary countries.²³

Another channel for reaching a greater number of companies would be to systematize identification of companies that subcontract to NGOs (and vice versa, for reaching NGOs). This approach would, of course, work to the extent that the subcontractor is a Czech company or NGO (sub-contractors are often local entities in the beneficiary country, given, for example, price competitiveness and local knowledge). CzDA is considering ways to establish such linkages more systematically, for the time being focusing efforts on awareness-raising. An example of such a dynamic, in which a company became a contractor to CzDA as a result of subcontracting to an NGO, is presented in Section IV.²⁴

Recommendation: Regarding reinforcing collaboration between companies and NGOs as a means to generate more contracting relationships, project design could include identification of opportunities for company-NGO partnerships. The project team could also be tasked with monitoring possibilities for such partnerships, where established, to lead to subsequent direct contractual relationships with CzDA.

²³ This point has been raised by a number of persons interviewed for this report.

²⁴ This does not mean to overlook the value inherent in Czech companies' bidding for contracts as part of a consortium, providing exposure and contacts with companies abroad, a practice already in place (see footnote 15).

It is worth noting that in some beneficiary countries, for example Moldova, NGOs are achieving greater success than their company counterparts. This may be due to NGOs' dedicating more resources to deepening expertise in proposal preparation and the tender process.

CzDA's ability to reach a greater number of companies does involve the tender process, which is viewed by some as excessively complicated, limiting the number of companies bidding, as noted above, and rigid. Preparation of bids is in any case a time-consuming investment, and a sunken cost especially noticeable when the bid is not successful. Regarding rigidities, according to existing legislation, CzDA must follow budgeting and procurement procedures which are not entirely sensitive to development cooperation. For example, if there is an issue in the field with the local partner, mid-course corrections are difficult to make and a new tender issuance is required.²⁵

A new approach followed by CzDA involving breakdown of tenders into components enables more companies to be involved, and indications are that new companies are bidding. A related issue regarding tenders is that qualitative assessment of bids is currently difficult to do, given the emphasis of tenders on price as the key factor in determining awards. (The focus on price also makes planning and specification at the outset of the activity tricky.) Moreover, in the context of projects in which there is a major "know-how" component, qualitative criteria would be more relevant. That said, it is a challenge to make the tender criteria more qualitative, as qualitative criteria carry with them an element of subjectivity.

Some form of relaxation of the tender process and procurement rules would likely help raise prospects for both private sector participation in the ODA process and commercial follow-up. This is not an easy task given the requisite need to address legislative and regulatory requirements. However such adjustments, or perhaps some carefully selected exemptions granted to ODA actors, could have substantial, long-term benefits in terms of facilitating private sector participation and opening the way for enhanced commercial follow-up.

Recommendation: Regarding addressing the complexity of, and rigidities in, the tender process and procurement rules, MoFA might consider reviewing, with CzDA and PPZRS, possibilities to make the rules more "user friendly" to enable more companies and NGOs to bid. It is recognized that this implies a change in, or exemption from, the relevant Czech legislation, without which there would be serious limitations for sustainability and planning. Possibilities to make adjustments, or grant exceptions, to existing procurement rules might also be considered in order to introduce flexibility to allow for changes that may be necessary in the course of project delivery. Introduction of more qualitative elements in determining awards should also be considered, as this could contribute to more bids and enhanced competition in the tender process. Implicit in this is the anticipation that more companies taking a "longer (strategic, sustainable) view" to engagement would participate in the tender process, improving prospects for commercial follow-up.

CzDA endeavors to disseminate information on "success stories" as a way to generate interest in ODA projects. While such stories that focus on larger, well-known companies, like Nestle or Unilever, are of interest, stories about smaller Czech companies may attract more attention among the Czech private sector, given scales.

²⁵ The rigidities were introduced to address past abuses of flexibilities in tender processes, e.g. companies extending duration of contracts and corresponding fees charges, at times without legitimate basis.

Recommendation: Regarding communication of “success stories”, where currently CzDA communicates successful models of development work involving large, well-known companies, it may be effective to also showcase successful Czech small- and medium-sized enterprises, for example, to motivate further private sector interest.

The Role of Embassies

A frequently heard observation is that the voice of embassies in planning and deciding on ODA projects should be stronger, given their on-the-ground knowledge. That said, MoFA is currently charged with doing project evaluations and, given various constraints, does so selectively. These evaluations are sometimes not highly focused on strategic development opportunities, including post-project build-up.

