



Private Sector Development: The European Commission Perspective

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Helsinki, October 2, 2015

The European Commission overview

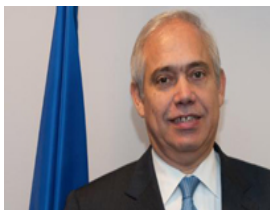


Jean-Claude Juncker presides over the 28 member "College of Commissioners" - one from each Member State: the political leadership



Neven Mimica is the Commissioner for International Cooperation & Development

The Commission is divided into 33 Directorates-General of which DG DEVCO is one.



Fernando Frutuoso de Melo is Director General of DG DEVCO (International Cooperation & Development)

DG DEVCO is divided into eight directorates

Directorate R –
Resources

Directorate A –
EU
Development
Policy

Directorate B –
Human
Development
and Migration

Directorate C –
Sustainable
Growth and
Development

Develops policies, provides guidance on quality, implements thematic budget lines...
Sectors: rural development, food security, climate change, environment, energy, infrastructure, financial instruments and **private sector development, trade and regional integration.**



*Roberto Ridolfi,
Director, Dir. C*

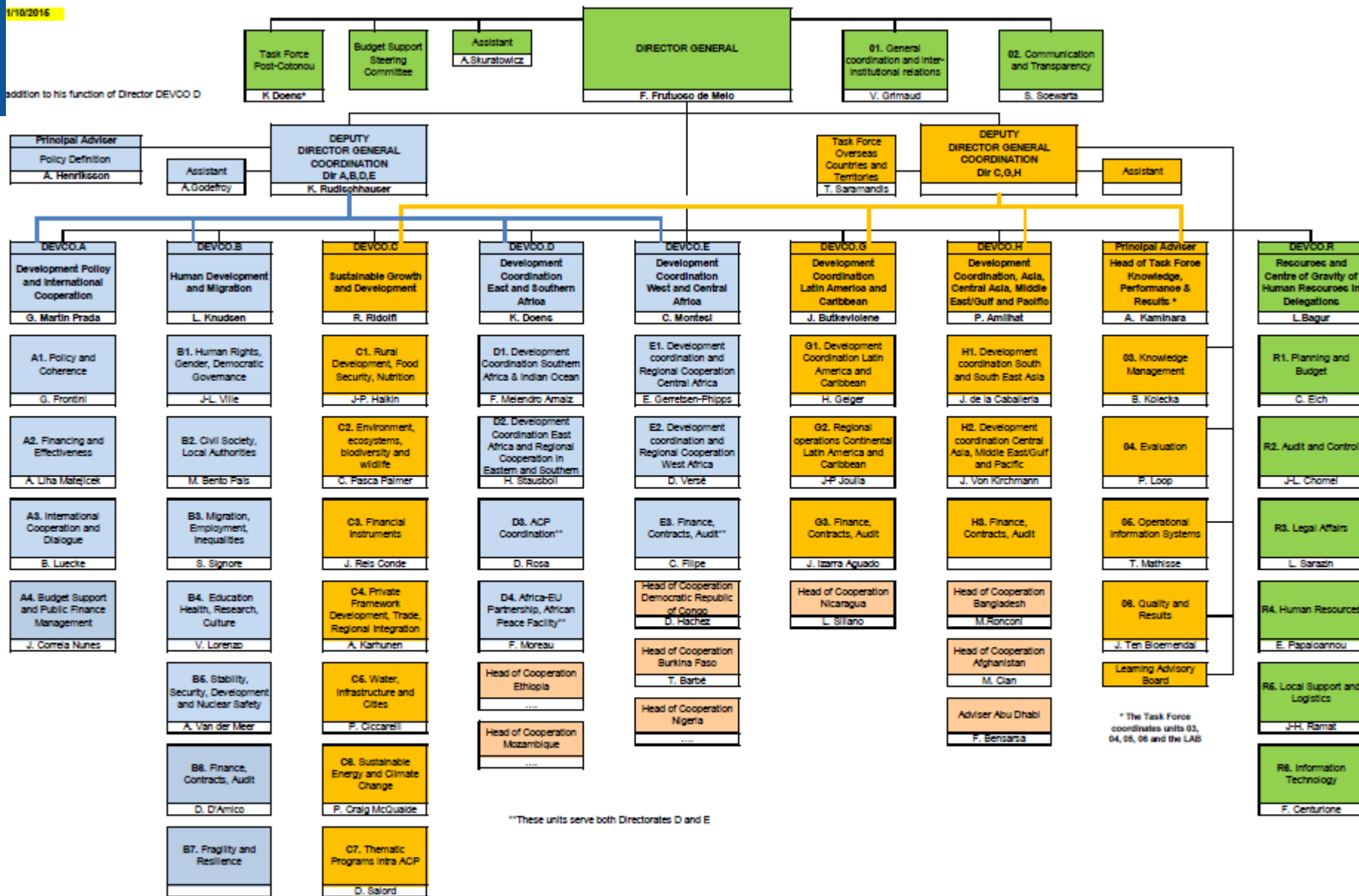
Directorates D, E, G, H are geographically oriented directorates

