MONITORING PRIVATE CAPITAL FLOWS TO DEVELOPING COUNTRIES: CAPACITY-BUILDING FOR CODES, STANDARDS AND ANALYSIS

INTERNATIONAL CONFERENCE
REPORT TO STAKEHOLDERS
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EXECUTIVE SUMMARY

In Dar es Salaam on 18-22 March, DFI, its regional partners MEFMI and WAIFEM, and the Bank of Tanzania organised a workshop to close the pilot Phase of the programme *Monitoring Private Capital Flows to Developing Countries.* The workshop, which was very well received, was attended by 76 participants from 18 African, Caribbean and Latin American countries, and facilitated by 12 regional/international organisations.

The participants examined findings of Phase 1 and key issues for Phase 2, and shared international best practice in monitoring and analysing private capital flows. Country teams led the discussions, and defined their priorities for next steps in action plans.

The lessons of Phase 1 for monitoring are presented in section 3 below. According to their action plans, in Phase 2, countries wish to further refine monitoring by:

- continuing to survey all stocks and flows of foreign private capital, including private sector external debt, and to integrate these surveys with current account monitoring and investor perceptions surveys to improve response rates.
- further enhancing political commitment to implementing policy recommendations, cementing coordination with private sector and strategic ministries, and refining legal instruments to ensure data confidentiality and enforce collection mandates.
- expanding databases of companies with foreign assets or liabilities
- continuing to coordinate with other surveys to avoid duplication.
- building on an 82% private sector response rate through comprehensive analytical feedback to all stakeholders, and refined publicity and fieldwork methods.
- refining methods for validating data, training the private sector to understand technical issues, reassuring investors about data confidentiality, and uprating data.
- further developing software to analyse FAL and investor perceptions, and increasing training on CS-DRMS/DMFAS for private sector debt.
- meeting and exceeding even more international codes and standards, including BPM 5, and GDDS coverage, periodicity and timeliness.
- comparing data with regional and OECD countries and international institutions.

The extensive analytical and policy lessons of Phase 1 are presented in Section 4 below. Countries wish to build on these in Phase 2 by analysing:

- volatility and sustainability of private capital flows and stocks which are much greater than previously thought.
- implications of and motivations for a very high proportion of private sector debt financing with highly variable terms.
- extent of and prospects for portfolio equity which is unrecorded internationally.
- accelerating diversification of the source countries of investment, especially from within Africa (including African investment listed offshore or overseas).
- how to encourage flows to all regions of the recipient country by improving transport links, infrastructure, and skilled labour.
- how to diversify recipient sectors, especially into agriculture and agro-industry.
- rates of return demanded on foreign private capital.

Fascinating lessons from surveys of investor perceptions are already having a major impact on policy, including:

- the intent of three-quarters of investors to expand their investment.
- stronger initiatives to increase regional and domestic political stability, and to combat urban crime and insecurity and their social causes.
- expanding regional/domestic markets and popular purchasing power, stabilising at exchange rates and taking into account investor views on fiscal and trade policy.
- increasing access to local finance, by diversifying non-bank financing sources.
- improving infrastructure's quality and reducing its cost, and reforming land laws while listening to views of the poor;
- increasing vocational training to provide skilled labour, taking investor views into account in reforming labour laws, and accelerating the fight against pandemics;
- streamlining investment institutional arrangements and identifying the causes of corruption both for government and for the private sector investors.

However, governments are also avoiding knee-jerk reactions to survey results, by:

- Comparing them with key domestic stakeholders (eg investors, trade unions);
- Comparing them with results from neighbouring countries to judge objectivity;
- Analysing them more objectively against specific economic trends;
- Comparing them with country rankings in other international analyses.

They are also identifying future improvements to perception surveys, including focussing on key negative issues in more detail, to identify rapid policy responses.

