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EU Engagement with the Private Sector for Development

Setting up a One-Stop-Shop?

Bruce Byiers, Florian Krätke and Anna Rosengren[1]

Key messages

The EC's new Communication on engaging the private sector for development is broadly welcomed as ambitious and action oriented, bringing EU strategy up to date with other donor practices.

However, although focused on the private sector, the proposed actions remain somewhat donor-centric with the private sector and partner countries seen as following a donor-led agenda.

The value-added of an EU approach is not clear to many, given the growing range of existing Member State activities with the private sector.

The Communication will be judged on its ability to facilitate local and EU business and jobs, requiring specific capacities and approaches, and coordination among governments, EU delegations, firms and Member States.

Jobs and economic transformation are increasingly at the centre of developing country policy concerns.[2] High growth rates in many developing countries have brought seemingly little formal job creation, particularly in Africa. There is increased recognition of a need to go beyond social expenditures to employment creation to sustainably raise incomes and improve well-being. This underlines the importance of both domestic and international private sector activity, and is behind the current upsurge in discussions across African countries of the need for industrial policy to promote structural transformation.[3] This was also at the core of the April 2014 EU-Africa Business Forum on the margins of the EU-Africa Summit. Jobs and growth are also among the top 10 priorities for the EU, as identified by the Juncker Commission.[4]

At the same time, donor discourse has seen a groundswell of discussions, policies, strategies and initiatives to 'engage with', partner with', 'leverage' or 'promote' the private sector for development (PSD). Donors are increasingly responsive to the opportunities that working with and through the private

[1] The authors are thankful to Andrew Sherriff and Dr. San Bilal for their comments and inputs to this publication. The views expressed here are those of the authors only and should not be attributed to any other person or institution. Contact author: Bruce Byiers, bby@ecdpm.org

[2] See here: http://ec.europa.eu/about/juncker-commission/priorities/01/index_en.htm

[3] See for example the UNECA-AU Economic Report on Africa, 2014 on Dynamic Industrial Policy: http://repository.uneca.org/unecawebsite/sites/default/files/page_attachments/final_era2014_march25_en.pdf

[4] http://www.africa-eu-partnership.org/sites/default/files/documents/eabf-jointbusinessdeclaration-final.pdf

sector affords them for the delivery and financing of development outcomes.[5] Recent international policy commitments make increasingly explicit reference to the role of 'the private sector', though no clear consensus exists on how to work effectively with private actors towards development outcomes.[6]

The European Commission (EC) is the latest development actor to weigh in with its Communication: "*A stronger role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries*".[7] Launched on 12th May 2014, and building on the EC's 2011 EU Development Policy the *Agenda for Change*, the policy statement provides more elaborate and concrete guidelines for the Commission's engagement with the private sector for development. A first set of Council Conclusions was published in June 2014, with a further set expected in December this year.

Having spent an average €350 million a year on private sector development over the past decade (EC, 2013), as well as being the world's largest trading bloc with clear commercial interest in the developing world, this policy statement has potentially important implications. This note provides a brief analysis and contextualisation of this Communication, highlighting key issues and questions raised in terms of the implications going forward for the EC and Member States in the EU's setting up shop in the PSD field.

The underlying narrative for the EU's policy is the much sought after win-win: achieving private sector profits *and* development outcomes, while avoiding the dangers of abuse, exploitation and social or environmental harm. As such, the EU joins its Member States in its approach to private sector for development (PS4D) that attempts to steer through the competing, and often opposed, narratives of how development takes place.

As the summary in Box 1 illustrates, the Communication comprehensively covers the main ways in which the EU institutions *could* support or work with the private sector to promote development. The document starts from the observation that decent jobs are fundamental to human welfare before comprehensively covering i) traditional support for *local private sector development* as well as ii) mechanisms to engage with *international investment* and iii) *private finance* for development. The document lays out a clear rationale with objectives, tools and specific actions on the issue in a form that is considerably more explicit than is often the case for such policy papers.