In the field, Czech embassy staff sizes are usually small (typically comprising three or four professionals, including the Ambassador, and three or four local hires) and therefore diplomats charged with development assistance are almost always multi-tasking, for example on consular duties. In addition, embassy staff often do not possess project-level experience, and may have limited knowledge of contractors or technical expertise needed to properly assess project delivery and follow-up. Missed opportunities in the “value chain” can result, as in the case in which a Czech company performed a geological survey in Mongolia, the results of which were handed to the Mongolian government without Czech follow-up, whereupon companies from other countries engaged in subsequent project implementation.

Recommendation: Regarding covering opportunities along the “value chain”, stronger links between embassies and companies and related institutions, like local chambers of commerce, would reinforce possibilities for commercial follow-up. This could be part of the dynamic of the proposed handover from CzDA, via the embassy, to the commercial counselor or CzechTrade representative. As noted above, such dynamic should not permit an “overshadowing” of developmental goals in ODA projects, nor should it motivate undue interference in CzDA’s conduct of its business.

A related idea regarding embassies draws on the experience of the Czech branch of the International Chamber of Commerce (ICC), which in recent years introduced a practice of newly-appointed Czech Ambassadors presenting themselves to the Czech business community. This practice fomented companies’ (or NGOs’, as the case may be) introduction to the embassy, generating opportunities for follow-up and effectively overcoming a certain reluctance (“shyness”) on the part of prospective contractors with respect to the embassy.

Recommendation: Regarding fostering relationships between contractors and embassies, CzDA or MoFA may consider introducing the practice of convening an “introductory” event, providing the opportunity for representatives of Czech companies and NGOs to interact in person with newly-appointed Czech Ambassadors who are to be stationed in beneficiary countries.²⁶

Czech-UNDP Trust Fund

²⁶ This recommendation assumes that the practice is not still being handled by ICC or some other entity.

The Czech-UNDP Trust Fund (CTF) was established in 2000 to support the sharing of Czech expertise in the areas of environment, economic transformation, accession to the EU, democratic governance, and HIV / AIDS prevention. Operating on an annual budget of approximately \$500,000 (subject to the exchange rate, currently standing at \$320,000), CTF supports study tours, workshops, expert consultations and research and feasibility studies. Through these activities, it further motivates the development of professional contacts and engagements, which often lead to business development with a demonstration of development impact. Project examples include building energy efficient schools in FRY Macedonia, capacity-building of Montenegro's State Audit Institution, or introduction of modern management of toxic chemicals in Kyrgyzstan and Kazakhstan.

CTF plays a key role in providing Czech companies and experts with exposure to new markets in the international environment, where, for example, international standards and practices can be learned. Support for initial engagements helps to address companies' insecurities regarding corruption, property confiscation, and the overall business environment in beneficiary countries. The required due diligence is something that typically only larger Czech companies can afford, given the substantial up-front investment that this entails. Perhaps most importantly, CTF is crucial in providing references to Czech companies (cited elsewhere by CzDA contractors Dekonta and GEOtest, for example, as a prerequisite for successful commercial follow-up).

CTF's role in positioning Czech experts in the field provides access and contacts, often generating opportunities for further work with other consultancies or in the context of larger and more complex tenders with, for example, the EU, the World Bank, the EIB and UN agencies. One example is the case of GEOtest, a geological consultancy, which went on to implement a project involving technical design for remediation activities at a mine site in Albania (paid for by UNDP Montenegro).

Experts deployed by CTF are also often hired for subsequent work by UNDP, for example in the context of Global Environment Facility (GEF) projects. There has been at least one case where a CTF programme has led to a company establishing a branch office in a beneficiary country (Dekonta, in Bosnia, described further in Section IV). CTF has also motivated long-term institutional cooperation, as in the case of the Centre for Environmental Protection at Charles University. Cooperation between the Centre and authorities in Kosovo led to the latter visiting a waste water treatment plant in Prague, which in turn led to contacts with ATEM, a Czech company active in environmental assessment. CTF plays a key role, overall, in disseminating Czech expertise in beneficiary countries, and in facilitating contacts that often lead to strategic commercial follow-up.

