



EU PRIVATE SECTOR IN EU EXTERNAL ACTION INSTRUMENTS

Roberto Ridolfi, 18 June 2015

A STRONGER ROLE OF EU PRIVATE SECTOR IN DEVELOPING COUNTRIES

- 1 Why EU Private Sector engagement in Developing Countries ?
- 2 The Private Sector Communication
- 3 What is the EU doing to assist the EU Private Sector in Developing countries?

THE ROLE OF PRIVATE SECTOR

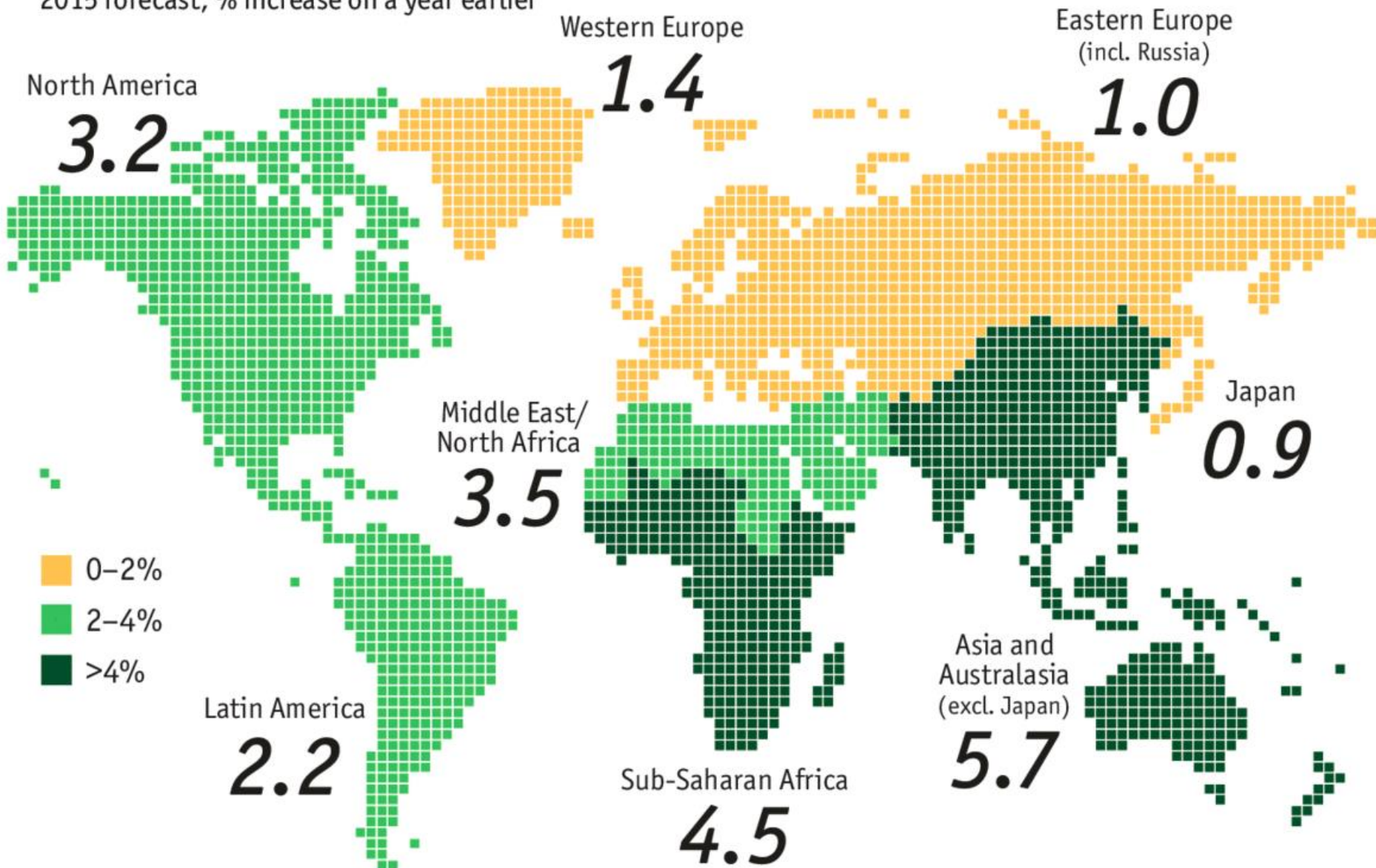
1: Private Sector already provides 90 % of jobs in Developing Countries and thus it is an essential partner in the fight against poverty;