Countries also want to expand the analytical agenda for Phase 2 in two directions which are crucial for assessing private foreign capital's contribution to development:

- Designing comprehensive national development financing strategies, including sustainability and volatility of private capital. This will help define policies to attract the most sustainable and least volatile flows, foresee and counteract switches in directions of flows, design guidelines to assist the private sector to mobilise capital on the best terms, and refine guarantee policies.
- Assessing the contribution of private capital to sustainable development and poverty reduction, by analysing technology and skills transfer, forward and backward linkages, ethical codes, environmental practices, and social policy without duplicating other national efforts to collect similar information.

In Phase 2, which will last for 3 years from July 2002, countries are determined to

- Ensure the sustainability of the programme, by empowering regional institutions to execute the programme; taking responsibility themselves for execution of policy recommendations; assuring growing ownership by institutional reforms and higher local financing contributions; and continuing to share best practice through information products, new methodologies, and international seminars.
- Demonstrate their effective demand to participate in Phase 2 (19 countries and 2 regional organisations have expressed strong demand, but funding will need to be rationed according to country ownership, progress and need).
- Demand support which is tailored to their needs in terms of consolidating stakeholder support, political commitment and institutional/legal structures; methodology and software; investor databases; training stakeholders; maximising response rates; data checking, analysis and report writing; and introducing new methodologies - all relying increasingly on national skills.

1. Introduction

Development Finance International, its regional partners MEFMI and WAIFEM, and the Bank of Tanzania hosted an International Workshop in Dar es Salaam on 18-22 March 2002 to close Phase 1 of the programme on ***Monitoring Private Capital Flows to Developing Countries: Capacity-Building for Codes, Standards and Analysis***.

The workshop was attended by 76 participants, representing 18 African, Caribbean and Latin American countries,[1] and was facilitated by staff of DFI, the funding donors (DFID, Seco and Sida) and regional and international organisations.[2]

This report describes the event, its important methodological and analytical findings, and the next steps and policy issues for the Phase 2 of the programme which is currently being finalised by stakeholders. It contains a summary of much more detailed country circumstances and action plans for Phase 2 which were prepared at the workshop, and which are available from country authorities or DFI.

2. Methodology

The participants examined the findings of Phase 1 and key issues for Phase 2, and shared international and regional best practice in monitoring and analysing private capital flows. In keeping with their ownership of Phase 1, country teams (from central banks, statistics offices, investment promotion agencies and finance ministries) led the presentations and discussions, supported by international and regional experts.

The first two days discussed monitoring lessons and next steps including attaining all the IMF General Data Dissemination System (GDDS) targets, and cooperation with neighbouring countries, OECD countries and international organisations. The next two days covered analytical lessons and ways forward, notably the sustainability of private capital and its contribution to poverty reduction and sustainable development.

Country teams then defined their priorities for next steps in detailed action plans, which will be presented to donors for funding in Phase 2. The workshop was also a forum for discussion with countries and regional partners of a draft Phase 2 proposal, and interviews to support the review of Phase 1 being conducted by UK DFID. Participants evaluated all aspects of the workshop very highly, with 98% feeling that it was very useful to vital to their daily working lives.

3. Monitoring Lessons

3.1. Scope

- As a result of Phase 1, participating countries are surveying all stocks and flows of private sector foreign assets and liabilities (FAL) needed for balance of payments (BOP) or international investment position (IIP) data. Some have gone further in order to capture loan-by-loan private sector external debt (PSED), and to improve their current account monitoring. Methodology goes beyond international codes

[1] Botswana, Ethiopia, The Gambia, Ghana, Guyana, Jamaica, Kenya, Lesotho, Malawi, Mauritius, Nigeria, South Africa, Swaziland, Tanzania, Trinidad and Tobago, Uganda, Zambia, and Zimbabwe.

[2] BEAC, CEMLA, COMESA, MEFMI, the OECD Secretariat and WAIFEM attended the conference. The Ethical Investment Research and Information Service, IMF, OECD, UNCTAD and World Bank supplied background documents and presentations, and the workshop also discussed an LSE-CREFSA project on reconciling data among 4 Southern African countries.

also, by collecting data by wider recipient sector, and by source country. All want to cement these achievements in Phase 2.

