



The role of the private sector in EU development policy

Compete In – internazionalizzazione dei territori : PMI competitive in regioni globalizzate

Sergio Piazzardi "Private framework development, trade and regional integration", European Commission

REGGIO EMILIA 22 June 2016



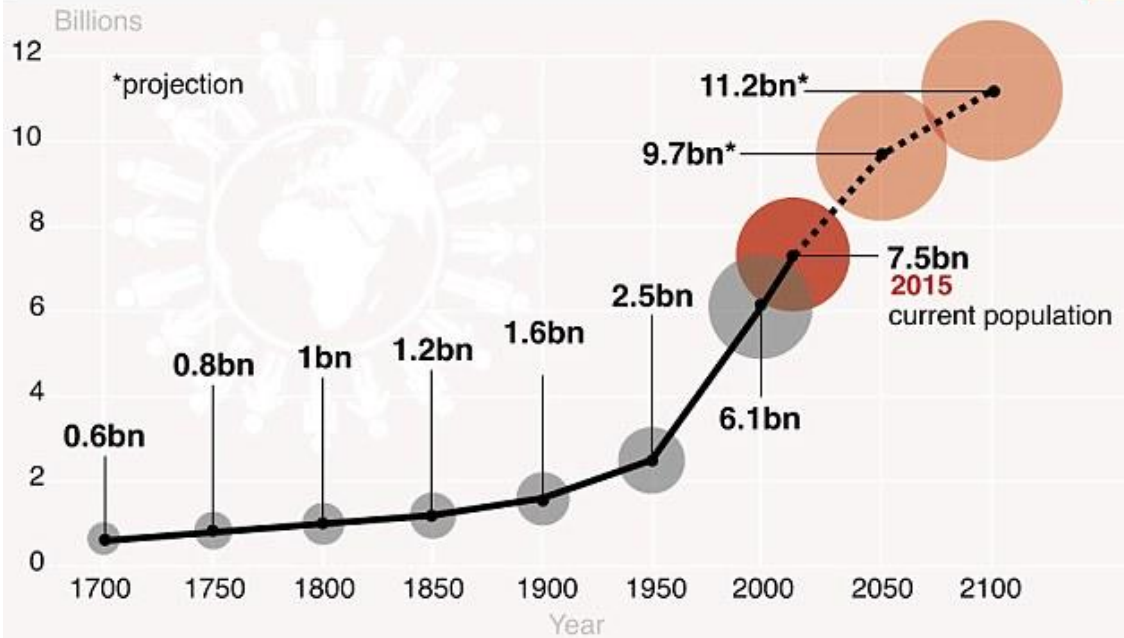
How to help create 400 million new jobs in Africa?



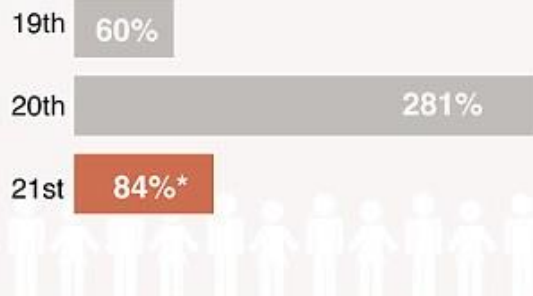
European Commission

World population 'to hit 9.7bn by 2050'