However, finding a balance between the *scope* of this policy statement and its *ambition*, there are numerous issues and questions that arise. The remainder of this Briefing Note outlines and discusses these issues. This is done firstly in terms of policy design issues, relating to the business case behind the Communication, and secondly in terms of the implications of turning policy into practice.

Policy design issues – the business case

A stronger role for the private sector or for *donors*?

Although ostensibly about strengthening the role of the private sector in development, the Communication departs from an aid-led perspective. The Communication presents the EC as "an important partner of governments and business intermediary organisations", "a facilitator of companies' own engagement for development", with a role in "helping to build an ecosystem of local support institutions for inclusive business". However, the tools and actions presented in the policy statement mainly refer to the role *donors* can play in guiding and supporting private sector engagement in development. As such, the Communication primarily spells out steps for a *stronger role for donor assistance in guiding the private sector* in development cooperation.

5 For an overview of the discourse on private sector for development, see Byiers and Rosengren, 2012.

6 Such as the Busan Partnership for Effective Development Cooperation, and discussions around the post-2015 global development agenda.

7 EC, 2014.

Box 1. The Communication in a nutshell

3 main objectives:

1. Developing the *private sector in partner countries* (targeting the business environment, SMEs, entrepreneurship, access to finance);
2. *Mainstreaming private sector engagement* in specific sectors;
3. *Catalysing private sector engagement* for development (promoting CSR, networks/platforms, facilitating multi-stakeholder alliances).

3 "tools and modalities":

1. structured public-private *dialogue*;
2. mobilising *private finance*; and
3. harnessing the EU's *political weight*.

4 different roles for the private sector:

1. *finance* partner;
2. *implementing* agent;
3. *advisor* and
4. *intermediary*.

5 sectors for mainstreaming:

1. energy,
2. agriculture and agribusiness,
3. infrastructures,
4. green sectors, and
5. the social sectors.

6 criteria for supporting private sector actors –

1. measurable development impact;
2. additionality;
3. market neutrality;
4. shared interest & co-financing;
5. demonstration effect;
6. social, environmental and fiscal standards.

7 principles for engagement with the private sector –

1. focus on employment creation and poverty reduction
2. take a firm-level differentiated approach;
3. create market-based opportunities;
4. follow clear criteria for support;
5. allow for local contexts and fragile situations;
6. put strong emphasis on results;
7. observe policy coherence in areas affecting the private sector in developing countries.

12 actions to help the private sector achieve positive development results as part of its core business strategies.

1. Finance *advisory services and diagnostic tools* for policy formulation
2. Co-finance market-based schemes for *business support services* to MSMEs
3. Support company-trainer alliances for *TVET programmes*
4. Use grants and blending to improve *credit access*
5. Support *financial inclusion,* especially for youth, women
6. Increase *risk capital* through private investment for energy
7. Link *farmers to markets* through support coalitions, risk management instruments, inclusive PPPs
8. Leverage *private sector capital* for infrastructures
9. Promote *eco-entrepreneurship* and *green job creation* through dialogue & co-funding
10. Promote *international CSR* guidelines and principles through dialogue and procurement
11. Support replication & scaling up of inclusive business through private-sector oriented *networks & platforms*, match-making etc
12. Endorse the *Busan Joint Declaration* on public-private cooperation

While arguably a question of semantics, the distinction between donor-driven initiatives to attract new investment, and initiatives that build on existing private sector investment activities is important.[8] Donor agencies of European Member States, such as the Netherlands and Finland, have taken their PSD strategies further to harness existing incentives and projects developed by firms wanting to enhance their contribution to the local community through more sustainable and inclusive business models (see Box 2). These and other Member States are much more explicit about their commercial intent and interests in working with their private sector than is the EC.[9] This raises the question of whether or not the new Communication reflects a genuine shift towards seeing the private sector as a driver rather than follower of developmental investments.

