



# Private Sector Development: The European Commission Perspective

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## 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.**

**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*

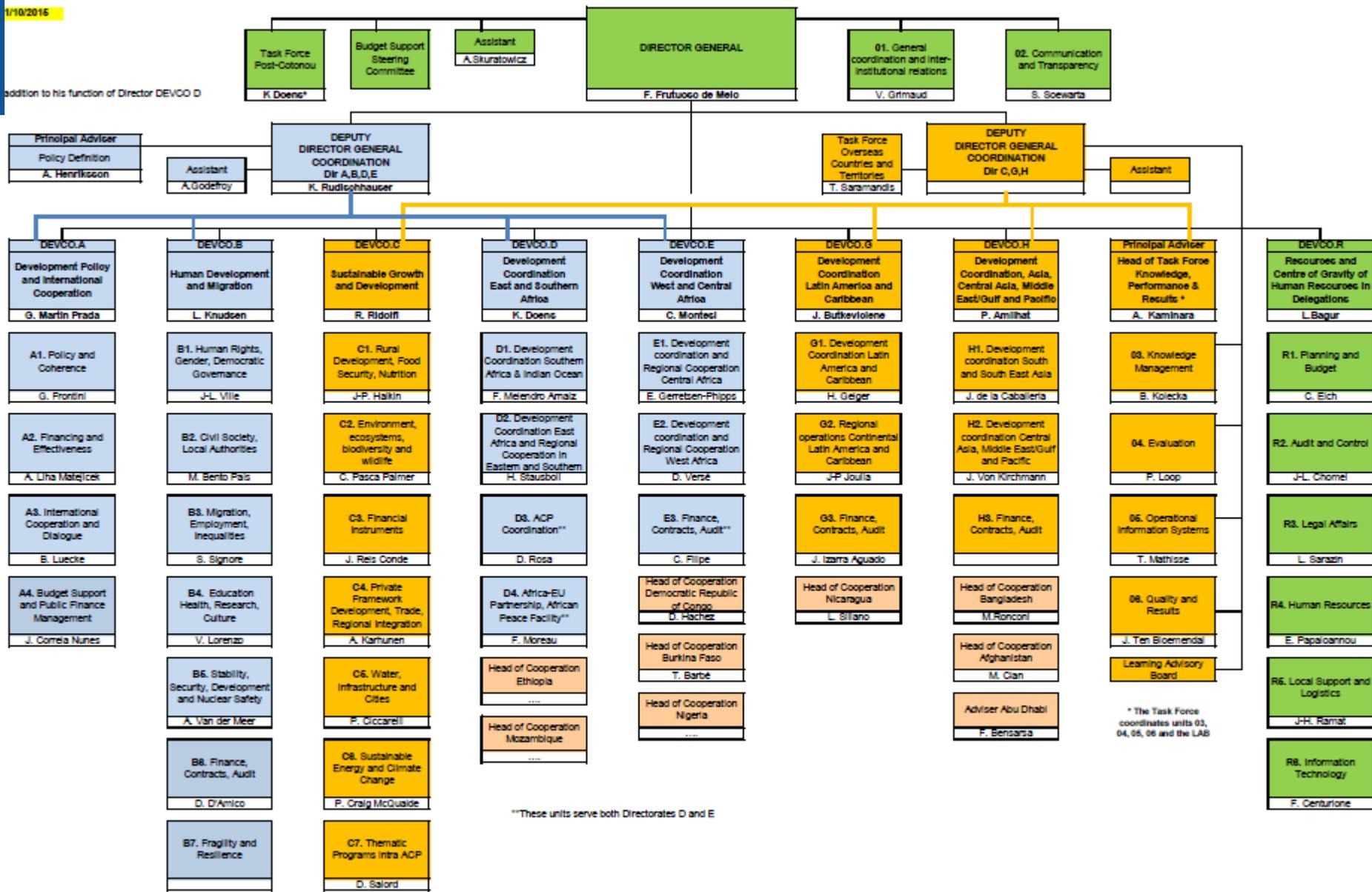


*Roberto Ridolfi,  
Director, Dir. C*

# DIRECTORATE GENERAL FOR INTERNATIONAL COOPERATION AND DEVELOPMENT

1/10/2016

In addition to his function of Director DEVCO D



\*\*These units serve both Directorates D and E

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

# 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.*

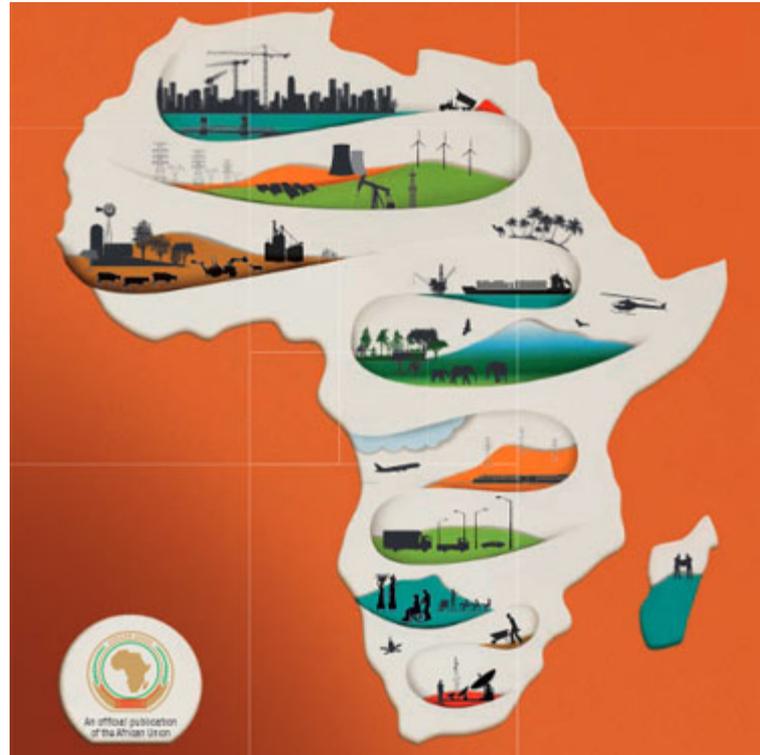
## Why private sector development?