PA



Rate of growth over centuries



Source: United Nations

Top three largest countries

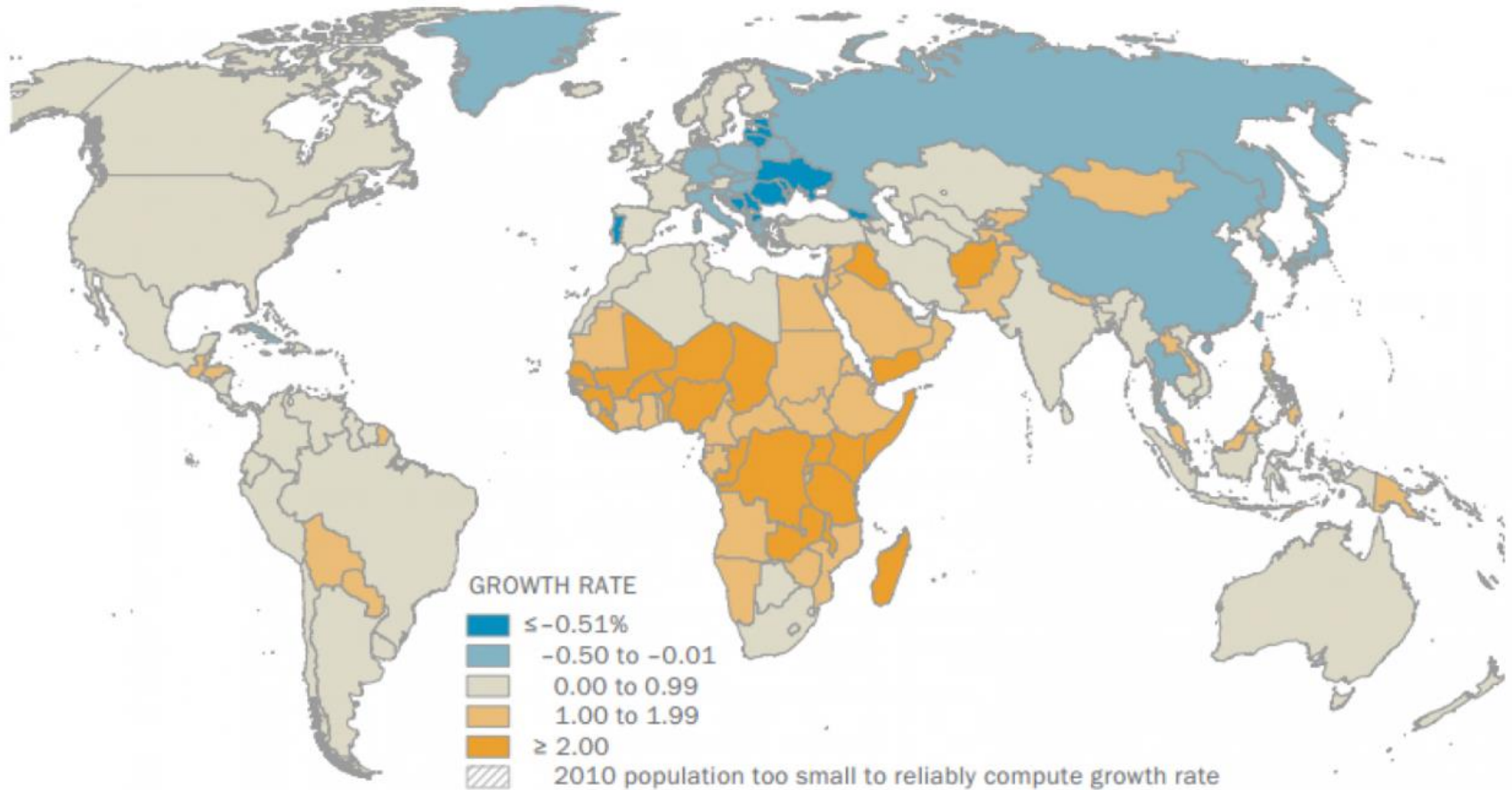
2015



2050*



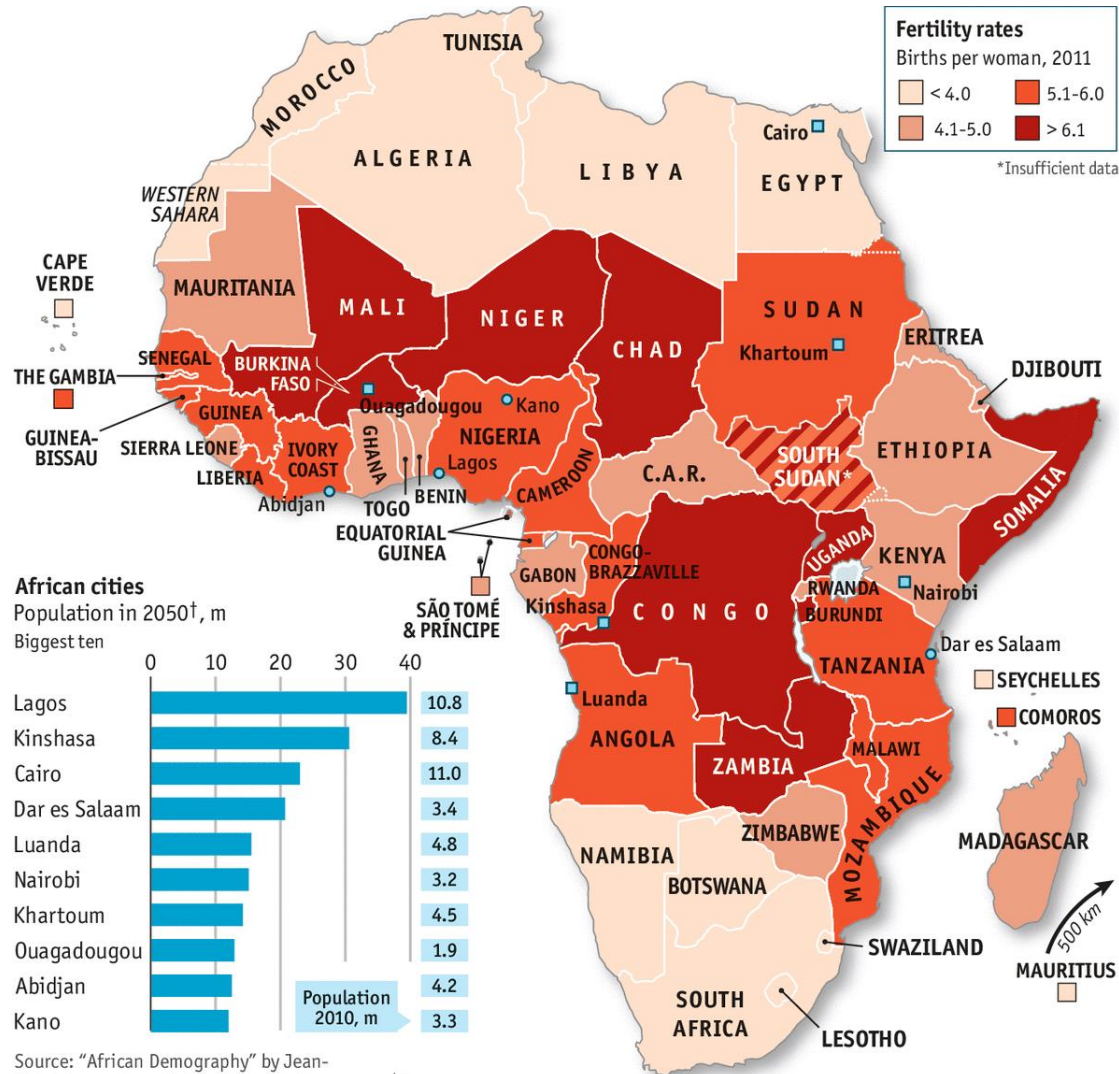
Projected Annual Growth Rate of Country Populations, 2010-2050



Source: The Future of World Religions: Population Growth Projections, 2010-2050



European Commission



World economic growth, 2015 (GDP real % change, year on year)

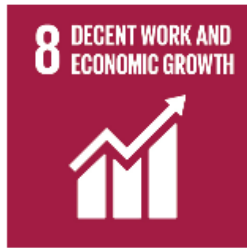




Source: CIA Factbook
 Simran Khosla/ GlobalPost



SUSTAINABLE DEVELOPMENT GOALS



GOAL 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



GOAL 9

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



GOAL 12

Ensure sustainable consumption and production patterns



GOAL 17

Strengthen the means of implementation and revitalize the global partnership for sustainable development





- Participation of partner countries in globalized markets
- Increasing the value added of their production
- Social, economic, environmental sustainability
- Responsible business conduct



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.