2: It is also needed as investor in sustainable agriculture production to feed 9 billion people by 2050;

3: It brings innovation and investment towards Green Economy so badly needed by the planet;

World GDP*

2015 forecast, % increase on a year earlier



Source: Economist Intelligence Unit

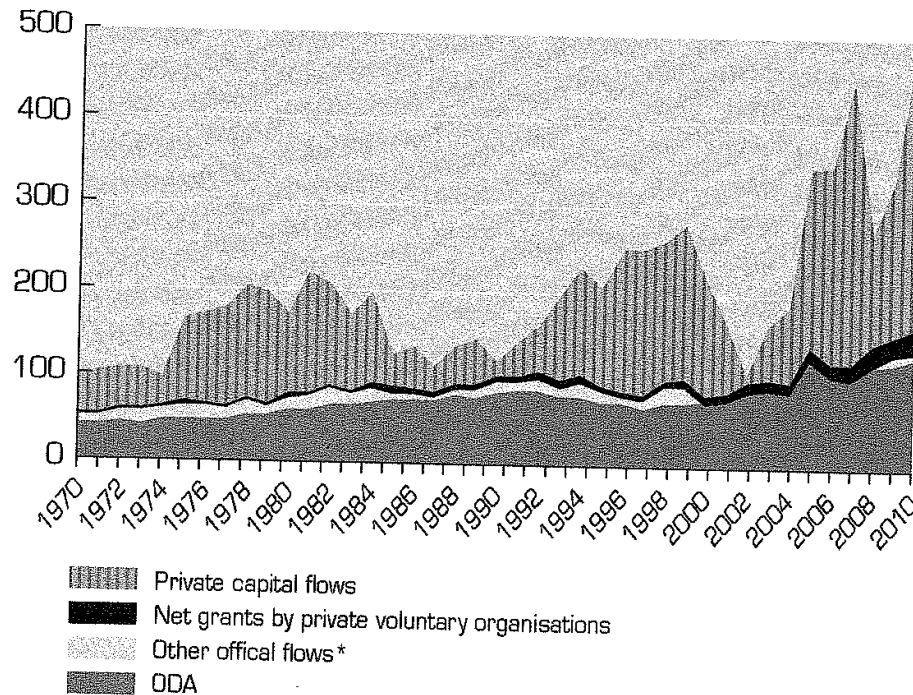
*At market exchange rates

a) OPPORTUNITIES

- Globalisation: 5%-6% on average regular GDP growth in developing countries and emerging economies;
- EU has a winning edge on sustainable energy, agriculture and agribusiness, infrastructure, green sectors

But also

b) Declining share of DAC assistance in relation to private flows such as foreign investment from business



* Net OOF flows were negative in 2000-01, 2004 and 2006-07

As a conclusion the analysis is:

- 1) DAC ODA is not enough to cover all the development needs : it has already been overtaken by private investment;*
- 2) However to bridge the actual financing gaps to bring development more resources are required;*
- 3) In the global economy the share of OECD countries and consequently of EU is declining
.....unless :*