CzechTrade

CzechTrade is the national export promotion organization of the Czech Republic, whose main objective is to develop international trade and mutual cooperation between Czech and foreign companies. Established in 1997 under the auspices of MTI, CzechTrade "(...) helps Czech companies improve their competitive ability in foreign markets."²⁷ With its 45 offices on five continents, CzechTrade organizes

²⁷ Source: CzechTrade presentation.

business missions, collects and disseminates information on suppliers, mediates B2B meetings, identifies partners, and maintains a “BusinessInfo” website presenting business opportunities.

While CzechTrade’s established focus is on fostering export opportunities for Czech companies and introducing foreign companies to the Czech market, there are possibilities for expansion of CzechTrade’s mandate in the direction of commercial follow-up to ODA. Many of the services comprising CzechTrade’s current offer – organization and data-gathering, targeted market research and analysis, identification of business trends, opportunities, and strategies, marketing support – are needed by companies (and, potentially, NGOs) if they intend to build a strategic presence in their countries of operation.

With its commercial staff drawn from MTI (while reporting in the field to the embassies), CzechTrade is solving the key question of company sustainability in partner countries. Moreover, synergies with CzDA are evident, as, while CzechTrade’s focus is currently on small- and medium-sized enterprises, introducing a systematic approach for referrals from CzechTrade to CzDA, as is current practice with the Czech Export Bank and EGAP, would enlarge the pool of companies participating in ODA projects.

As elaborated in Section V, it is proposed that CzechTrade is well-positioned, given certain adjustments, including reinforced support from CzDA and Czech embassies, to lead efforts in supporting commercial follow-up to ODA.

3. Financial Instruments to Support Commercial Follow-up to ODA

Given risk perceptions discussed above, the business environment is an issue impeding commercial follow-up in beneficiary countries. Financial products – loans, grants, equity investments, as well as insurance products and guarantees -- are needed to facilitate Czech investment abroad. Currently, financial mechanisms are geared almost entirely to supporting Czech exports. What is needed is a refinement and closer integration of agendas such that some of the key financial institutions in the Czech Republic could be in a position to offer support to companies that have entered foreign markets through their ODA engagements, and are in a position to build on those entries toward strategic activities, often involving investment in the local market.

Czech Export Bank

The Czech Export Bank (CEB) was established in 1995 as a key element of the Czech Republic's national export policy. It is 100 percent state-owned, state-supported and state-guaranteed and utilizes standard insurance cover via the Export Guarantee and Insurance Corporation (EGAP). Its role is to complement commercial banks' services in operations involving higher risk, longer repayment terms, and larger financing volumes (EUR 100 million or more).

Operating in line with rules set by WTO, EU and OECD, CEB works according to strategies established by MTI, MoFA and other ministries. In terms of CEB's role in ODA or post-ODA work, there is some cooperation with CzDA on assessments, however there are limitations as there must be a Czech export component of any deal in which CEB engages. That said, credits for investments abroad comprise 17.6 percent of CEB's product portfolio, while "promoting Czech investment activities abroad" is one of the stated key features of CEBs' strategy. CEB is in a position, potentially, to provide products and services in support of commercial follow-up to ODA work.

Soft loans, which could enable projects with local governments in low-income countries, have not been available for three years due to budgetary issues. Given the need for incentives for companies interested in investment projects in beneficiary countries to enter these markets, and the limitations on CEB's current activities, a mechanism like a development finance institution would fill a critical gap.

Development finance institutions (DFIs) are supported and mandated by their respective governments to foster growth in sustainable business, address poverty and improve the quality of peoples' lives, and contribute to achieving the millennium development goals. They do this by supporting economically, environmentally and socially sustainable development through financing and investing in profitable private sector enterprises. The Entrepreneurial Development Bank of the Netherlands (FMO), for example, scores well above sector averages with its investments in environmental, governance and social projects. The Swiss Investment Fund for Emerging Markets (SIFEM) provides long-term finance to private equity funds and financial institutions in emerging markets, focusing primarily on the small- and medium-sized enterprise sector. A side benefit of establishing a DFI would be its facilitating assistance from the Association of European Development Finance Institutions (EDFI).

There has been discussion regarding setting up such an institution in the Czech Republic under the auspices of CEB, however engaging in development work would require a change in the Act which established CEB. It would further necessitate deployment of different approaches to risk management, which in turn refers to the development vs. commercial question: Development projects require financing at lower cost than that which CEB offers, while smaller deals are not interesting for CEB, given its commercial bank profile and objective of profitability. Moreover, outstanding credits also need to be dealt with, and CEB is apparently working to manage a substantial non-performing loan portfolio.

