



EUROPEAN COMMISSION

[CHECK AGAINST DELIVERY]

Andris PIEBALGS

EU Commissioner for Development

Enabling the Private Sector to work for Development

Joint Parliamentary Assembly
Strasbourg, 18 March 2014

Co-Chairs, Honourable Members, Ladies and Gentlemen,

Introduction

It's my pleasure to welcome you all here to Strasbourg. Let me first thank the European Parliament for doing a splendid job as ever in hosting our Assembly.

Sadly, this will be the last time that I'll be attending an Assembly meeting as European Commissioner for Development Cooperation. I've very much enjoyed my time working with you during my mandate. And I think it fair to say that we've achieved a lot. We've delivered concrete development results and we've also shown global development leadership.

Achievements

It's no exaggeration to say that, over the last four years, the European Union has succeeded in changing the face of development policy in Europe and has worked with its partners in the ACP states and beyond to move ever closer towards the ultimate goal of eliminating extreme poverty worldwide within a single generation.

Thanks to the MDGs, global poverty has been halved in 10 years. And thanks to the partnership between the Commission and developing countries, since 2004 more than 13.7 million new pupils have enrolled in primary education, while around 17 million reproductive health consultations have been possible. There has been significant progress in halting the HIV epidemic in Africa, with 32 per cent fewer AIDS-related deaths in 2011 than in 2005, and 33 per cent fewer new infections compared to 2001. And more than 70 million people have been connected to improved drinking water.

At the same time, the developing world in particular has changed fundamentally in recent years. Global GDP has grown by one third since 2000; in sub-Saharan Africa the figure is 84 per cent. Africa is the continent with the fastest growth rate and the youngest population. In all, developing countries have contributed an astonishing 70 per cent of the world's growth in the last ten years.

The result has been a significant shift in global power, influence and markets from the developed world to emerging and least developed countries. However, the news is not universally good: you know all too well that the majority of ACP states are still struggling to escape from poverty.

Our response to these and other important global trends has been twofold. First, we have maintained development funding levels, despite the ongoing financial crisis. Under the budget that will take us to 2020, development spending is set to total 50.1 billion euro – including 19.6 billion euro for the Development Cooperation Instrument and just over 29 billion euro in support for ACP countries under the 11th European Development Fund.

Second, the Agenda for Change is at this very moment transforming for good the way in which we provide aid and fight poverty. It is focusing aid on the world's poorest and most fragile countries and their citizens, including many ACP countries. Accordingly, we will undertake a major shift of resources from richer to poorer countries. Least developed and low-income countries will receive 70 per cent of EDF resources in this budget, up from about 60 per cent; and 53 percent of resources for the DCI, up from 30 percent, with sub-Saharan Africa getting 66 per cent of the total and thus remaining by far our major aid recipient.

We will continue working with you to ensure that people in your countries have access to the tools and opportunities they need to lift themselves out of poverty. And we will ensure that other EU policy areas, from agriculture and fisheries to trade and

environment, also support our development objectives. The better our policy coherence is, the better use we can make of existing skills and resources, and the more we can avoid overlaps and inconsistencies. We need to ensure that domestic policies are consistent with and complementary to our common development goals; alongside this, continued dialogue is required.

In short, the Agenda for Change has brought our development partnerships into the 21st century. Indeed, it's thanks to partnerships like the one we enjoy with our ACP partners that these development achievements have been possible. And it's because the ACP states are so committed to their own development that we have been able to devise a modern and relevant development policy that is fine-tuned to partner country needs; that confers responsibilities on us all; and that is very much in all our interests.

There is only one issue on which we have failed to make substantive progress. This failure is regrettable for us as development partners; and it is a source of deep personal sorrow for me. I am referring, of course, to non-discrimination, around which there has been a lack of dialogue and of mutual understanding.

Our Partnership is founded on universal principles and dialogue.

In signing the Cotonou Agreement we adhered to the principles laid down in the Charter of the United Nations and the Universal Declaration on Human Rights, and also in the African Charter on Human and Peoples' Rights. In all these key texts the right of non-discrimination on any ground or status is clearly enshrined.

We are talking here about universal values – values that everybody can and should embrace and promote. I think UN Secretary-General Ban Ki-Moon put it best when he said that *"Everyone is entitled to enjoy the same basic rights and live a life of worth and dignity without discrimination"*.

We must have the courage to engage in a direct and frank debate about these principles and values. Our partnership is strong and mature enough for such a debate – and will become even more so for it.