### 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

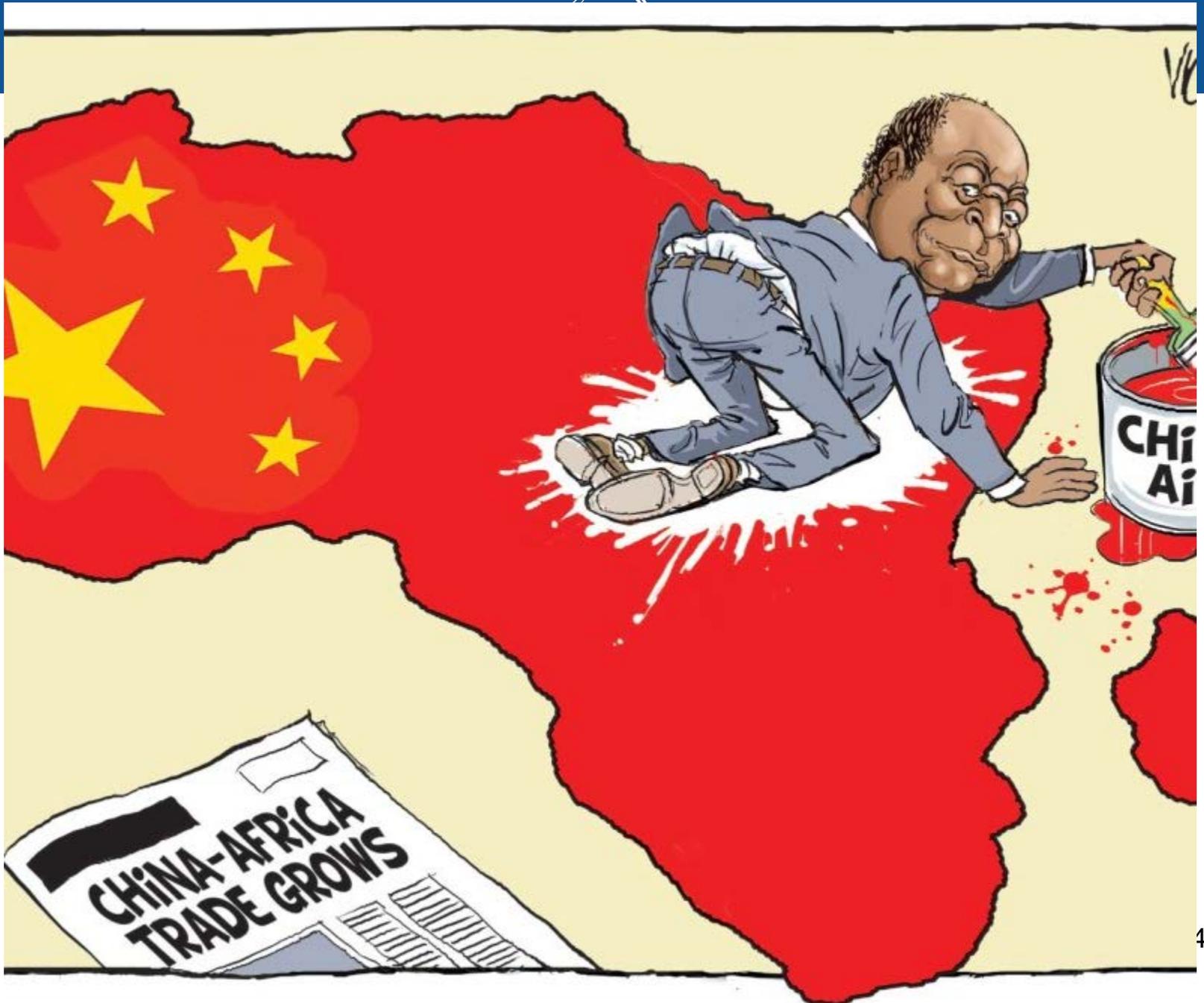
### Addressing challenges

- 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*

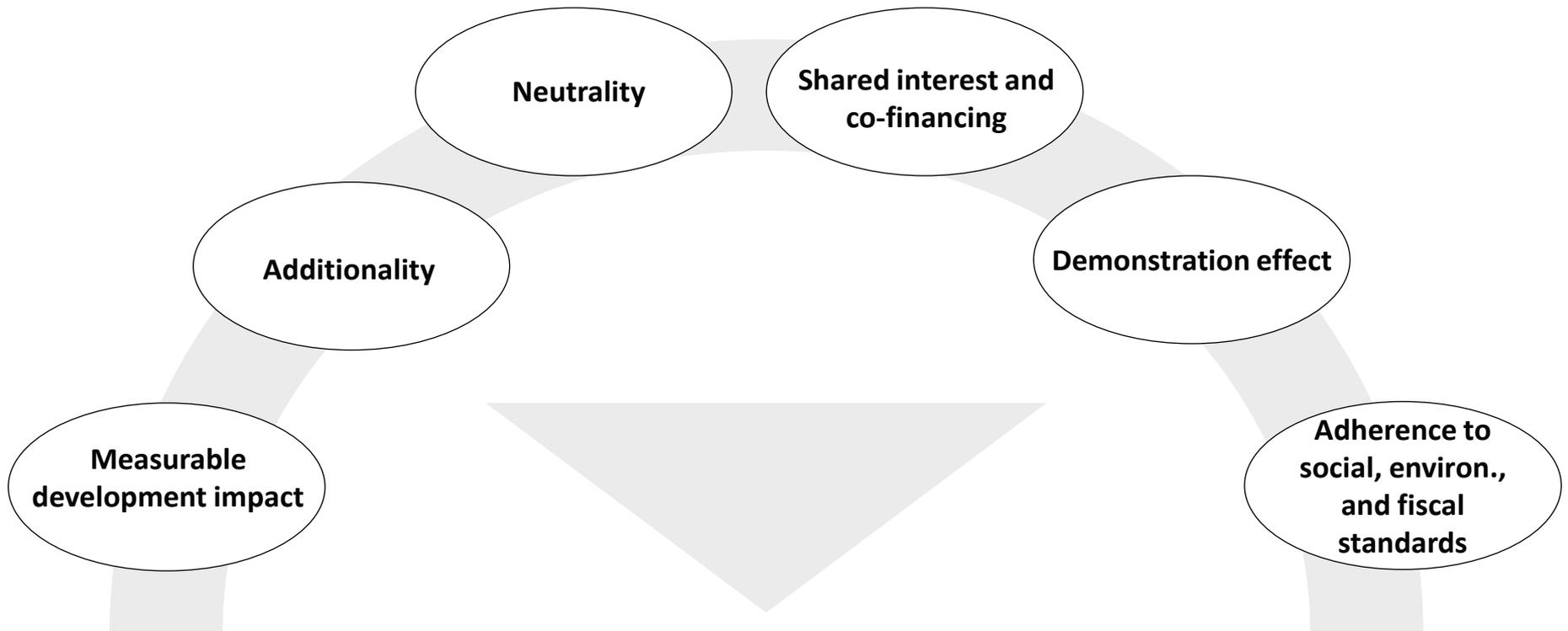
*Put strong emphasis on results*