Basically, it appears that the political will is not currently in place for establishing a DFI in the Czech Republic, given the above considerations as well as issues related to accounting, ratings, risk management, staffing and expertise, and, not least, CEB's focus on current business. Establishment of a DFI would further require Parliamentary approval.

Recommendation: Regarding provision of financing instruments for development projects, the relevant ministry (ies) might consider establishment of a development finance institution, taking account of implications with respect to legal, regulatory and institutional dynamics.

Export Guarantee and Insurance Company

The Export Guarantee and Insurance Company (EGAP) is the Czech Republic's national export insurance company, oriented toward commercially unacceptable risks. MoFA has a minority stake in EGAP, and thereby one vote on their Board. The Export Credit Agency comprises EGAP and CEB, EGAP being a 20 percent shareholder of CEB. EGAP offers no soft loans, however cover risks in connection with financing, for example in the context of perceived political risks and possibilities of expropriation. While not currently in the ODA "chain", like CEB, EGAP likely has a potentially meaningful role to play in supporting companies that have an interest in commercial follow-up to ODA projects. For example, they can guarantee B2B commerce – if a Bosnian partner can repay, they can cover financing to that partner. However it is a firm condition that this financing needs to be repaid.

EGAP's operations reflect the sectoral emphases of Czech business, roughly 95 percent of which is industrial (e.g. machinery, transport, and chemicals). Linkages with CEB are prominent: EGAP provides insurance cover for CEB investors abroad (or exporters) who cannot secure commercial bank coverage.

While clearly some cultural bridges would need to be built between EGAP and ODA, there may in fact be companies whom they work with that are doing ODA projects -- however they are unaware of such cases. In any case, some of their current work can be seen as having developmental aspects, as in a recent project approved for hospital financing.

EGAP's sphere of interest is currently outside the EU, e.g. Belarus, Bosnia, Russia, Serbia, Russia, and Ukraine. They would not likely operate in higher-risk countries, like Afghanistan, North Korea or Syria.

4. Company and NGO Perspectives on ODA and Commercial Follow-up

Following are brief presentations of company success stories in pursuing commercial follow-up to ODA projects, as well as related experiences and inputs from NGOs, based on information provided by the respective entities' and CzDA representatives.

Successful commercial follow-up: The example of Dekonta

Dekonta is an environmental company specializing in the biological treatment of contaminated soil. The firm started development operations some twelve years ago, mainly in the Balkan region, when Czech development cooperation was still fragmented across ministries. Projects were considered door-openers to these markets, and the rule of engagement were, apparently, easier. One objective was to gain access, via references and expertise, to larger tenders with, for example, the Food and Agricultural Organization (with which Dekonta has had success). Another objective was basic networking with local experts, NGOs, companies, and embassies – to do business development while in-country implementing the project. Profit was not, at the time, the primary issue.

Post-project activity in Serbia has led to Dekonta establishing a daughter company in Belgrade, which is focused on supporting implementation of development projects, and now operates fully independently, with no ODA projects. The company is also trying to establish an office in Bosnia, however it is not clear how this will work out. They are implementing two projects there, facing challenges in what is a particularly complicated environment given political issues and risks (see Appendix IV). A mitigating factor is that Bosnia is approaching EU standards, which provides a higher comfort level.

Mongolia and Vietnam are, from the company's perspective, a very different story. Challenges include cultural and background issues, opaque legal frameworks, the incidence of political interference is high, physical distance is a complication, and hiring locals is also more of a challenge in these markets. Markets like the Balkans and Georgia offer a major advantage as they are on track to the EU, meaning better conditions and higher predictability. Also these countries' ability to generate internal funding for environmental work is greater. Poorer countries in Africa and Asia necessarily put lower emphasis on environmental work. Moldova, which is also on the EU track, is poor with weak infrastructure (e.g. in mining), offering limited potential for Dekonta.