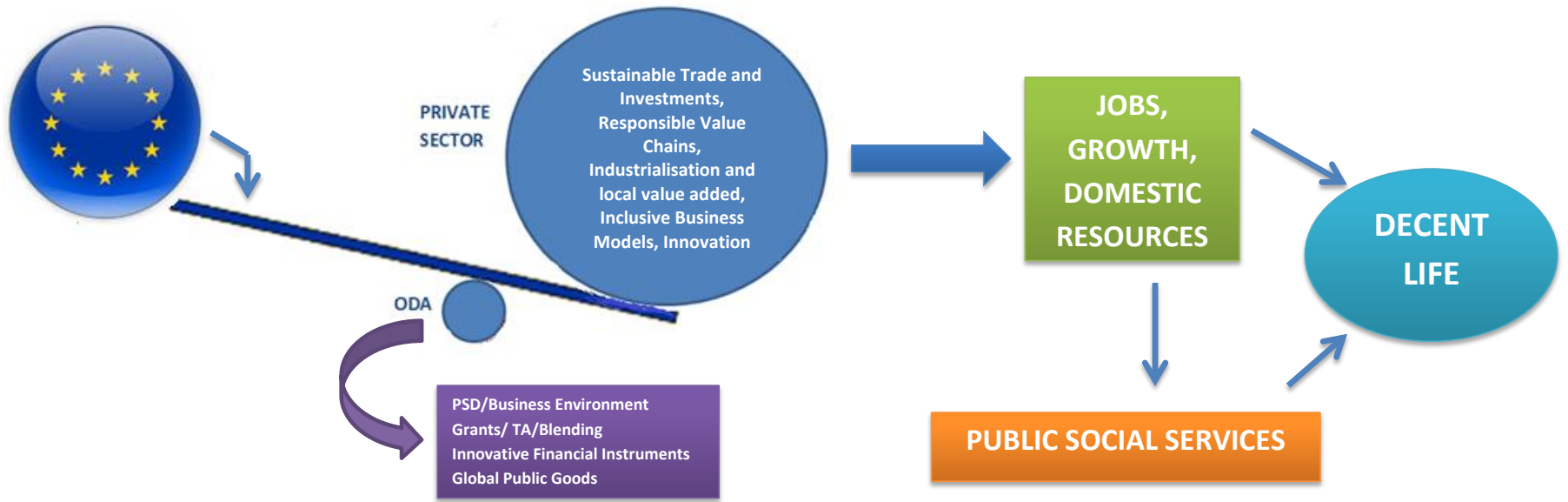
Private Charity: 56bn

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.

Leveraging Private Sector Role for Development



Why strengthen the role of private sector in EU's Development Policy?

Addressing challenges

- Business and investment environment
- Access to finance mainly for SMEs
- Skills gap
- Information gap
- Digital divide
- Risk mitigation