Box 2. Examples of private sector development strategies and initiatives of the Netherlands and Finland

Team Finland Strategy

- Developed and adapted in collaboration between the Ministry of Employment and the Economy, Ministry of Foreign Affairs, and Ministry of Education and Culture as well as 70 public offices abroad.
- The aim is to "create a clear, flexible and customer-oriented operating model where project falling under the scope of Team Finland activities are carried out in cooperation between state and private actors".[10]
- Activities include: i) services supporting the internationalisation of Finnish businesses; ii) influencing the external environment; iii) promoting FDI in Finland, and; iv) promoting Finland's country brand abroad
- Thematic priorities include: i) cleantech; ii) biotalous bioeconomy; iii) ICT and digitalisation; iv) life science, health care and foods; v) arctic competence; vi) creative industries and design; vi) education and learning[11].

Dutch Good Growth Fund

- The Good Growth Fund began on 1 July 2014 and support to SMEs willing or already investing in emerging and developing markets by providing and facilitating financing for pro-developmental investments[12].
- The fund offers finance in the form of loans, guarantees and equity shares and is run by the Foreign Trade and Development Cooperation at a total budget of €750 million.
- The fund is structured along three tracks:
  1. Provision of guarantees, technical support and/or direct funding to Dutch SMEs investing abroad.
  2. Via intermediaries, promote financing to SMEs in 66 low- and middle-income priority countries.
  3. Stimulating development-enhancing export from Dutch SMEs to low-and middle-income countries. This will primarily involve high-risk transaction for which banks are not willing to provide finance without export credit insurance[13].

Communication for whom?

Given the donor-centric approach, the Communication's main target audiences are implicitly the EU institutions and the Member States. The document is authored principally by the EC's Directorate-General for Development Cooperation (DEVCO), with inputs by – and the approval of – other Directorates dealing closely and directly with European companies (such as DG Trade and DG Markt). The Communication preparation process also involved widespread consultations with a range of stakeholders in Europe and around the world. However, the challenge is whether the principles and actions listed will guide only the EU's own activities, or whether they will serve to achieve a greater level of coherence and cooperation between Member States' activities and strategies in engaging the private sector for development.

[8] See Bilal et al., 2014, Decoding Public-Private Partnerships for Development, ECDPM Discussion Paper No.161: http://www.ecdpm.org/dp161

[9] For an overview of the support for and activities with the private sector which the Netherlands, Germany ,Denmark, Sweden and Finland provide through ODA, see Hearle, 2014.

[10] See http://team.finland.fi/public/default.aspx?nodeid=46788&contentlan=2&culture=en-US

[11] Team Finland, 2014.

[12] See http://english.rvo.nl/subsidies-programmes/dutch-good-growth-fund-dggf

[13] ActionAid, Both Ends and SOMO, 2013.

What precise role and added value of the EU Institutions?

The Communication mentions several roles in engaging the private sector for development. Not only will aid be used for development cooperation to achieve private sector development objectives, it will play an economic diplomacy role in conducting and facilitating policy and political dialogue on private sector development with representatives from the private sector. In addition, the Communication proposes that EU Institutions adopt an advocacy and watchdog function in promoting and monitoring particular enterprise and investment practices (e.g. eco-entrepreneurship, CSR, inclusive business models) and the role of coordinator of the EC and Member States' various strengths and capacities.

Presenting the EU Institutions as both donor and facilitator of investment is ambitious, and risks running into political and practical obstacles. While the EU institutions are certainly capable of offering a wide variety of support and service, as well as leveraging the capacity of relevant actors, the usual questions of the their added value also apply in this case. The role of promoting and facilitating the activity of the European private sector is one for which the EU institutions would seem well suited, for instance, yet not all Member States accept the idea of a 'European private sector' as opposed to national firms.

In order to concentrate on the EU Institutions' added value, what position should the EC take to complement and add value to on-going Member State activities without risking duplications and increased bureaucratic complexities? For example, Action 11 states that the EC will support platforms and networks. Will it do this in addition to what is already being done by Member States or in collaboration with the national, local and regional on-going initiatives? And is there a clear demand or need for this support, with EC as the best provider? These are some of the questions which DEVCO will be required to work out between the EU institutions and the Member States in the coming months.

Business relevance?

The comprehensive list of options presented in the Communication may risk losing the focus required for another key party: European companies considering or already investing in developing countries. While it is perhaps worthwhile and necessary to bring all EU Member States and EC staff to the same level in their thinking about the private sector and its role in development, it is not clear what the Communication concretely offers for the private sector itself.