Dekonta was active in Vietnam seven years ago with GEF funding to do feasibility studies on hot spots, and kept close contact with local UNDP offices and relevant government bodies – they were among the first foreigners in Vietnam to do such a risk assessment. However, even with lower fees they still did not win the tender. In the event, they were advised by the local authorities that the tender was “just a formality.” Nonetheless, the company was in the process of developing its presence when Vietnam was – summarily, it seems – dropped from the priority list at MoFA. The sudden end to development cooperation with Vietnam, with no exit strategy, was a “hard hit” for Dekonta. A longer-term view taken at the policy level would be helpful: It takes years for a company to enter a market and get itself established for a presence of ten years or more -- requiring some continuity. Likewise extension of CzDA's B2B programme would be helpful to accommodate more exploration, which currently allows, effectively, for six months.

Along these lines, project design would benefit from a longer-term view, as well as more flexibility. Procurement laws are strict and do not reflect or accommodate multi-year engagements, for example payments cannot be postponed, when circumstances may require this, and must be spent during the year of allocation. Longer-term financial mechanisms, with more flexibility, as in Austria and Germany, would be helpful. Another example is financing provided by the Japan International Cooperation Agency (JICA), described in Appendix II.

The role of embassies is a sensitive issue – the degree of support varies. There is a real need to have active, representative people to open doors and help solve problems. The best Embassy staff is usually multi-tasking with little time for monitoring and support. The West European embassies are larger and better staffed, giving the Czech embassies stiff competition. The issue of lobbying by embassies is a critical one, not on behalf of individual companies, rather to open doors more broadly.

Dekonta's work in Bosnia is a good illustration of commercial follow-up: Bosnia does not have legislation on soil contamination (its identification, management, and disposal). As the relevant legislation is set up, the market will be created. Dekonta is accordingly planning to set up a facility in Bosnia to treat soil contamination (bioremediation) in a forward thinking activity supported by CzDA's B2B programme. The first project involved preparation of a feasibility study for factory clean-up at a pollution-generating chemical plant, and the second project will involve building the relevant platform (likely to begin in the next year or two). Bioremediation has been identified as an issue, with a need for a facility, which presented an opportunity for Dekonta. They are thus pursuing two tracks: Know-how transfer and facility construction -- and they will help the Bosnians locate funding for attendant work, like excavation.

Overall, Dekonta emphasizes that the key is references for international experience. Therefore, CzDA's projects and B2B programme are highly useful. In addition, they hope that the priority countries list will be kept as it currently stands for the next development cooperation strategy cycle, and that focus, in the context of development cooperation, will be maintained on Czech priorities and opportunities.

ENVIROS as implementer and advisor: Experience and recommendations

ENVIROS is a Prague-based consulting company providing assistance in the fields of energy, environment, and business development. The company has shifted from its role as an implementing contractor to CzDA to its current role in providing the agency with technical consulting services as an outsourced contractor. This involves monitoring all CzDA-supported energy projects, thereby providing them with a broader perspective of how CzDA operates, selects projects, and deploys its funds.

In their view, the "post-reform" system, centralized under CzDA, is an improvement, however tensions remain, for example, between industry and NGOs (including "jealousy" over budgets). In general there is the view that promotion and awareness-raising regarding development opportunities for companies are weak. At the same time, beneficiaries often lack capacity to properly prepare project proposals (the "paperwork") and the potential contractor, which is in a position to assist the beneficiary, cannot do so if they plan to bid for the project given conflicts of interest. Any communication or assistance is therefore done on an "informal" basis. CzDA's Business Partnerships Programme is meant to mitigate this.

ENVIROS cites what they see as a slightly “schizophrenic” aspect in this regard: For example, ENVIROS is planning to establish an office in Belgrade, with support from CzDA’s Business Partnerships Programme. CzDA is therefore effectively helping the company set up a sustained presence in Serbia, which basically gives them an advantage over the competition.

Recommendation: Regarding working with local partners and developing projects, prospective contractors should be permitted to develop and submit project proposals together with local partners. While this raises the optic of an “insider’s track”, this approach would contribute to more effective project design and to setting the basis for commercial follow-up. CzDA’s Business Partnership Program and Feasibility Studies Program are the appropriate instruments whereby companies could submit their proposals in cooperation with local partners.

Regarding support from embassies, there is a high degree of variability as to the quality of such support. In Serbia, for example, they are seeing good support (the Ambassador will be present and will deliver remarks at the planned office opening). In other cases, it is “more talk than action”. One particular area of support needed is in providing advice on forthcoming project opportunities, not waiting until they are publicly announced. Large infrastructure projects are normally discussed internally and embassies usually hear about these prior to formal announcement. This should be done, of course, on a legitimate basis, for example not communicating confidential information, but rather advising strategically, for example, that construction planned in a country’s infrastructure will likely motivate a project of interest.