2014 EU 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 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

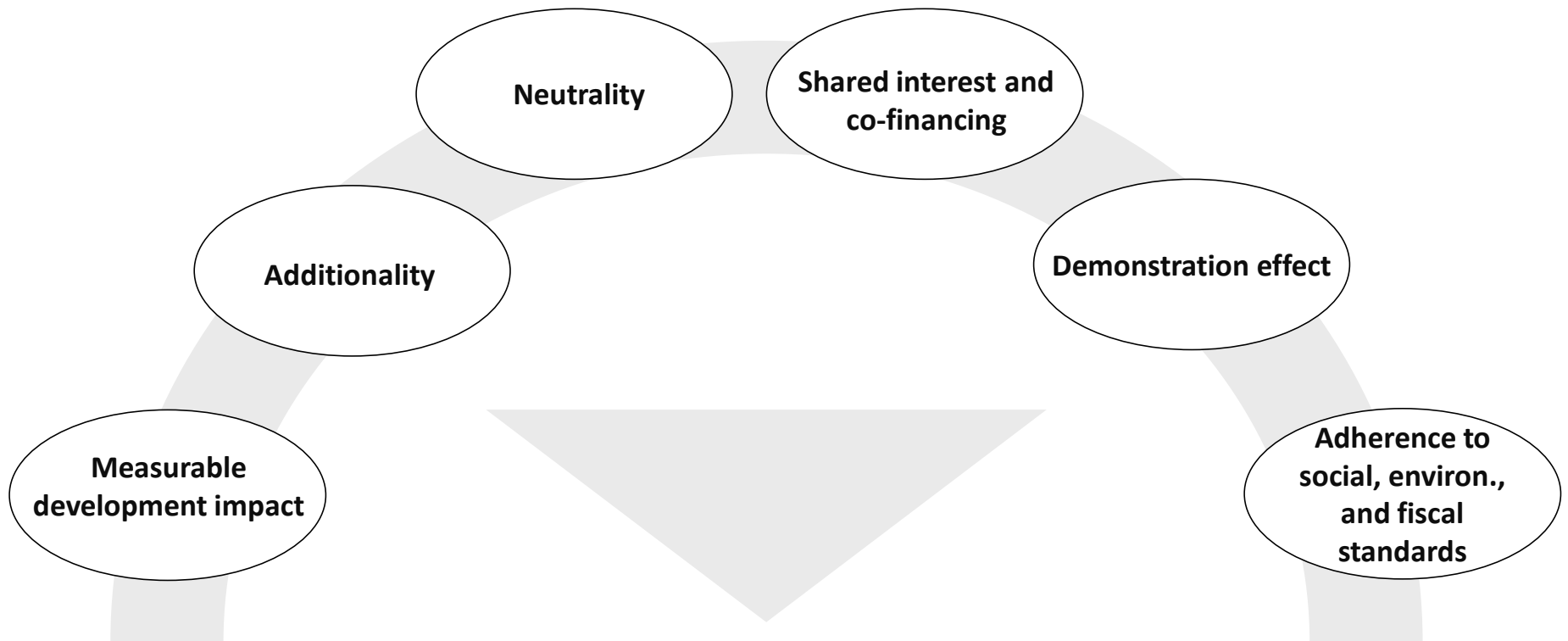
Put strong emphasis on results

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



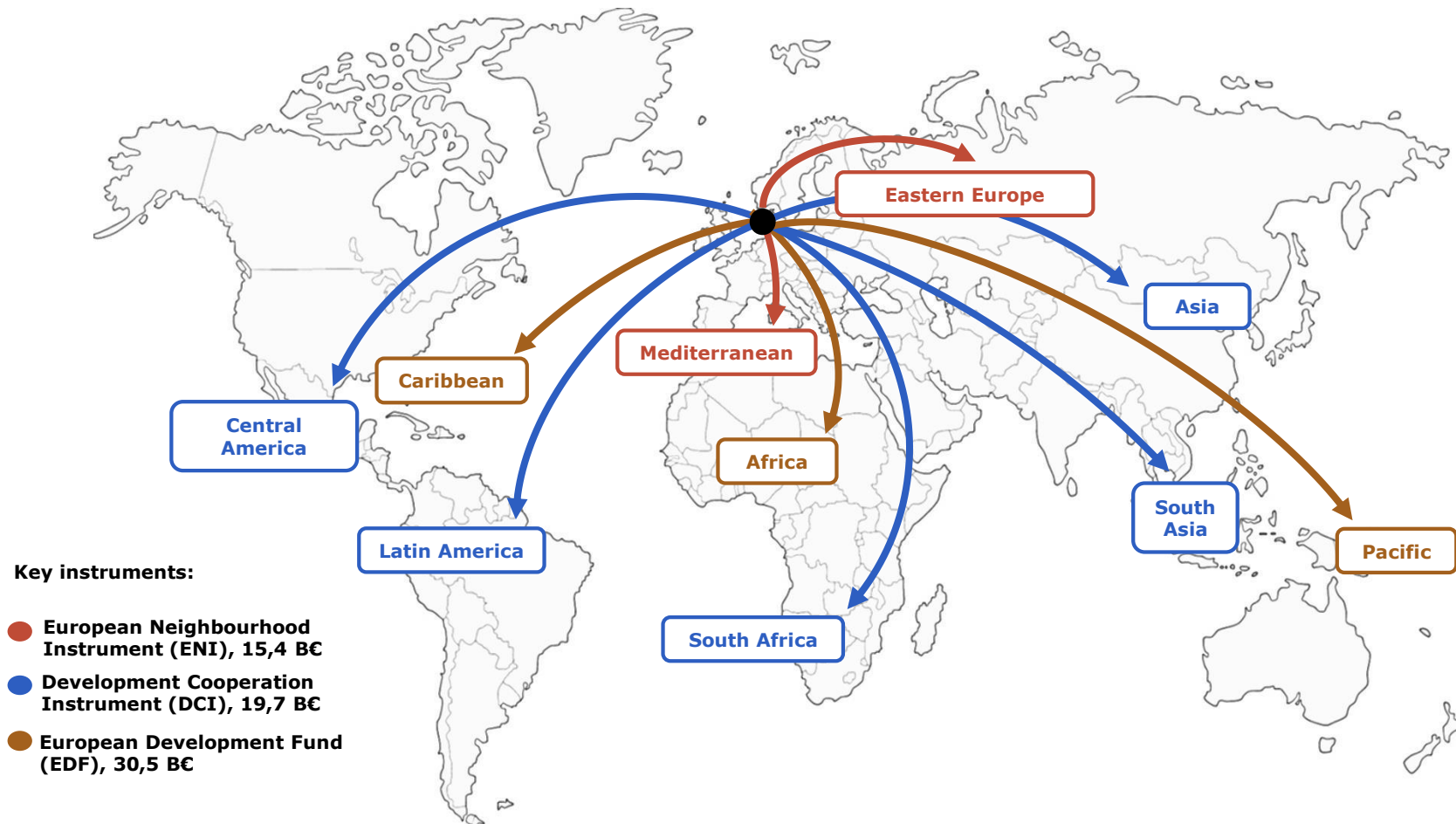
"Support to speed up development or to overcome market failures and sub-optimal investment situations"