- Phase 1 has shown the value of simultaneous investor perceptions surveys in enhancing dialogue between public and private sector and improving response to FAL surveys. All countries will survey investor perceptions in Phase 2.
- Several countries will refine methodology / expand scope to include corporate social responsibility (CSRG). This is arguably a lesson of Phase I, to redress the balance in public-private dialogue, ie not just how government can enhance investment climate but also how enterprises can contribute to national and regional development in partnership with government.

3.2. Institutions and Legislation

- In almost all countries, reinforced institutions and more effective coordination among them in existing or new structures, have enhanced efficiency and cost saving. This has been key to the success of surveys. As a result, all have plans to further enhance political commitment to implement policy recommendations, and cement coordination with the private sector and strategic ministries in Phase 2.
- Applying best international practices, Phase 1 has helped countries to identify, review, strengthen, apply and publicise Acts and other legal instruments which ensure confidentiality of the data collected and enforce the collection mandates of government agencies. These instruments will be further developed in Phase 2.

3.3. Sample

- In Phase 1, countries compiled much more comprehensive and sophisticated databases of their investor communities. This was achieved by targeting companies above minimum thresholds of investment for surveying, while balancing sample size with representation by region and by sector.
- They focussed particularly on enterprises with foreign liabilities, because these are the largest flows and stocks. Countries drew on multiple information sources, including investment promotion agencies, central banks, statistical offices, company registrars, export processing zones and sectoral specialists (line ministries and private sector umbrella bodies, eg. chambers, bankers and other associations).
- In Phase 2, they will refine these databases further, targeting companies with foreign assets where outward capital flows have been, or are being, liberalised. They will also continue to coordinate with other surveys (such as enterprise surveys) in order to include filter questions, which help identify FAL enterprises, and to avoid any duplication of efforts.

3.4. Response Rate

Survey response has been extremely high, averaging 71% of companies with FAL, and an estimated 82% of total FAL, providing a reliable base for analysis. This reflected best practises that will be continued in Phase 2, including:

- Awareness creation and further establishing cooperative relations between public and private sectors through workshops, collaboration with private sector associations, and press/media coverage and advertisements. These tested the methodology, provided information on the mutual benefits of the exercise, and informed the private sector of the legal mandate for data collection.

- User-friendly methodology and proactive administration and follow-up of forms by trained HQ and regional office staff, using comprehensive tailor-made enumerator manuals, which served to strengthen public-private understanding.
- Targeting at the appropriate level (CEO, Chief Accountant, or equivalent).
- Integration of FAL and Investor Perception questions to boost response.
- Coordination with other surveys or national events, reducing respondent burdens.
- Prioritisation of large companies and key sectors/regions, through effective tracking mechanisms and management techniques.

Timely and comprehensive reporting of analysis to the private sector at the end of each national project has provided a foundation for continuing high future response, as demonstrated by positive feedback from the private sector at closing events. Nevertheless, countries will continue to refine publicity and fieldwork in Phase 2.

3.5. Data Validation, Up-Rating and Software

- To validate data collected in surveys, countries used inbuilt checks in forms and other sources including financial statements, published information and the media. They will continue to widen use of such sources in Phase 2.
- In common with OECD countries, the private sector has technical problems reporting market value, dividend remittances and short-term (especially inter-company and trade) debt. Phase 2 will continue to provide training for them on these issues.
- Some data were under-reported, notably retained earnings, profits and dividends. This reflects private sector suspicion of reports to tax authorities. Phase 2 will further reassure investors about the confidentiality of data submitted.
- To overcome misreporting, the programme has developed methods to uprate data using sector analysis, companies of similar sizes, data from other surveys or databases, and investor interviews. Phase 2 will further refine these methods.
- Phase 1 developed Access software to record and analyse FAL and investor perception data. Countries found this user-friendly and easy to adapt to national needs, but suggested improvements to documentation and outputs in Phase 2.
- Countries are beginning to use the Commonwealth Secretariat's CS-DRMS and UNCTAD's DMFAS to record PSED data, but require more support and training on these systems, especially on handling inter-company loans and short-term debt. Countries will liase with MEFMI, ComSec and UNCTAD on these issues during Phase 2.