This is not to say that the private sector has been critical of the Communication. Most private sector actors we have consulted praise the attention the EC is now giving to the private sector and the widespread recognition among donors more broadly that the private sector can and does play a fundamental role in bringing about development outcomes. Nonetheless, the key priority in the Declaration from the EU-Africa Business Forum in Brussels in April 2014, and a point frequently repeated by private sector representatives, is the need for stability and predictability for long-term sustainable investments.

Unless this aspect is somehow addressed, it cannot be taken for granted that the private sector is ready and interested in working with the EU in the fields it defines. There is a danger that the transaction costs for firms to '*engage with the development sector*' may be too high for many companies. The importance of keeping additional regulations and requirements to a bare minimum is therefore stressed by many European firms. It is repeatedly pointed out that the EC and other donors need to take into account the plethora of already on-going activities and to build on these rather than creating additional layers of bureaucracy around partnerships and new instruments. This is mentioned, for example, in the area of impact measurement where businesses representatives suggest the EC improve existing initiatives, frameworks and standards but refrain from enforcing stronger regulations.[14] 'Naming and shaming' is perceived by many to provide sufficient motivation for adapting business standards and practices without the need for further legal requirements.

While financing can be important for businesses in sharing the risk of investment, it is considered by many in the business sector as only one of a broad range of problems facing private firms investing in developing countries. Instead, emphasis is placed on the overriding importance of more and

[14] Impact measurement is listed as one of the criteria outlined in the Communication. It reads: (1) Measurable development impact: Support given to a private enterprise or financial intermediary has to contribute in a cost-effective way to the achievement of developing goals such as job creation, green and inclusive growth or broader poverty reduction. This requires transparency as regards objectives and results, along with appropriate monitoring, evaluation and result measurement agreements.

better public-private dialogue. The major hurdle for private firms engaging in developmental investments tend to be around the process of identifying sufficiently good projects with real potential to bring both developmental impacts and be profitable. There is currently little information on what types of projects, in terms of size, sector, local partners etc. are successful. It has further been argued that existing public-private dialogues need to recognise the driving force of the private sector, and adapt the format and language to be more inclusive to all partners.[15]

Competing or complementary strategies and policies?

Whereas this Communication aspires to guide EC policy as well as that of other institutions, other policies and strategy documents exist within the EU institutions with similar objectives. A recent example is the European Investment Bank (EIB)'s Business Strategy 2014-2020 for the African, Caribbean and Pacific (ACP) region.[16] It provides a clear business and investment proposition with a strong focus on infrastructure and the financial sector and emphasis on investment in climate action as a cross-cutting goal. The strategy furthermore expresses a clear regional focus, notes instruments that it will use, provides an overview of the funding available and an example of what can be funded.

Clearly, the two strategies do not exclude one-another, nor are they competing. The EIB's strategy is guided by many of the same policy frameworks as the Communication – including the Agenda for Change and the Cotonou Partnership Agreement. Nevertheless, it is striking to see that such related institutions, facing similar pressures for accountability and legal requirements, produce such different strategies. Unlike DG DEVCO however, the EIB is not bound to be accountable to EC Communications; while there is a significant degree of overlap, the EIB recognises that one of its advantages is its degree of operational autonomy from 'Brussels', which is has defended in recent negotiations on its external lending mandate. The Communication makes little mention of this and other related policies at EU level, raising questions about the coherence of the EU's strategies.

Clearly, the EU strategy as laid out in the Communication will have to interact on the ground with African and other developing countries' own economic and industrial policies. While political dialogue accompanies all EC interventions, the promotion of EU business will not necessarily always contribute to domestic policy objectives, and in some cases may even undermine these. This is not an issue of corporate social responsibility and standards adherence, but one of alignment with economic development strategy. It is not clear how or by whom this will be judged prior to supporting European businesses in developing countries.

