



# CDC and UK posts Working Together

## *A strengthened framework for effective collaboration*

UK posts and CDC have a shared purpose in seeking to accelerate economic growth and alleviate poverty. Although CDC is wholly-owned by the UK Government through DFID, DFID and CDC are two separate institutions with different skillsets and ways of working.

The purpose of this note is to provide practical guidance to UK posts and CDC investment teams on better ways of working together. Improved collaboration can help create new opportunities to increase our collective UK impact and respect the clear lines of accountability for investment decisions enshrined within CDC's governance arrangements.

### **Introduction**

- ✦ CDC is the UK's development finance institution. It provides investment capital and active support to businesses in Africa and South Asia to create jobs, mobilise capital from other investors and accelerate economic development in the world's poorest countries.
- ✦ CDC currently has an investment portfolio of £4.8bn. It is invested in 1,245 companies in over 70 developing countries. Through its investments, CDC delivers significant development impact through job creation, local taxes paid and other sectoral impacts, while at the same time generating a financial return, which is re-invested into more businesses. In this way, CDC uses its capital over and over again to support private sector development.
- ✦ Under its new five-year strategic framework, available [here](#), CDC has ambitious plans to increase both the scale and development impact of its investment portfolio.
- ✦ At the same time, DFID's new Economic Development Strategy, available [here](#), positions CDC and private sector development at its core. DFID will be providing CDC with more capital over the next five years to make more investments and implement higher risk, more developmental strategies.
- ✦ CDC and DFID formally operate via an 'arm's length' relationship in which DFID entrusts oversight of all business and operational decisions to CDC's Board, and does not get involved in CDC's investment activities or decision-making.
- ✦ Considering our shared purpose and aligned ambitions, now is a good time to strengthen our collaboration framework – in order to provide clarity and set appropriate expectations on both sides, and to focus our attention and resources on the level and type of activities that will be most beneficial to both UK posts and CDC.



## **Smarter ways of working between UK posts and CDC**

- ✦ UK post's in-country knowledge and networks can be used more effectively to help CDC teams better identify and address opportunities and risks, while CDC's market insights and investor know-how can help sharpen the design and impact of DFID investment climate reform and market systems development programmes in key economic sectors.
- ✦ As a starting point, CDC would be happy to provide "deep dive" sessions for UK posts, eg. presentations at regional Heads of Mission meetings, on their overall strategy and approach.

### *Information sharing: the DFID-CDC Portal*

- ✦ To support improved communications between CDC and UK posts, we will soon launch a new online collaboration space: the DFID-CDC Portal, which provides links to information about how both CDC and DFID work, and relevant publications and reports from both organisations, as well as information about DFID programmes and CDC's portfolio data (searchable by country and sector).
- ✦ The Portal will be managed at UK posts through DFID Private Sector Development advisers.

### *Communication channels*

- ✦ Most CDC staff are based in their London office, operating mainly through field visits/missions, so it makes sense to coordinate general requests and information flows centrally between UK posts and CDC to improve efficiency and avoid duplication.
- ✦ On the UK post side, DFID's Private Sector Department CDC team should be the first point of call for UK post staff who have routine CDC-related requests.
- ✦ On the CDC side, the CDC Strategy team will coordinate requests from CDC teams to UK posts (in London and in country).
- ✦ Under ordinary circumstances, DFID's CDC team and the CDC Strategy team meet weekly, which provides a regular forum for routine requests from posts or the broader CDC team.
- ✦ This central coordination should not, of course, preclude staff from building working relationships across the two organisations at a country level.

### *Consultation*

- ✦ Both UK posts and CDC can benefit from more frequent consultations in country.



- ✦ CDC teams typically benefit from the local/sector expertise of UK posts when reviewing investment opportunities or managing existing investments. In the past, CDC teams have for example received from UK posts useful information about local development priorities, the local donor landscape (e.g. understanding what other development banks focus on), political dynamics and macro trends.
- ✦ Conversely, UK posts can gain from CDC insights on the private sector landscape, especially from a commercial investor's perspective, and which may be of value to UK business. CDC may help identify specific/sector issues in the enabling environment that UK posts could focus on through their own programmes.
- ✦ While CDC invests exclusively in the private sector, some sectors involve a significant amount of government interactions (e.g., infrastructure). In such sectors, CDC teams should work closely with UK posts to understand local political dynamics, identify opportunities and mitigate risks.
- ✦ Even if not related to a specific investment or programme, regular, informal consultation is a good way to start building awareness in both institutions and to deepen relationships between CDC teams and UK posts.

### **Practical guidance for effective collaboration**

*UK posts should be prepared to:*

- ✦ Use the new *DFID-CDC Portal* to become familiar with CDC's investments in country and to promote the portfolio when highlighting the impact of UK development activities.
- ✦ Explain to CDC what UK posts, centrally managed programmes (including the Prosperity Fund), and other donors/agencies are doing and planning to do in country on economic development, the business enabling environment, working with businesses and the financial sector, regulatory reform etc. – through both programmes and policy work.
- ✦ Make introductions for CDC investment teams in country, including government stakeholders as appropriate, and be open to consultation from time to time with CDC investment teams when they are undertaking due diligence screening work or reviewing existing investments.

*CDC teams should be prepared to:*

- ✦ Use the new *DFID-CDC Portal* to become familiar with DFID's relevant programmes prior to undertaking investment due diligence in country.
- ✦ Draft brief summaries of new investments to be shared with relevant UK posts when a new investment is made.



- ✦ Ensure that in-country visits and meetings with local stakeholders are well coordinated among CDC investment teams to avoid duplication, and provide UK posts with reasonable notice of forthcoming visits when requests are made to post to help make introductions, especially with government stakeholders.
- ✦ Invite UK post representatives to attend CDC-organised events in country, as well as facilitating official visits to CDC investee companies upon request.

*UK posts should not expect:*

- ✦ To originate deals for CDC or otherwise seek to influence CDC decisions on particular investments. DFID sets CDCs investment policy ( [here](#) ), but has no power of veto over individual investment decisions reached by CDC under the policy. DFID's arm's length governance relationship with CDC ensures a clear line of accountability from CDC management to CDC Board and onto DFID as shareholder. This long-standing policy also serves to demonstrate to the markets in which CDC operates and to other investors that CDC goes about its business in a commercial manner, free from political interference.
- ✦ CDC to provide commercially sensitive information about its investments, especially in the case of a pipeline investment prior to the investment being made.

*CDC teams should not expect:*

- ✦ UK posts to provide logistics support in country.
- ✦ UK posts to be able to guarantee UK influence in support of CDC's investments.
- ✦ UK posts to intervene on behalf of CDC investments specifically, rather than general measures to improve the overall investment climate.

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