2014 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	21 countries	650
Regional level (DCI, EDF)	Regional Indicative Programmes	Africa, Asia, Caribbean, Latin America, Pacific	600
ACP level (EDF)	Intra-ACP Programme	Africa, Caribbean, Pacific	600
Thematic (DCI)	Global Public Goods and Challenges ...	Addressing innovative global initiatives	150

≈ 2000

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

Support through EU thematic
development programmes:
**INTRA ACP
and
GPGC**

Global Public Goods and Challenges (GPGC)

Innovative and inclusive business models
Trade Facilitation
Knowledge, data, statistics
New technologies: digital, mobile



INTRA ACP (Private Sector)

Business friendly environment
Strengthen productive capacities and value chains
Financial Inclusion
Access to finance for SMEs and blending

Cross- cutting

Gender

Climate
change

RBA

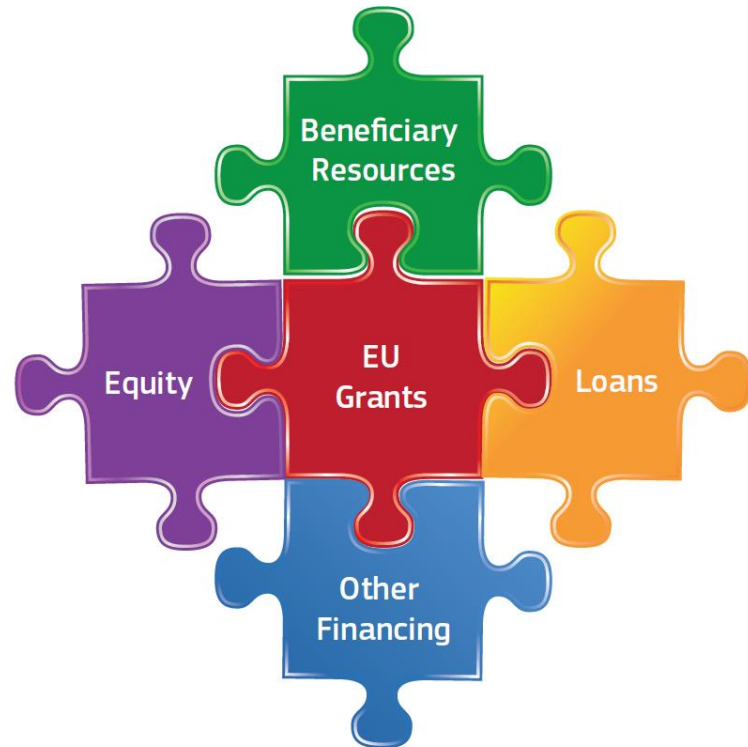
What is blending?

Blending is the combination of EU grants with loans or equity from public and private financiers.