3.6. Meeting International Codes and Standards

All Phase 1 countries have met most GDDS[3] standards and exceed many:

- *Coverage*: all now capture all relevant components of BOP (GDDS), and IIP (a recommended extension to GDDS). Some collect PSED loan-by-loan (going beyond GDDS), and others are considering this for Phase 2 where PSED is large or its maturity or composition has important policy implications. In addition, on demand from the countries, the programme has assisted them to improve monitoring of current account items by conducting integrated surveys, thereby reducing burden on private sector and conserving scarce resources.

[3] GDDS provides a set of voluntary guidelines on data quality including coverage of specific data items of which BOP is a part, frequency of collection, timeliness of publication, and quality / transparency of reporting. The BOP component is broadly consistent with the 5th Edition of the IMF BOP Manual, the System of National Accounts and other new codes, including the External Debt Guide.

- Several countries were at a more basic level before the programme, which has helped them in moving from 4th to 5th Edition of the IMF *Balance of Payments Manual* (BPM 5) as required in their reporting to the IMF.
- *Periodicity*: all have met the GDDS standard of annual collection, but intend to move to more frequent collection (a recommended extension to GDDS or beyond GDDS for PSED) in the medium term as need dictates and resources permit.
- *Timeliness*: all had problems meeting GDDS guidelines (6 months after the reference period), reflecting the timing and length of the first census. They intend to meet the timeliness guidelines within the next 2-3 years.
- *Transparency/reporting*: countries are presenting data/analysis to all stakeholders, notably the private and public sectors and the international community, based on the priorities these stakeholders identify for decision-making. Countries are also reporting to the IMF in line with the format in BPM 5.

3.7. Comparing Data with Other Countries and International Institutions

- Most country data sets are now reliable enough to make worthwhile comparison with regional neighbours (especially source countries such as South Africa or Kenya), and OECD countries (in national publications or from international organisations such as the BIS and OECD).
- Based on IMF and OECD experience, protecting data confidentiality may make it impossible to reconcile data with any degree of disaggregation. However, it can prove useful to compare aggregate data (as LSE CREFSA has done) or compilation methods (as DFI and LSE are doing), and to build in-country capacity to implement comparable methodology (as DFI is doing).
- It will also be useful to compare national with regional and international trends. An important aspect of Phase 2 of the DFI programme will be to provide countries with greater access to international data, and methodology for its compilation so that they can judge its quality and usefulness in supplementing national data sets.

4. Analytical Lessons and Policy Implications

4.1. Findings and Lessons on Foreign Assets and Liabilities

- Private capital flows and stocks in most countries are much greater than previously thought. Though often underreported, remittances of capital and dividends are also much higher, offsetting a large proportion of inflows. The scale of inflows and outflows emphasises their actual and potential impact on the BOP, the exchange rate and the wider economy, especially in the event of volatility.
- More than three quarters of the capital is provided by companies themselves, in foreign direct equity investment, or shareholder and intercompany borrowing.
- However, when shareholder and intercompany borrowing is added to borrowing from other sources, investors have high debt/equity ratios. These range from around a third for Tanzania, to almost 90% for Guyana. The largest companies (especially in extractive industries) fund their projects 80-90% by borrowing.
- Debt terms are highly variable, with intercompany borrowing having cheaper and more flexible terms depending on ability to pay, but other loans having high interest rates (over 10% on average).
- High levels of debt finance are due to more favourable taxes or stamp duties, and the wish of some foreign investors to avoid long-term commitments of equity funds. Countries need more analysis of motivations and terms of debt in Phase 2.
- All countries have portfolio equity liabilities, though international data sets report them as zero. These are small where stock exchanges do not exist, are closed to

non-residents, or have low capitalisation or liquidity. But countries are not capturing transactions by international portfolio equity funds or non-resident dealings in government debt in an integrated way, and many plan to liberalise portfolio inflows and outflows soon – so Phase 2 must focus on recording these flows accurately.