The "F" did not disappear but "Neighbourhood" formed a new DG together with "Enlargement": DG NEAR

DIRECTORATE GENERAL FOR INTERNATIONAL COOPERATION AND DEVELOPMENT

1/10/2016

In addition to his function of Director DEVCO D



* The Task Force coordinates units 03, 04, 05, 06 and the LAB

**These units serve both Directorates D and E

EYD 2015



Three important and interrelated events in 2015, which is the **European Year for Development**, are setting the **post-2015 Development agenda**:

- **FFD** Conference in Addis Ababa in July;
- **SDGs** Summit in New York in September;
- **COP21** conference in Paris in December .



FFD : Third International Conference on Financing for Development Addis-Ababa 13-16 July 2015

Global partnership for sustainable development to complete the work left unfinished in the MDGs

Role of Private sector as an essential vehicle to provide sustainable development;

International trade is an engine for inclusive economic growth and poverty reduction, and contributes to the promotion of sustainable development;

Emphasis on regional integration.



UN Sustainable Development Summit New York 25-27 September



17 Sustainable Development Goals with 169 associated targets to be achieved by 2030 which are integrated and indivisible.

Coherence with the EU vision for the post 2015 incorporating all the three dimensions of sustainable development: **social, economic** and **environmental**

Promote the sustainable and effective use of all the resources including private sector finance

Mutual reinforcing of trade and sustainable development

And these are the 17 SDGs:



COP 21: Paris 30 November – 11th December

Important:

- 1) to **limit global average surface temperature to below 2° C** compared to pre-industrial times to avoid most dangerous impact of climate change.
- 2) A trajectory **to reduce emissions by 60%** by 2050 from 2010. The aim is **full decarbonisation by 2100**.

Climate spending already represents at least 20% of EU spending in the period 2014-2020 (MFF)

We cannot anticipate the results of COP21 , but the decisions taken in Paris will have a direct impact to our development policy in the years to come.

Sustainable development: social, economic and environmental aspects are closely interlinked. Private sector has a strong role.

Sources of financing: overall picture

Public Domestic Finance Total: 4.4tn

Tax revenue: 4.3 tn

Potential of removing harmful fossil fuel subsidies: 523bn

Public External Borrowing: 85 bn

Memo items

Total Reserves, incl. gold: 5.4 tn

Illicit financial outflows: 0.9 tn

Public International Finance Total: 0.2tn

ODA Grants: 144bn

Concessional Loans: 31bn

Other official finance: 30bn

UN-sanctioned international security operations: 7bn

Private Finance (domestic & international) Total: 4.8tn

Domestic Private Investment: 3.5tn

International Investments: 824bn

Private External Borrowing: 92bn

Remittances: 370bn

Potential from reducing the transfer costs to 5%: 16bn per year.