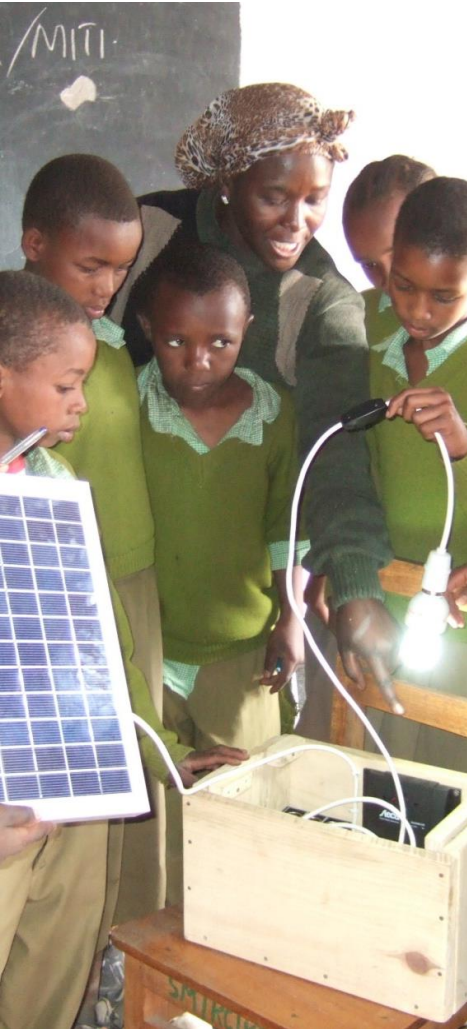
Instrument for achieving EU external policy objectives. Complementary to other aid modalities. Following relevant regional, national and overarching policy priorities.

EU grant can take different forms:

- **Investment grant & interest rate subsidy**
- **Technical assistance**
- **Risk capital**
- **Guarantees**



ElectriFI



- intensive mobilisation of private sector investments in increasing and/or improving access to sustainable electricity and energy services,
- encourage actions with emphasis on decentralised sustainable energy solutions for populations living principally in rural areas or underserved areas / unreliable supply areas, and
- attract additional financing*

*EC finance with €75mio

AgriFI

- AgriFI is a new initiative for achieving inclusive and sustainable agricultural growth on value chains. Commission Decision took place in 2015, the initiative will be implemented in 2016.
- AgriFI will mobilise additional public and private investment, in particular through the provision of risk capital, guarantees or other risk-sharing mechanisms.
- AgriFI responds to the lack of financing mechanisms adapted to farmers and agri-entrepreneurs, particularly for smallholders and agribusiness MSMEs.
- AgriFI will be funded from various instruments and sources including blending operations



Partnering and Engaging with Private Sector – HOW?

Participation in EU Tenders and Call for Proposals

Financial Instruments and Blending (Investment Fund for Africa; Agrifi;
Electrifi)

Structured dialogue (African Business Forum; Regional B2B and Business
networks projects – ELAN, AL-Invest, local business fora, etc...)

Multistakeholder Approaches (Garment Initiative, PFD,...)

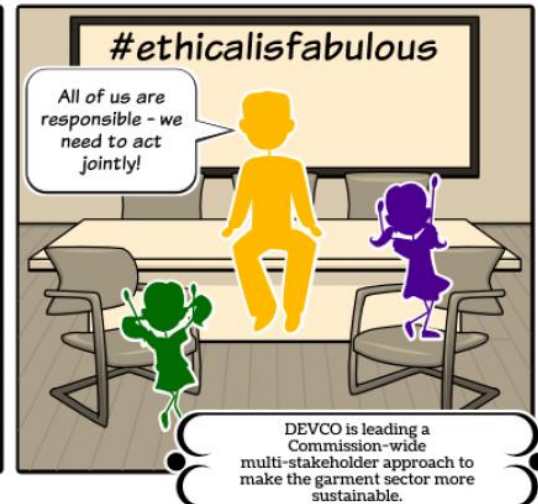
Practical Partnership Arrangements with Individual Companies

NEW



our world
our dignity
our future

DEVCO. C.4 – Engaging on responsible supply chains



NEW

Practical Partnership Arrangement

Commission is developing a practical framework arrangement to incentivize businesses to partner for development objectives

- Identify mutually interesting goals
- Seek added-value
- Roles, inputs and roadmap
- Development impacts

We build on valuable experience of other actors!

European dimension: added value

- **Development policy** instruments and funding translate into concrete projects and opportunities for business
- **International agreements** (EPAs, FTAs, etc.): Access to markets, and accompanying "Aid for Trade" helps integrate developing countries into global value chains
- **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
- **Global presence:** EU Delegations key actors on the ground: projects, policy dialogue, dialogue with business

Conclusion

- Private Sector plays a key role in implementing SDGs.
- EU has the policy and the instruments that can deliver real results.
- A win-win opportunity for all stakeholders.

**We are ready to
listen and do more!**





Thank you!