Recommendation: Regarding support from embassies, provision of information on local companies as potential suppliers for ODA, and more proactive advice on forthcoming project opportunities, even in general terms, would support contractor planning and engagement.

Initial screening by CzDA could at times be strengthened, particularly when such screening is not done on-site. In one instance, a school rehabilitation project turned out, when ENVIROS visited on-site, to be a cottage, disappointing in terms of the scale envisaged for the work. The issue was compounded by the fact that ENVIROS’ visit received extensive media coverage, making it virtually impossible for the company to back out of the project (it was subsequently re-worked into a feasible project with new components). The quality of CzDA screening is critical, especially given that embassy staff often cannot cover assessments on the technical side, given capacities.

Recommendation: Regarding identification of ODA projects, CzDA should consider ways to deepen the technical capacities of its staff, for example through provision of expert training on a regular basis. A related idea is to team CzDA staff with an external expert, for example from the relevant line ministry, for project identification, and for this team to also prepare bid formulation. In general, budget for staffing at CzDA should probably be increased, also to address issues of turnover.

Regarding country selection, ENVIROS, like other companies, cites the sudden exit from Vietnam as a beneficiary country as happening exactly at the wrong time, when Czech companies were ramping up in the market (Vietnam, with its historic ties to the Czech Republic, had an abundance of Czech-educated managers and hence was an opportunity for Czech companies’ entry).

Some country choices are apparently more political than economic, for example the Palestinian Territories. Mongolia was chosen, it seems, with consideration to the Przewalski species of horse, which originated in Mongolia and, nearing extinction there, was re-populated with specimens exported back

from Prague. Bosnia is, as cited elsewhere, a complicated case, however on the local (municipal or regional) level work can proceed more or less normally, with issues getting complicated when a national strategy is attempted, requiring the input of the three “sub” nationalities.

CzechTrade could occupy an important position in the ODA and commercial follow-up dynamic, however would need to be more pro-active in coming forth with support and instruments to reinforce commercially-based planning. Likewise, while CEB’s purpose is to work in risky markets, ENVIROS’ perception is that the Bank generally avoids risks, as in Serbia, and they overall do not provide financing tools in the ODA context.

The stage of intervention is an important issue as support for ODA projects normally ends with a handover to local authorities, such as a local mayor. Promotion should be ensured involving the company, and other entities as appropriate, post-ODA and focused on private sector purposes (this point complements the recommendation above, regarding a holistic approach to facilitating commercial follow-up, involving the relevant entities and beginning at the earliest stages of ODA strategy and project design).

What should companies do to achieve commercial follow-up? GEOtest illustrates

GEOtest is a consulting firm focused on geology, in particular waste management, hydro- and geological engineering, and environmental protection studies. They began their ODA work with MTI under the “old” (pre-restructuring) regime and thus have historical connections also with the Ministry of Environment and the Ministry of Agriculture. Project work abroad has provided GEOtest with references, opening the doors to commercial follow-up.

Beyond technical implementation, GEOtest is also managing projects in other sectors like agriculture, transport and infrastructure, which also generates references and helps with business development, much of which, in their case, involves EuropeAid framework contracts, through which, to date, they have 50 projects. On the “success breeds success” basis, GEOtest has gained access to new markets through projects with the EU, EBRD, EIB, the World Bank, UNDP, and the International Finance Corporation, all based on references and successes originating with CzDA projects.

The process was neither easy nor quick: It took the company four years to get into these markets, a situation facilitated by the company’s senior management firmly believing in, and adhering to, the strategy. At first there was trepidation regarding EU competition and bureaucracy, and admittedly not all Czech companies will not have the required patience. Success also requires careful selection of projects for post-CzDA commercial follow-up. As they proceeded with the work, however, they “learned the ropes” – securing references, preparing resumes, navigating the tender process.

GEOtest, like other companies, cite CzDA’s emphasis on quantitative evaluation criteria as a challenge (“80 percent price, 20 percent quality -- EuropeAid has it in reverse”). The view is that this approach reduces competition, with companies currently winning tenders without sufficient references and experience, leading to problem projects.