- Investment is coming from a wide variety of countries, including “traditional” (US and European) as well as new (Australia and Canada) sources. Source countries are closely linked to sectors – especially in mining and petroleum, but also reflect motivations such as colonial ties, strategic and political alliances.
- Intra-regional investment continues to grow fast, with African investors comprising a third of the total investor population. Key source countries include South Africa, Ghana, Kenya, Mauritius, and North African countries.
- It is difficult to track the “true” source of an investment - ie where the decision to invest was made as opposed to the country where the investment was registered. Though the latter determines the BOP classification of the investment, the former should guide investment promotion policy. There are two main complications:
    - resident investors are exporting capital, and then registering their investments as coming from foreign jurisdictions, notably the Cayman Islands, Bermuda, and other tax havens. As a result, much “foreign investment” is actually money controlled by residents of African and Caribbean countries.
    - many large African companies (such as South African Breweries and Anglo-American) are registering themselves overseas, so that investments appear to come from OECD countries but are actually from within Africa.

  Countries will accelerate efforts to track “true source countries” in Phase 2.
- Recipient regions are much more diverse than expected, but some regions are attracting very little investment. The factors determining regional allocation are proximity to large cities (with greater market sizes), transport to international and regional markets, natural (especially mineral) resources, infrastructure, and skilled labour forces. Teams therefore suggested policies to diversify regional flows.
- Recipient sectors are also much more diverse than expected. The sectors receiving the lion’s share of foreign finance are manufacturing (Malawi, Tanzania), mining (Guyana, Tanzania), telecommunications (Uganda), tourism (The Gambia, Tanzania) and finance (The Gambia). Agriculture suffers from a shortfall of investment due to high risk, lack of policy incentives, and limited complementary infrastructure investment by government.
- Countries are presently analysing rates of return (including comparing profit and dividend remittance rates on FDI, and interest rates on borrowing). They will disaggregate this analysis to check rates of return for different sectors or source countries, allowing them to refine BOP analysis and investment promotion policy.

4.2. Findings and Lessons on Investor Perception

Questions on investor perceptions of national investment climates attracted very positive responses, with investors highly disposed to increase future investment. Nevertheless, countries learned numerous important lessons for future policy:

- ***Expansion of investment***: between 50% and 82% of respondents plan to expand investments due to positive perception of economic, political, and social stability.
- ***Political/Social Environment***: political stability was the top positive influence on investment decisions, but crime and insecurity were strong negative factors. Governments need stronger initiatives to increase regional and domestic political stability and influence foreign investors to analyse national stability instead of

"tarring all countries with the same brush". They also need to combat urban crime and insecurity, and to address the social causes of crime.