Private Charity: 56bn

*International Trade**

Total volume of developing countries' exports: 5.8tn

** Trade is not a financing source, but an instrument that facilitates private and public finance mobilisation. The impact of trade on growth and poverty reduction depends on the national context and the measures taken.*

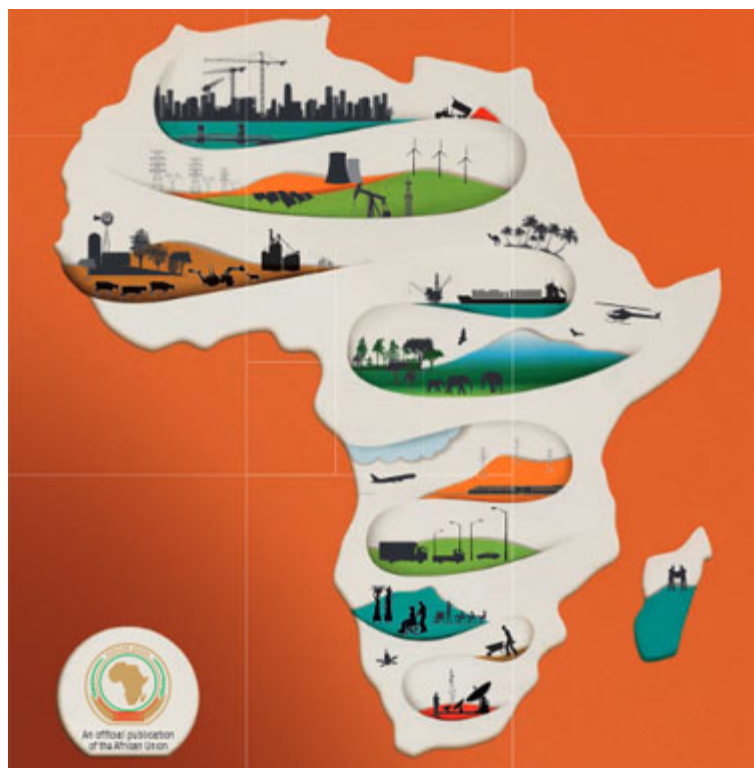
Why private sector development?

Opportunities

- Job creation: the private sector provides 90 % of jobs in developing countries
- Investments: Huge financing gap between ODA and real investment needs
- Innovation: Energy, agriculture, infrastructure, digitalisation, mobile solutions
- Growth: 5%-6% of GDP growth on average in developing countries and emerging economies