In this light, the Africa Caribbean and Pacific group has developed its own strategy, specifically for intra-ACP actions on private sector development.[17] This includes actions to be funded from the 11th EDF, in light of the recent process of closing the ACP Centre for the Development of Enterprise (CDE).[18] The ACP group also sets out seven principles of private sector development (subsidiarity, ownership, concentration, adaptability, synergy, effectiveness, complementarity), alongside assorted areas for intervention. Going forward, translating policy into practice, the EC should remain aware that clear consensus on the 'how' and 'what' of private sector engagement for development is not yet final.

Which priorities to prioritise?

Committing to specific actions as the Communication does is a positive step, yet the majority of the 12 actions are formulated in broad terms. 'Supporting' alliances, PPPs and inclusive business models or 'promoting' CSR guidelines and principles offers much room for interpretation. On the one hand, this raises concern about the extent of the EU's commitment or ability to act around these actions. On the other, the generality of some of these actions may be helpful in securing buy-in from all Member States and bringing them up to a similar level.

Given the variety of potential EU roles noted, with no clear prioritisation indicated either in the Communication or the first set of Council Conclusions, the traction on many of the actions remains an open-ended question. This is particularly so as it depends also on the collaboration between several

15 See for example Summary notes 4th Informal Donor Dialogue.
16 EIB 2014.
17 ACP group 2014.
18 See http://www.acp.int/content/decision-6-99th-session-acp-council-ministers-16-18-june-2014-centre-development-enterprise-

different European Commission Directorate-Generals, whose leadership is very soon set to change. Moreover, the first set of Council Conclusions do not call on the EC to report on progress towards implementing the Communication.

Nevertheless, the Commission is already working on the majority of the areas noted. In recent months, action has stepped up on operationalising various policy initiatives, including the blending of grants and loans to leverage private sector finance; learning from inclusive business models operated by Member States and recently again on promoting CSR.[19]

Practical implementation issues – the product

Promoting or ensuring CSR?

Several of the actions noted by the Communication refer to the role the EC can play in further promoting Corporate Social Responsibility (CSR) activities as an integral part of firms' business models. In the Communication, CSR is a key part of the strategy to engage businesses, defined as "the responsibility of enterprises for their impacts on society"[20]. Yet, while this definition is rather broad, contemporary research suggest a categorisation of CSR activities ranging from rather superficial stages, where CSR mainly takes the form of marginal investments based on promotional or defensive objectives, to the adaption of core business models with a clear aim to structurally transform firms' operations to the benefit of the local economy and community.[21]

This raises the question of what mandate the EU has in ensuring responsible investments, and how this relates to national Member States' directives. The Communication discusses *voluntary* efforts of companies, and clarifies that its own efforts will focus on promoting CSR through policy dialogue and market rewards.[22] The question is whether this is sufficient and if not, to what degree can and should the EC and/or Member States go beyond *promoting* to *ensuring* that business not only follow global voluntary CSR guidelines, but also reform their core business practices to greater benefit the investment regions – and how realistic a prospect this is.

Following the Communication, the first set of Council Conclusions request that the Commission develops a successor to the EU CSR Strategy 2011-2014, with greater emphasis on the external dimensions.[23] Criticism has been voiced over the effectiveness of the current Strategy and of the EU's potential to implement its directives. Member States and business lobbies have several times managed to block council decisions, thus severely weakening the impact of the Strategy.[24] This may be the reason why the Communication primarily refers to international CSR initiatives with potentially more traction.

Lastly, this also raises the question of the degree to which the tools cited will be able to support investments in key economic sectors that are not classified as traditionally 'developmental' or 'social'. Investments in a range of sectors can clearly bring increased job opportunities, market transformation, market linkages and wider economic growth without having developmental impact as an explicit objective or part of their 'core business'. While clearly the aim is to use public funds to encourage developmental activity, the degree to which investments must be developmental and thus the degree of additionality required in selection criteria is likely to be an important question, for both the EC and other Member States.