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



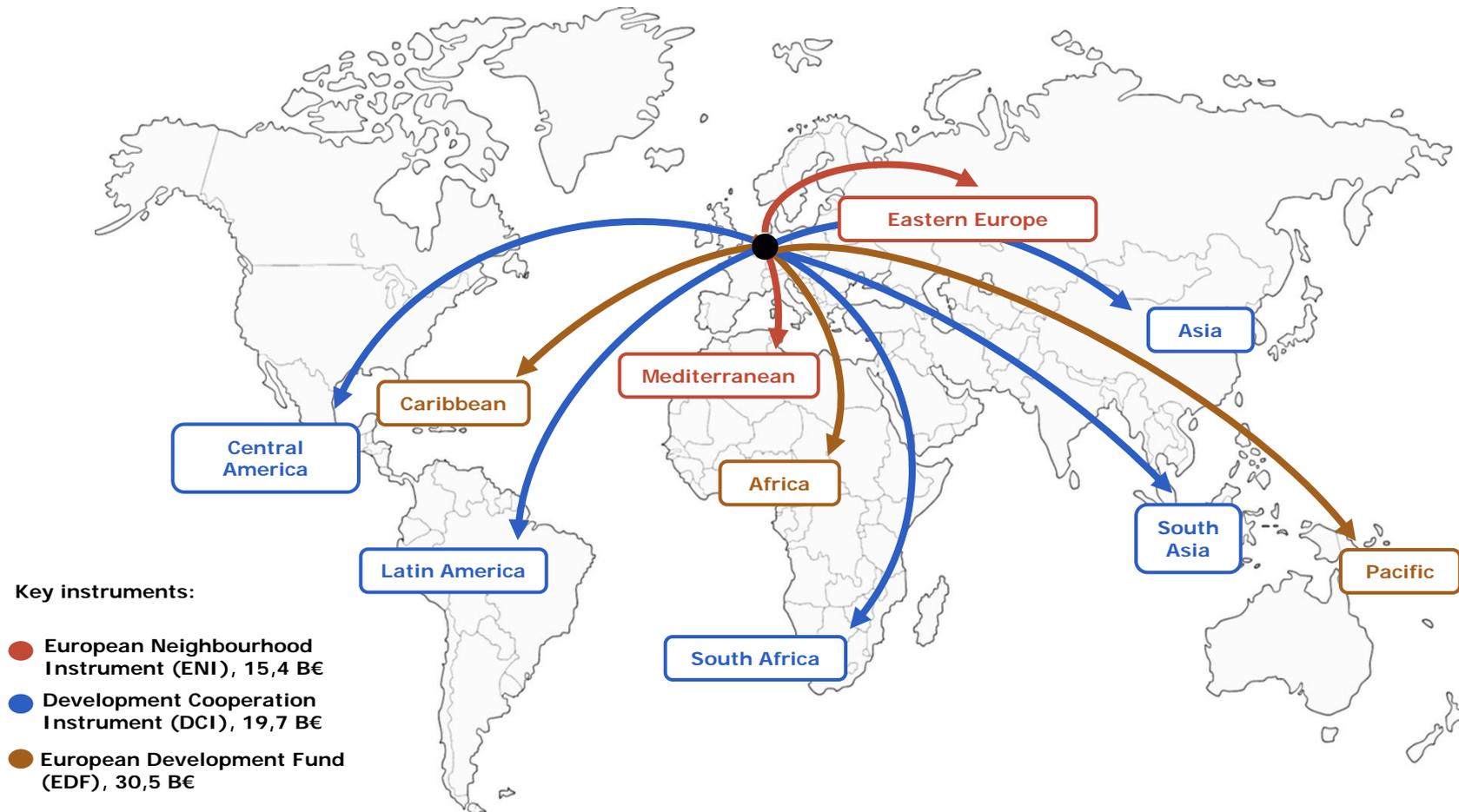
*"Support to speed up development or to overcome market failures and sub-optimal investment situations"*

## 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



<b>Funds reserved to private sector development in EU aid instruments – DG DEVCO indicative core allocations for 2014-2020</b>			<b>≈ M€</b>
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/prag>



Thank you!

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European Commission, DG DEVCO – EuropeAid