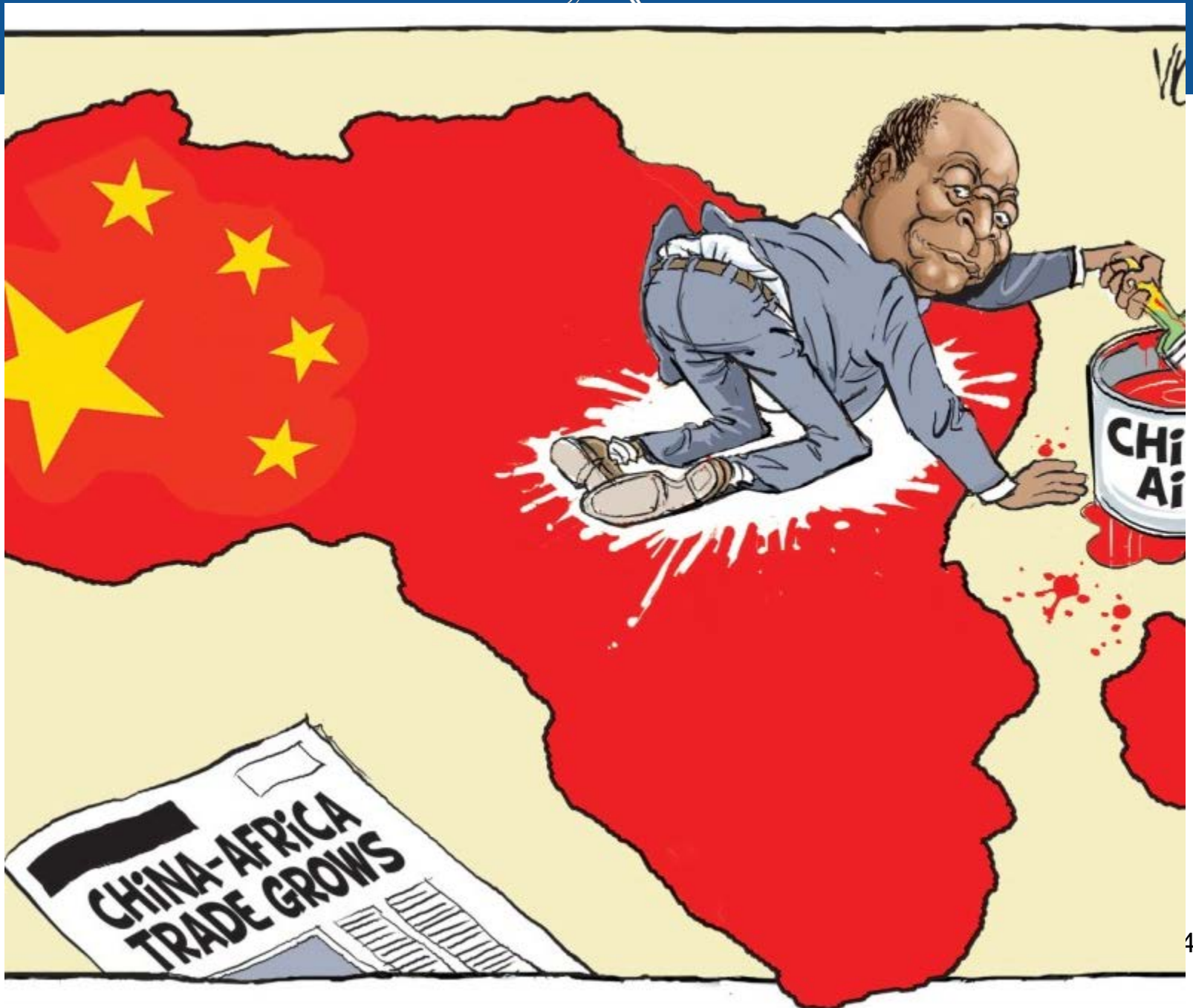
Addressing challenges

- Business and investment environment
- Access to finance mainly for SMEs
- Skills gap
- Information gap





Source: CIA Factbook
 Simran Khosla/ GlobalPost







2014 New Private Sector Policy

- EU strategy for **private sector development** in developing countries (business environment, access to finance, improving enterprise productivity & competitiveness...). Endorsed by EU Member States.
- **Engaging and partnering** with the private sector to achieve development impact
- Focus on sectors such as **energy, agriculture and infrastructure**, as announced in the Agenda for change, including through blending
- **Dialogue** and joint action with business and civil society
- **Principles and criteria** guiding the EU's engagement with the private sector in development cooperation

2014 New Private Sector Communication - Principles

Focus on employment creation, inclusiveness and poverty reduction

A differentiated approach to the private sector

Create opportunities through market-based solutions

Account for different local contexts and fragile situations

Follow clear criteria in the provision of direct support to private sector actors