- ***Macroeconomic Stability***: investors highly praised economic stability, especially reduction of inflation, but criticised the small size of markets, tight enforcement of fiscal policy, a depreciating exchange rate and excessive trade liberalisation. The priority should be expanding regional/domestic markets and popular purchasing power. Government should also make greater efforts at exchange rate stability and take into account investor views on fiscal and trade liberalisation policy.
- ***Insufficient access to local finance*** was a negative influence, due to high lending rates, low deposit rates, insufficient long-term credit, and low quality service. Governments need to continue efforts to increase access to local finance, especially by diversifying non-bank financing sources, and to feed investor perceptions into objective (and lender) analysis of interest rate trends
- ***Infrastructure and services***: rated poorly in most countries due to high costs and low quality, though telecommunications infrastructure has improved markedly due to wider access to Internet and cellular phone networks. Perception of land laws varied with some countries seen as satisfactory and others needing reform. Countries identified the need to focus on the kinds of infrastructure which truly affect investment in sectors or regions, and find ways to improve quality and reduce cost, as well as reforming land laws while listening to views of the poor;
- ***Labour and health***: responses were mixed. Lack of skilled labour was a strong disincentive, so poverty reduction programmes must increase vocational and literacy/numeracy training to provide skilled labour. Labour law was perceived as restrictive in some countries, but neutral in others: governments need to balance the views of investors against those of wider civil society (labour organisations, workers). In Eastern and Southern Africa HIV/AIDS and other pandemics are a major negative influence, demanding urgent acceleration of the fight against them;
- ***Governance***: bureaucracy and corruption were a major disincentive in all countries. However, "one-stop" investment promotion agencies were encouraged, and central banks and statistics bureaux generally had a strong reputation. Governments need to review institutional arrangements and identify the causes of corruption both for government and for private sector investors.
- ***Sectoral policies*** reflected the findings in Section 4.1 on sectoral distribution of foreign finance: investors in tourism, mining, finance, and manufacturing approved of sectoral policy, but those in the agricultural sector were critical. More emphasis must be placed on investment in agriculture and agro-industry.

These findings are already fed into discussions about the business and investment environment in the countries, and having a major impact on policy, but countries acknowledge the need in Phase 2 to formalise their discussion and implementation.

However, governments are also avoiding knee-jerk reactions to survey results, by:

- Adjusting them to account for the views of other stakeholders (such as domestic investors, trades unions and other civil society organisations);
- Comparing them with results from neighbouring countries to judge objectivity;
- Analysing them nationally and regionally in relation to more objective ways of measuring specific issues such as access to credit, inflation trends, utility costs etc;
- Comparing them with country rankings in international business environment surveys or credit rating analyses.

Finally, countries identified ***future improvements to investor perception surveys.*** These include using a shorter perception form which focuses on key negative issues in more detail, to help identify core rapid policy actions which can be taken.

5. Next Steps in Analysis

Countries also decided to expand the analytical agenda for Phase 2 in two directions which are crucial for assessing private foreign capital's contribution to development.

5.1. Comprehensive National Development Financing Strategies

Countries intend to include in the next Phase much more analysis and forecasting of the sustainability and volatility of private capital. This will include analysing rates of return on equity and debt, repayment periods and dividend remittances for equity, maturity profiles and interest rates for debt; interest, currency and guarantee risk; volatility and variance analysis, and various sustainability ratios for the flows.

More detailed analysis from better quality data will help define policies to:

- Attract the most sustainable and least volatile flows;
- Foresee and counteract switches in directions of flows;
- Define guidelines to assist the private sector to mobilise capital on the best terms;
- Refine guarantee policies.

To facilitate this analysis, countries will collect some additional micro data from investors through surveys, and receive more training in analytical techniques and access to international information. This will combine with public debt sustainability analysis, to design comprehensive national development financing strategies, in conjunction with the Debt Relief International programme.

5.2. Contribution to Sustainable Development and Poverty Reduction

The programme's investor perception surveys focus on private sector concerns about government policy. Developed countries and international initiatives are increasingly tracking corporate non-financial behaviour (Corporate Social Responsibility and Governance), to analyse the private sector's contribution to national development, poverty reduction and the Millennium Development Goals. However, countries receiving foreign finance have been less involved in such initiatives, and are therefore anxious to analyse priority areas including technology and skills transfer, forward and backward linkages, ethical codes, environmental practices, and social policy.

In Phase 2, countries will develop a sophisticated approach to elicit these data without duplicating other national efforts to collect this information, by:

- Adding highly selective questions to investor perception surveys;
- Identifying and accessing other existing primary or secondary sources of information, such as public or private bodies, NGOs, international research organisations, and the local and international media.