Post-2015 and the ACP

When it comes to future partnerships, I think we can all agree that we have already made great strides towards defining a global post-2015 framework.

The EU position is clear. Through our vision of "a decent life for all", we promote a post-2015 framework which supports: basic living standards and achieving the unfinished MDGs business; drivers for inclusive and sustainable growth; sustainable management of natural resources; equality, equity and justice; and peace and security. All these elements are the building blocks needed in order to lay the foundations that every society needs in order to thrive.

Since our last meeting in November, discussions at global level have made good progress to shape an ambitious and universal agenda. In this regard, the EU welcomes the first report of the Open Working Group on Sustainable Development Goals. It highlights a number of priority areas which should be included in the next global framework, if we are serious about eradicating poverty, promoting inclusive growth and putting the planet on a sustainable path.

We particularly welcome the human rights-based approach, the importance given to equal opportunities and women's empowerment, and the focus on the economic and environmental dimensions to push for a transformative agenda. We appreciate the fact that peaceful and non-violent societies, human rights and good governance have been recognised as key areas, but we also believe that they should be given more prominence

in the final agreement. In addition to being values in themselves, they are indeed critical pre-conditions for the sustainable development of any country on the planet.

The EU agrees that a framework of ambitious global goals needs a new global partnership to ensure successful implementation. Many stakeholders will have to be engaged: governments, civil society, the private sector and multilateral organisations. It will require domestic and international policies which are transformative but also coherent – on issues such as trade, migration, climate change and knowledge transfer. And it will require financing from all available sources – domestic and international, public and private.

The EU is ready to play its part. As I said earlier, through the Agenda for Change, we have committed to maintain high levels of aid for those countries where it really makes a difference. African, Caribbean and Pacific countries will obviously be major beneficiaries of EU support.

Shaping such an ambitious agenda is not an easy task. I strongly welcome the spirit of openness and consultation which has characterised discussions so far in the United Nations. We particularly value the voice of the African, Caribbean and Pacific countries and we are keen to engage in a fruitful and continuous dialogue with you on the next agenda.

We very much welcome the adoption of the “ACP Declaration on the Post-2015 Development Agenda” last December, which is a most valuable contribution to the global debate. I’m delighted to see the ACP states and the European Union working so closely on post-2015 issues, as agreed by the ACP-EU Joint Council of Ministers last year. Our work is on the right track, as we prepare for the adoption of an “ACP-EU Declaration on the Post-2015 Agenda” at the ACP-EU Council of Ministers in Bujumbura in June.

This Joint Declaration will demonstrate that we broadly share the same vision of an ambitious, universal and action-oriented agenda tackling the challenges of poverty eradication and sustainable development in its three dimensions. And that we agree on the key priorities that need to be addressed in order to implement this agenda.

I am also pleased that the African Union adopted a common position on the post-2015 agenda last month. I welcome it as an important contribution to the debate. Ahead of the Africa-EU Summit in April, we are also discussing with our African counterparts the possibility of a Joint Africa-EU declaration on post-2015. I am sure that, together, these initiatives will take us much closer towards securing an ambitious global agreement on the post-2015 agenda.

The private sector and development

Discussions about the post-2015 framework bring me neatly to today’s main topic – the private sector and its role in development. It goes without saying that the private sector and all its varied players – from small-scale traders to major multinationals – will be critical partners in the successful implementation of the post-2015 agreement. Moreover, they have a pivotal role to play in making the EU’s new development partnerships work through the Agenda for Change.

The fact is that developing countries lack employment and income generation opportunities.

Only about a quarter of people of working age in developing countries have decent jobs.

According to the IFC, currently 200 million people are unemployed globally, and the unemployment rate for youth is more than 2.5 times higher than that of adults.

By 2020, 600 million jobs will have to be created in developing countries—mainly in Africa and Asia—just to accommodate young people entering the workforce.

So there is a clear shortage of job opportunities for the younger generations. But there is another serious problem to compound the situation. Because, when job opportunities do exist, they often merely keep people – young people and women in particular – in extremely low-paid work, with unsafe or difficult working conditions.

The solution to the current employment crisis can only come from the private sector. Yet development banks estimate that nine in every ten jobs in developing countries are already private sector-generated.

All in all, the diagnosis is simple and straightforward. But what about the remedy?

Well, for us it lies in a broad, job-centred development agenda. But it is complex and multi-faceted.