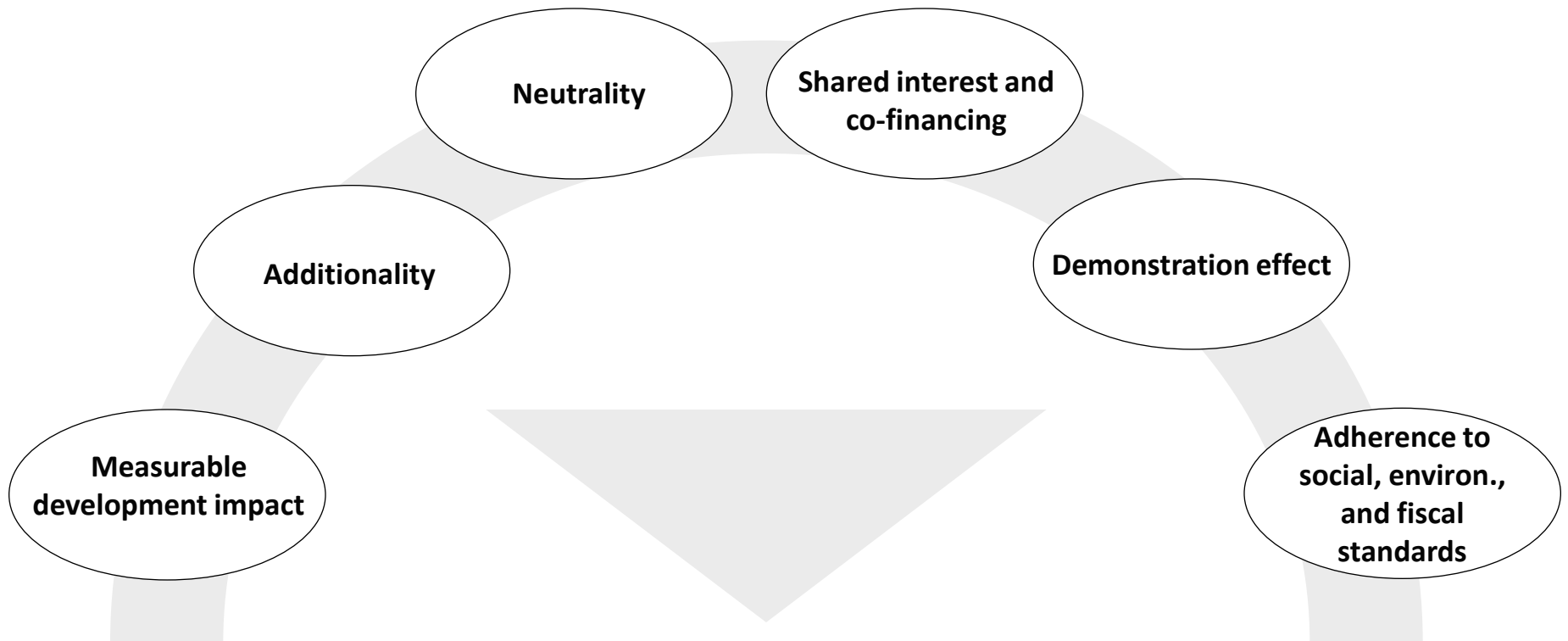
Put strong emphasis on results

Observe policy coherence in areas affecting the private sector in partner countries



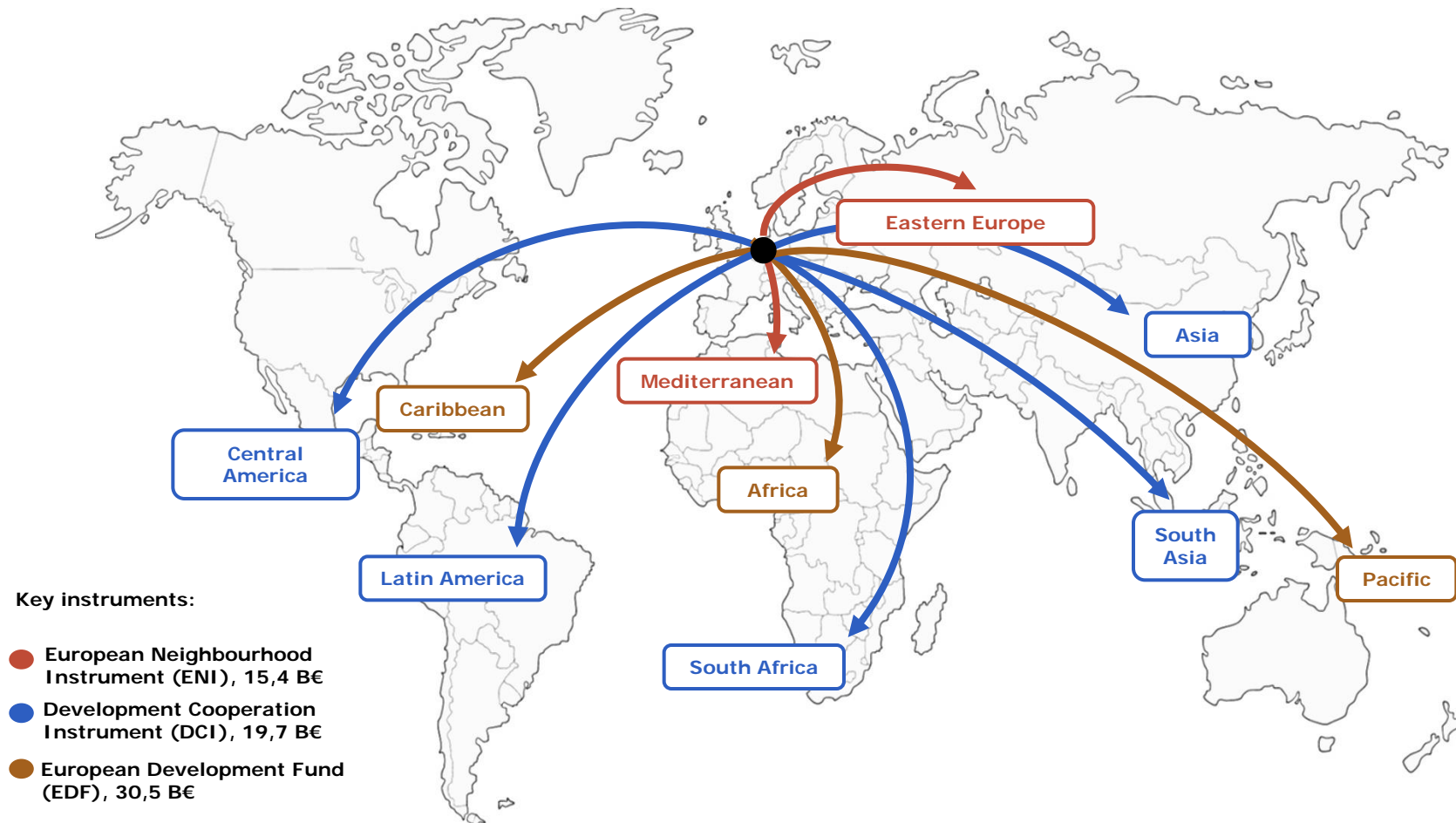
"Support to speed up development or to overcome market failures and sub-optimal investment situations"