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The Communication

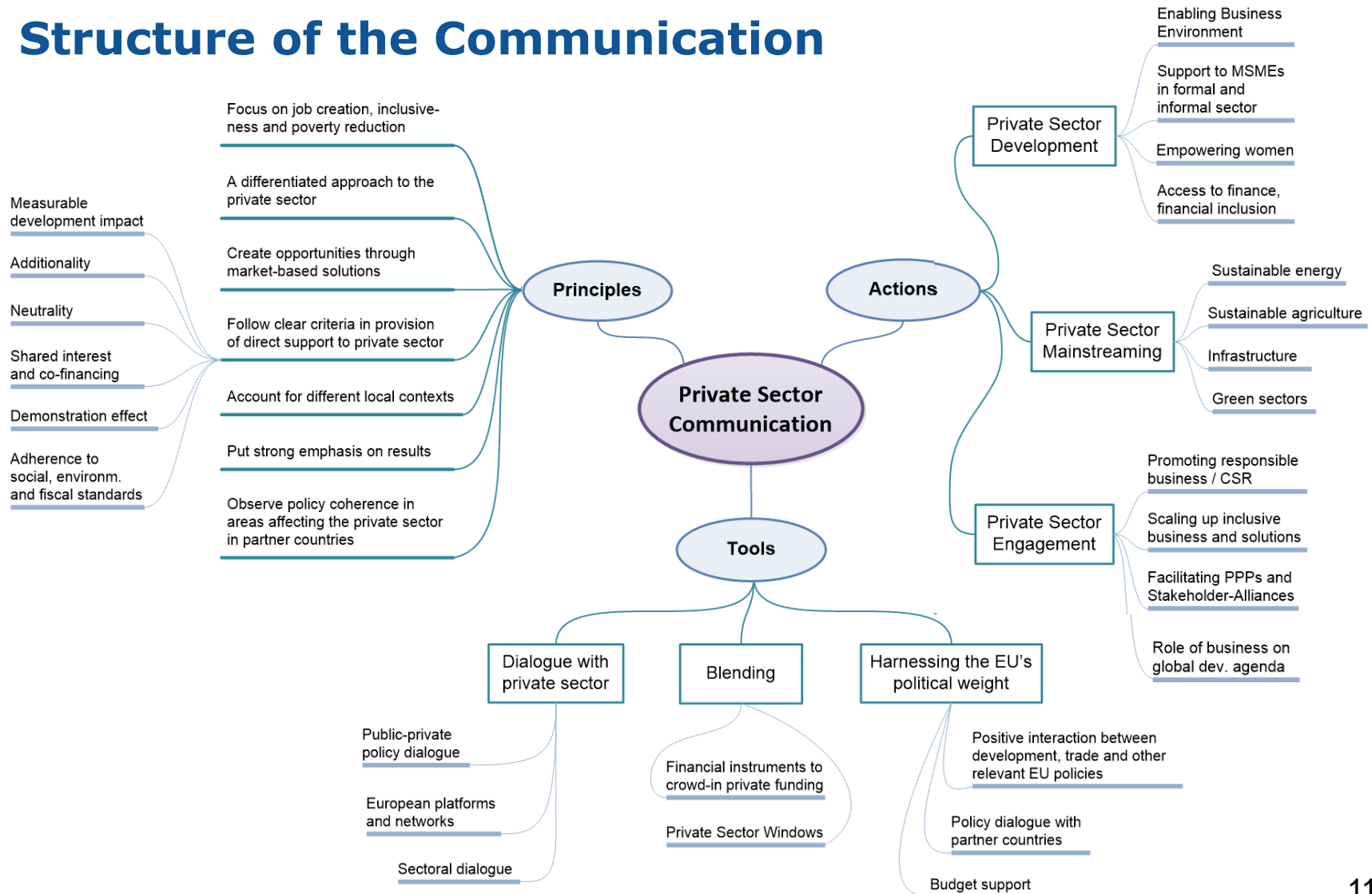
The Communication covers three main areas:

- 1) Mainstreaming the private sector almost in all the areas of cooperation ;
- 2) Promoting local Private Sector Development and improvement of Business Environment ;
- 3) Calling for Private Sector Engagement ;