Our capacity to take on this challenge, and deliver social stability at the same time, depends on the ability of the private sector to create jobs and meaningful livelihood opportunities for citizens.

To unleash the private sector's enormous potential to develop, four main areas must be addressed in developing countries:

- first, informality and lack of governance;
- second, a lack of basic infrastructure and an inadequate and costly power supply, especially in low-income countries;
- third, little or no access to finance; and
- fourth, a shortage of skilled workers.

Better governance and the creation of legal and institutional frameworks will make for a healthy business environment and enable entrepreneurship, private investment and trade to thrive.

This component is well encapsulated in the IFC's Doing Business Index.

Moreover, there's no doubt that action-oriented public-private dialogue mechanisms in key policy areas can enhance the quality and relevance of public policies, and help make for a better investment climate.

I'm glad to say that some Sub-Saharan countries are progressing on this front.

For example, Rwanda has made the most impressive progress globally since 2005 in narrowing the gap with global good practices.

18 African economies are within the top 50 which have most improved. But many sub-Saharan African countries are still lagging behind.

Second, we have the infrastructure gap – in which energy is often mentioned as a main deficit, but where roads, ports and railways also play a role.

According to the International Energy Agency, 48 billion dollars in investment will be needed every year to achieve universal energy access by 2030. In such a context it is clear that massive engagement from the private sector is needed.

For its part, the European Commission has identified energy as a key driver for sustainable and inclusive growth in its Agenda for Change. During the last EU

Sustainable Energy for All Summit in 2012, President Barroso set the ambitious target to help providing access to sustainable energy services to 500 million people. Since then, through its active participation to the SE4A initiative, the Commission alone has put in place an integrated strategy backed by more than 600 million euro to help end energy poverty and create an enabling environment for growth.

Now to the third area, covering financing issues. It's a fact that more new jobs come from micro, small and medium-sized businesses; yet poor access to finance is holding them back. We must therefore improve access so that they can speed up job creation.

We can also help catalyse private sector investments through means such as blending. We are currently exploring concrete options to expand the scope of blending into new areas such as agriculture and social sectors.

Our intention is to crowd in more private financing through the increased use of financial instruments such as guarantees, equity and other risk-sharing instruments for infrastructure investments and MSME finance.

And last but not least we come to the skills gap. Bridging that gap, in particular where it affects entrepreneurship, is of crucial importance when a country begins to move up the development scale.

Various locally tailored solutions can be envisaged in order to increase the interaction of private sector with education establishment in view of matching educational and vocational training supply with demand from the labour market.

I have met a young entrepreneur in Senegal who set up a small dairy company. In less than 4 years he had changed the lives of tens of thousands of small-scale milk producers in remote areas of Senegal by connecting them to the national market and improving their revenues. At the same time, the company provided locally dairy produce at a cheaper price than any other imported goods. This is one of the success stories I want to encourage and replicate.

The Commission's upcoming Communication on "Strengthening the Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries" will look to take on these challenges and explores new ways of engaging the private sector in development by modernising our support for private sector development.

While all these actions are of paramount importance at local level to tap into the hidden potential of the private sector, I am proud to say that the EU is among the most active partners in promoting responsible and sustainable practices at international level.

In promoting the Policy Coherence for Development I mentioned earlier, the business practices pursued by international and EU companies in developing countries are certainly influential.

That's why the European Union and its Member States strongly support related international guidelines, voluntary and legal schemes and initiatives like the Extractive Industries Transparency Initiative and the Kimberley process. Meanwhile, at the EU level, we are actively implementing the Corporate Social Responsibility Strategy, the FLEGT initiative, the Transparency Directive imposing country-by-country and project-by-project reporting, and our most recent initiative on conflict minerals.

Conclusion

Honourable Members, Ladies and Gentlemen,

The basic message is clear: the private sector is an emerging development player and we need to engage more with it if we want to achieve the aims set out in our Agenda for Change, in the Rio+20 process and in the post-2015 framework to come.

In our fast-changing world development cooperation is no longer about aid alone. It's about partnerships. Dynamic partnerships like the ACP-EU partnership, through which we work together so that you can trace your own development paths, tailored to the real needs of people in your countries. The private sector can be a real part of this.

I'm immensely proud of what we our partnership has achieved. And I'm immensely grateful to you for your help over the past few years: for making constructive criticism when necessary, for contributing to our shared aims, and for supporting our work to make poverty the past and sustainable development the future.

Many thanks.