2014 New Private Sector Communication - Criteria



**Criteria for supporting private sector – to
guarantee development impact and
sustainability and to avoid market distortions**

Key instruments 2014-2020



Funds reserved to private sector development in EU aid instruments – DG DEVCO indicative core allocations for 2014-2020			≈ M€
Country level (bilateral) (DCI, EDF)	National Indicative Programmes	22 countries	650
Regional level (DCI, EDF)	Regional Indicative Programmes	Africa, Asia, Caribbean, Latin America, Pacific	600
ACP level (DCI)	Intra-ACP Programme	Africa, Caribbean, Pacific	600
Thematic (DCI)	Global Public Goods and Challenges	Addressing innovative global initiatives	50

≈ 1900

+ PSD in neighbourhood countries of around 650 million euros for 2014-2017

Much more opportunities for private sector in programmes for energy, agriculture, infrastructure, other sector interventions and via financial instruments

Examples:

- Malawi: Approx. 100 million euros for improvements in agribusiness productivity and linking farmers to markets
- Changing production and consumption patterns involving the private sector: supporting the development of a green economy (e.g. 400+ million euros ASIA SWITCH to green programme)
- Blending: leveraging financing for investments in various sectors

European dimension: added value

- **Development policy** instruments and funding translate into concrete projects that create opportunities for business
- **Political leverage:** Policy dialogue to improve framework conditions for doing business
- **Financial leverage:** Increased use of financial instruments, such as blending: making transformative and enabling investments possible
- **International agreements** (such as EPAs): Access to markets, and accompanying "Aid for Trade" helps integrate developing countries into global value chains
- **Global presence:** EU Delegations key actors on the ground: projects, policy dialogue, dialogue with business

Opportunities for EU enterprises - In practical terms (2)

- Moreover, EU enterprises have an access to **tendering procedures** (supply, services, works) in the context of EU external actions

- **Calls for proposal** and **procurement notices** are available on

<https://webgate.ec.europa.eu/europeaid/online-services/index.cfm?ADSSChck=1415372513471&do=publi.welcome&userlanguage=en>

- Practical Guide to contract procedures for European Union external actions (**PRAG**) is available on

<http://ec.europa.eu/europeaid/rag>



Thank you!

Antti Karhunen

Sustainable Growth and Development Directorate
European Commission, DG DEVCO – EuropeAid