6. Implications for Phase 2

6.1. Ensuring Sustainability

Based on existing donor commitments, Phase 2 will last 3 years from July 2002. Countries are already moving fast to ensure that after this period, the programme will to the maximum degree be self-sustaining, by:

- Empowering regional institutions which they own, to execute programmes and reduce reliance on external sources, including:
  - Organising workshops to train regional experts as trainers;
  - Attaching staff and regional experts to DFI in order to refine monitoring and analysis methods;
  - Reviewing policy lessons from the programme in regional policymaker fora.
- Taking responsibility themselves for executing the programme, by:
  - National experts training public/private sector officials in their own countries in all the technical concepts and implementation tools of the programme;
  - Organising sensitisation events for policymakers, private sector and donors to reinforce their long-term awareness and commitment of such analysis;
  - Providing even more comprehensive and timely analysis for government, the private sector and the international community.
- Further increased national ownership of the country projects by:
  - Creating new/reviewing existing institutional structures to improve coordination, implementation, resource use and execution of policy lessons;
  - Designing their own methodology, tailored to national needs/circumstances;
  - Incorporating the exercise into the work programmes of all institutions, and into national structures for coordinated data collection, to avoid resource wastage and burden on respondents, and ensure effective division of labour;
  - Funding a greater share of budgets through local finance, to reduce aid dependence, with national contributions rising by 25% of budget per year.
- Continued sharing of international and inter-regional best practice through:
  - Production of information products (publications, newsletters, website, a distance learning network and real-time information sharing);
  - Further development of monitoring and analytical methodologies, including sustainability of private capital flows and corporate social responsibility;
  - International workshops for reporting on best practice.

6.2. Responding to Country Demand for Participation in Phase 2

Almost all countries attending the International Workshop requested assistance under Phase 2. In addition, a number of non-Anglophone countries have expressed demand via various ROs. Country demands to date thus include:

- The eight countries involved in Phase 1 and related projects (The Gambia, Ghana, Guyana, Malawi, Tanzania, Trinidad and Tobago, Uganda, Zambia);
- Nine "new" countries attending the workshop (Botswana, Ethiopia, Jamaica, Kenya, Lesotho, Mauritius, Nigeria, Swaziland, Zimbabwe);
- Two non-Anglophones that could not attend but expressed demand through other fora (Mozambique, Rwanda);
- CEMLA and BEAC for region specific events to introduce the Programme.

Based on discussions with countries, ROs, and donors, Phase 2 will:

- Review country demand in the context of programme capacity and funding. Inclusion into Phase 2 will be based on different factors, depending on whether countries have participated in Phase 1. Existing countries would show need for continued support to ensure sustainable capacity transfer, but increase their own technical, administrative and financial input, and move to more sophisticated analysis. New countries would demonstrate strong political commitment, and need based on the scale and composition of private capital flows.
- For practical reasons, mainly focus initially on Anglophone countries. Depending on available finance, the programme will review the needs of other individual countries and countries expressing demand at regional events organised by CEMLA and BEAC, to decide how best these needs may be met.
- Base its work programme on the country action plans produced at this event.

6.3. Responding to Demands for Technical and Policy Adaptation

The methodological and analytical lessons presented above demonstrate that to be truly demand-led, the nature and intensity of DFI support will vary by country, and will be determined by the degree of progress in specific areas in Phase 1.

New countries would need more intensive support in mobilising stakeholder support and political commitment; reviewing institutional structures and legislation; designing and transferring methodology and software; compiling investor databases; training stakeholders in all areas; supporting implementation to maximise response rates; data checking, analysis and report writing.

Existing countries will progress beyond current methodology to consolidate stakeholder support, institutional/legal frameworks and policy/advocacy fora; introduce new methodologies to analyse more complex or detailed issues; refine investor databases, and training, implementation and analysis methods; and rely increasingly on national finance/skills.

For more background information on the workshop, please contact Development Finance International at dfi@dri.org.uk