Embassies have a role to play in assisting with local state institutions, and the Ambassador’s personal participation at events like opening ceremonies is always helpful (EuropeAid likewise has the EU

delegation to help). However, embassies tend to be late with inputs, GEOTest experiencing that it routinely secures relevant intelligence earlier through its own industrial contacts. Moreover, the embassy will (necessarily) inform GEOTest's competitors of opportunities as well. Again reflecting a widely held view, embassy staff turnover is too high to enable meaningful knowledge of the local environment.

GEOTest does not use CEB or CT because, as a purely consulting service company, they do not need insurance or credit products. Opportunities at times have motivated consideration for such products, for example a dam project in Mali, for which EGAP would have been relevant, however they did not pursue the project for other reasons.

Reflections on ODA and commercial follow-up from a non-governmental organization: Glopolis

Glopolis is a Prague-based "think and do" tank focused on Sustainable Development Goals, its main areas of interest being food security, energy and climate, and financial and tax issues. Glopolis is a proponent of enhanced dialogue between civil society and private sector, however their work tends to focus more on the domestic front, to improve Czech companies' performance in these areas, which will also serve an example for partners abroad. A goal is to achieve greater policy coherence for sustainable development, meaning a broader approach to private sector engagement, where companies perform not just as contractors or subcontractors, but more explicitly in the context of shared value and CSR. This involves a more strategic approach by companies with respect to development and, among others, the environment, which addresses the ODA agenda while potentially providing new additionality and business opportunities (hence, commercial follow-up possibilities) for the contractor.

In this regard a broader understanding and traction of CSR would help, although the larger transnational companies normally handle CSR from their headquarters and allocate the relevant budgets according to local market demand, which in the Czech Republic is, at the moment, not very strong. In the view of some, land-locked, post-communist countries are in general less prone to "appreciating" ODA: While the social impact side is clear and accepted, at least on the domestic side, environmental concerns tend generally to be not so strong. Moreover, international cooperation in years past is viewed as having been less than productive with respect to impact.

A number of recommendations can be offered in the interest of commercial follow up, much of which has been touched on above: First, enhanced collaboration between companies and NGOs, as indicated elsewhere in this report, will serve to reinforce the impact of each party's intervention. Second, support for CSR, as discussed above, and for social entrepreneurship will bring more players into the framework and enhance the prospects for sustained development impact (the Ministry of Labor and Social Affairs would necessarily be involved here, starting at home and then "for export").

Third, CzDA projects should be designed strategically (as in the case of the Austrian Development Agency, as noted above) to "build in" follow up, however this requires greater autonomy and responsibility on the part of companies.²⁸ Also, this approach carries the risk that government may be interfering in company strategy. Looked at another way, it would effectively serve as an opportunity and mechanism for enhanced company input into project design, likely improving the prospects of

²⁸ It is suggested by some that companies tend to focus on the short term, "thinking of year three in year three."

continued contractor involvement, post-project. Fourth, a budget line in CzDA projects should be included requiring cooperation between companies and NGOs; CzDA could do this, however may not have the mandate or political will.

Partnership Generates Contracting: The Case of ProBio²⁹

A development project in the field of organic agriculture, entitled "Support in developing Organic Agriculture in Moldova", financed by CzDA and co-financed by USAID, led to a partnership which in turn motivated a Czech company to become a contractor to CzDA.

Pro-Bio, which focuses on ecological production, was one of several companies invited to one of the project's seminars. Pro-Bio began to engage in project activities like training providers of technical assistance in organic agriculture, including business planning, organizing study tours in the Czech Republic for Moldovan experts and farmers, and supporting Moldovan farmers in the areas of export and distribution of seeds.

Pro-Bio applied for a grant in 2015 under CzDA's Business Partnership Programme for a project entitled "Support for the Development of Eco-agriculture and Trade with Eco-produce/products between Moldova and the Czech Republic". The company was awarded a € 36 000 (50 percent co-financing) contract for a one-year project, the objectives of which were to enlarge land area suitable for export and local market oriented eco-production, ensure bio-certification so that new products would be compatible with EU standards and regulation, and enlarge the portfolio of cultivated crops as a means to diversify trade and risk. Specifically, the project built Moldovan farmer's capacities with regard to compliance with relevant eco-standards, with reference to trade, shipping, logistics, customs and other legal requirements, and overall awareness regarding the long-term economic benefits of eco-production in comparison to traditional production. The project further concluded cooperation contracts, of minimum five years' duration, between Pro-Bio and local farmers.