[19] This includes a recently-launched consultation on the achievements, shortcomings and challenges to the EC's actions on Corporate Social Responsibility: http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/public-consultation/index_en.htm
[20] See http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm
[21] Visser, W. 2011. See also Bilal et al, 2014.
[22] Action Point 10 reads: Promote international CSR guidelines and principles through policy dialogue and development cooperation with partner countries, and enhance market reward for CSR in public procurement and though promotion of sustainable consumption and production.
[23] Council of the European Union, 2014
[24] See http://www.euractiv.com/specialreport-european-corporate/member-states-backtrack-reportin-news-531734

An implementation gap?

EC Communications act more as statements of intent rather than detailed roadmaps, with implementation of these actions left outstanding. To a degree, the aspirations are already being fulfilled, with several of the actions already being undertaken.

Among others, the Commission spent €2.4 billion over the period 2004-2010 and an average €350 million per year on support to private sector development over the last decade. While this is significant, scale is not everything. A recent evaluation found it hard to conclude what had actually worked, particularly for creating jobs.[25] The Commission is not alone in this: the UK's DfID is the most recent donor to come under pressure to more rigorously evaluate its private sector work.[26] The Swedes and the Austrians face similar challenges.[27]

This demonstrates how much is left to learn on getting strategies for both private sector development and private sector *for* development right at implementation. Stepping up dialogue as well as implementing and financing partnerships with firms and investors in developing countries will require skilled and dedicated staff accustomed to working with the private sector. Donor embassies and delegations in-country play a key role in undertaking many of the activities formulated in the Communication. Several Member States have invested heavily in this. For example, Dutch and Finnish embassies are a 'first point of contact' for their respective private sectors with specifically trained members of staff for working with companies.[28]

The private sector engagement agenda is, however, not yet integrated into the working modalities of most EU delegations. The ambition stated in the Communication is that the EC hopes to use EU delegations to implement and manage projects undertaken with and for the private sector, as well as to encourage inclusive public-private policy dialogue. Few Delegations can say, however, that they have the necessary skills and staff – many don't have a Trade section or a qualified attaché responsible for trade and commercial affairs.[29] Where they do, these attachés usually do not report to DG DEVCO, but to those Commission services responsible for trade or enterprise.

More could be done to promote learning among EU Delegations and vertical integration between Delegations and headquarters, among others to share learning from Member States' approaches. That being said, initiatives are being taken to better equip Delegations with necessary skillsets. For instance, the commitment to increasingly co-locate offices of the European Investment Bank in Delegations[30] suggests that this is an old problem for which solutions can and are being found. It nevertheless underlines the need for institutional adaptation. This also holds for project formulation procedures: how can the EC or other donors adopt sufficiently flexible, non-bureaucratic procedures to ensure demand from firms? Given that the EC is governed by notoriously difficult financial regulations much of which ultimately comes from Member States desire for controls this is not a minor point.

What about the politics?

While the EU's political weight – one of its tools – is often said to be its main added value, the Communication remains remarkably a-political. There is no reference to developing country's ownership or own policies for private sector development. The tools presented to 'create a business environment conducive to private sector initiatives' include budget support and policy dialogue, which certainly are important but perhaps not sufficient if the intention is to support aspects of the investment climate including highly political elements such as migration management. The space for success or failure of any private sector development intervention, by the EU or others, ultimately depends on domestic politics and policies of developing countries: this determines what reforms are carried out, what standards are upheld and how contracts are awarded.

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[25] European Commission, 2013.
[26] ICAI 2014.
[27] See http://www.enterprise-development.org/page/agency-evaluations
[28] See here for example: http://www.rijksoverheid.nl/documenten-en-publicaties/kamerstukken/2014/07/17/kamerbrief-beleidsreactie-op-evaluatie-van-de-netherlands-business-support-offices-2008-2013.html
[29] There are positive examples from which the EC could learn - the EU Delegation in Kampala for example has reputedly been forward-thinking in how it engages with the financing mechanisms to agricultural enterprises through equity funds.
[30] See http://www.eib.org/attachments/strategies/mou_ec_eib_on_external_mandate_en.pdf

The Communication mentions an intention to involve NGOs in multi-stakeholder alliances for skills development and the provision of basic services. Some question whether the vital role played by civil society is sufficiently addressed here. What is the knowledge basis for effectively building such alliances and therefore where donor support is most needed? This might be particularly relevant with regard to the sectoral action points (6-9), where the CSO's thematic and/or local knowledge, as well as their watch-dog function, should not be overlooked.