Purpose and objectives of the Communication

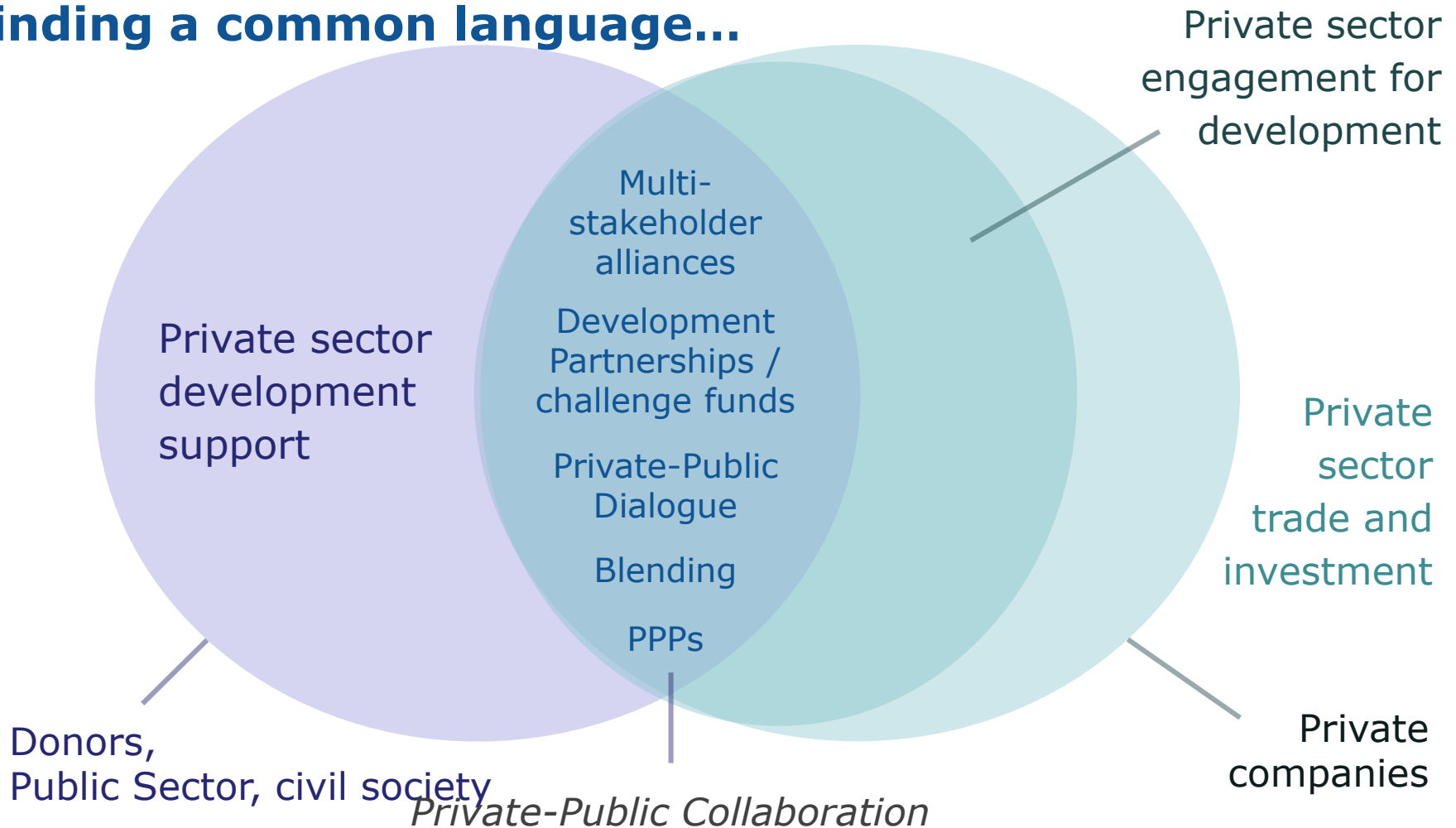
- Update the EU strategy for **private sector development support** in developing countries .
- Identify ways to **working closer with the private sector** according to the 'Agenda for Change' and confirmed in the Busan outcome document;
- Use the **private sector as “delivery channel”** for development in sectors such as energy, agriculture and infrastructure;
- Propose a framework **dialogue and joint action with business** to harness the private sector as a driving force in achieving inclusive and sustainable growth;
- Pave the way for strengthening on the role of the private sector in **the post-2015** framework, and in the transformation towards a **green economy**.

Structure of the Communication



Private sector Engagement (PSE)

Finding a common language...



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Let's look to the gaps normally experienced by EU companies in developing countries :

1) INFORMATION GAP

- (i) Lack of information which obviously retain from engagement or give excessively risk adverse attitude to European potential contractors;
- (ii) Information gap due also to the lack of knowledge and experience and which leads to prejudices and wrong assumptions in relation to own assessment of having real chances in tendering.

2) SKILLS GAP

Lack of skilled labour

Lack of experienced management capacity

To be offset by current:

EU engagement in vocational training

EU management training

3) Business environment

Concern on the business climate

Investment climate repatriation of profits

Registration of companies

Taxation

EU Instruments

Diplomacy : policy dialogue to ensure a fair and level playing field for European business in non - EU markets;

Agreements : i.e. EPA

Cooperation : **NIP and RIP DCI etc...** (tendering participation)

Access to finance : blending

Access to finance : Blending

Using grants strategically to unlock additional public and private financing to meet development challenges



Access to finance : Agriculture Financing Initiative – AgriFI

- **Increase investment in smallholder agriculture and agribusiness MSMEs**
- **High risk environment (agriculture, smallholders)**
- **AgriFI provides greater risk-bearing capacity**
- **Combination of EU grants with risk capital, guarantees, risk-sharing mechanisms**
- **AgriFi will be backed up by technical capacity, business development and advisory services, proper monitoring.**