From the development perspective, the project has brought benefits regarding food security and modernization of agriculture, job creation, including for people with lesser skills, capacity building, know-how and technology transfer, and addressing uncontrolled urbanization. From the point of view of economic benefits, Pro-Bio's business model is clearly linked to a reliable supply of eco/bio products for their distribution networks in Europe, where demand for eco-production is increasing while available land area is decreasing. CzDA monitoring of the project has found strong results, with recommendations for project continuation.

²⁹ This case study is provided by Ivan Lukas, Programme Manager, CzDA.

5. Conclusion: Commercial Follow-up to ODA -- Who is Best Positioned?

The overarching recommendation of this report – to be taken in conjunction with the foregoing recommendations presented throughout this report – is that effective support for commercial follow-up to ODA requires a dynamic involving most, if not all, of the relevant institutions in the ODA “chain” – including advance planning -- culminating in the commercial counselor (MTI) or CzechTrade representative, if one is present, taking the lead, with the active support of embassy and CzDA staff. MTI’s Aid for Trade programme is a critical element in supporting Czech business development abroad, while CTF should continue to play its key role in providing Czech contractors with references, crucial to their positioning for successful commercial follow-up.

It should be kept in mind that most Czech companies are exporters, not investors. Most are not thinking about shared value or other CSR considerations which would motivate strategic or sustainable investment and partnerships, and they are not integrating these concepts into their core business strategy. In other words, most companies are not looking at development impact and sustainability.

Hence this approach requires advance planning: Commercial follow-up must be built in at the project design stage (by CzDA and relevant experts, as recommended above). CzechTrade and CzDA representatives could then meet quarterly, for example, to review projects that are approaching closure, and, bearing in mind that follow-up has been built into project design, agree that the CzechTrade representative or commercial counselor in the embassy in the given beneficiary country will from this point be responsible for supporting the contractor(s) in commercial follow-up. The contractor(s) will have seen in the project design that this is anticipated and expected, in effect, as a *quid pro quo* for state support. The CzechTrade representative or commercial counselor would then report on progress to the Ambassador, who would report back to MoFA, copying MTI. Moreover, there could be two parallel streams, one targeting follow-up to donor projects with international organizations, while the second stream would be more on the B2B level.

This would mean, effectively, establishing a “handover” mechanism from CzDA / MoFA (in the development realm) to CzechTrade / MTI (in the commercial realm) -- a bridge where the responsibility which began with CzDA / MoFA shifts to CzechTrade / MTI. Complementing this would be a closer engagement of financing entities like CEB and EGAP (or, prospectively, a DFI, were one to be established), to be arranged by the CzechTrade representative or commercial counselor, to provide products facilitating Czech companies’ longer-term, investment-based presence in beneficiary markets.

This approach to supporting commercial follow-up is predicated on the experience, orientation, and products and services available to CzechTrade / MTI staff, developed through their years of engagement in supporting Czech companies’ activities abroad. MTI’s Aid for Trade programme, in particular, which supports partner countries in facilitating trade and trade liberalization, positions MTI well with regard to supporting commercial follow-up going forward. Moreover, CzechTrade provides services for fees, which should impose a degree of discipline and commitment with respect to companies’ engagement.

A question regarding CzechTrade for follow-up is whether they are present in the right markets -- CzechTrade’s field presence does not currently correspond to ODA’s territorial priorities, with the exception of Serbia. This may be addressed either by placing CzechTrade staff in ODA priority countries or regions (for example, it may be considered that CzechTrade’s current office in Belgrade could cover

the Western Balkans region), or by the commercial counselor stationed at the local embassy handling the portfolio. Also key to this is a modification in CzechTrade / MTI's orientation to include private sector activities that are not export-focused, but rather investment-focused. Again, these recommendations imply a commensurate increase in resources to be made available to MTI and / or CzechTrade.

It is recommended that such a holistic and integrated approach, incorporating recommendations set out throughout this report, including those applicable in the early phases of ODA planning, and shifting focus on commercial follow-up to CzechTrade / MTI, with active support from CzDA and the embassies, would enhance prospects for commercial follow-up to ODA projects in the Czech Republic.