A potentially useful political role for the EU, in development cooperation but also more generally in policy dialogue with third countries, has been to serve as a conduit or coordinator of Member State activities on the ground. Interesting examples are emerging of projects undertaken through EU Delegations, often using smaller, more flexible EU financial instruments, to distinctly promote European business interests in order to also meet EU development objectives. This includes a recently launched call for proposals to establish a European Chamber of Commerce in Myanmar, with the purpose of increasing and diversifying exports and investments of EU businesses (particularly SMEs) to Myanmar and the ASEAN.

Concluding remarks

While the comprehensive agenda outlined in the Communication showcases the scope and determination of the EC's planned private sector engagement activities, **its ambition level may also prove to be one of its main challenges**. At a time where we can detect increasing attention towards more specialised strategies, the Communication paints a rather broad and wide-ranging narrative. This in itself might not be overly problematic as the Communication is supposed to provide overarching guidelines rather than concrete directives. Yet, the fact that little guidance is provided on the specific roles and mandates of each involved actor may yet hinder the implementation process of the different (rather more concrete) Action Points.

A first set of Council Conclusions were adopted approximately a month after the Communication was made public. Although they provide further direction, the omission of any prioritisation of objectives and actions as well any progress reporting requirements raises questions as to the extent to which the EC could and will be able to live up to the promise of this Communication.

One first step forward might be to clarify how the EC perceives itself next to the Member States and the European private sector. What function can the EC take on that supports and strengthens European efforts towards more inclusive and sustainable investments, without interfering with or duplicating on-going national activities and strategies? It has been suggested that the EC could play a vital role as a coordinator and middleman between the Member States with more advanced PSD strategies and those who are in the initial phases of developing a national strategy. The EU delegations would be the one-stop shop for European private sector (for) development needs and wishes. Yet although there has been progress the role of the European institutions as coordinators of Member States in development issues has never been entirely straightforward.

This therefore requires a strong demand from the Member States - including a willingness from their side to delegate certain elements - of which there is limited evidence right now. This then suggests that the EC is correct in its assessment that more qualitative dialogue is needed between the EC, the Member States, and European private sector and civil society on issues such as i) *how exactly* the EC could provide a relevant and efficient coordination mechanism, and; ii) how and by whom the principles and criteria outlined in the Communication should be implemented.

In engaging in dialogues with the private sector and civil society, further efforts might be required to adapt the format and the language to better attract private participation. The focus of the Communication on 'donor strategies to engage the private sector in development' shows that the donors still are perceived to be in the driving seat. On the other hand, this has to be balanced with sufficiently forceful mechanism pressuring private firms to comply with the established standards and regulations. How the EC intends to strike that balance remains to be seen.

Nonetheless, ultimately the success of the objectives and instruments presented in the Communication will rely on third country national governments, and local contexts. Thus, in taking this Communication forward the EC needs to ensure a greater participatory role for partner countries' governments and private sector and a more extensive context analysis in the development of more concrete instruments and mechanism, heightening the importance of action-oriented policy dialogue.

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ECDPM Briefing Notes present policy findings and advice, prepared and disseminated by Centre staff in response to specific requests by its partners. The aim is to stimulate broader reflection and debate on key policy questions relating to EU external action, with a focus on relations with countries in the South.

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info@ecdpm.org
www.ecdpm.org
KvK 41077447

HEAD OFFICE
SIÈGE
Onze Lieve Vrouweplein 21
6211 HE Maastricht
The Netherlands *Pays Bas*
Tel +31 (0)43 350 29 00
Fax +31 (0)43 350 29 02

BRUSSELS OFFICE
BUREAU DE BRUXELLES
Rue Archimède 5
1000 Brussels *Bruxelles*
Belgium Belgique
Tel +32 (0)2 237 43 10
Fax +32 (0)2 237 43 19

European Centre for Development Policy Management
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