ROADMAP			
TITLE OF THE INITIATIVE	**Communication on Enhancing Growth and Competitiveness in Partnership with Business: a Strategy for Business in Developing Countries (S4B)**		
TYPE OF INITIATIVE	X CWP • Non-CWP • Implementing act/Delegated act		
LEAD DG – RESPONSIBLE UNIT	**DG DEV.B.1**		
EXPECTED DATE OF ADOPTION	Month/Year: **October 2011**		
VERSION OF ROADMAP	No: 5	Last modification:	Month/Year: 14 October 2010

This indicative roadmap is provided for information purposes only and is subject to change.
It does not prejudge the final decision of the Commission on whether this initiative will be pursued or on its final content and structure.

A. Context, problem definition

(i) What is the political context of the initiative?
(ii) How does it relate to past and possible future initiatives, and to other EU policies?
(iii) What ex-post analysis of the existing policy has been carried out and what results are relevant for this initiative?

Ending poverty, the first of the UN Millennium Development Goals, requires achieving stronger and more equitable economic growth. Neither Official Development Assistance nor public interventions, as essential as they are, can reach this objective alone, private investment has a key role to play in this process.

The economies of developing countries suffer from a general shortage of capital, which is worsened in the Low Income Countries by a prevalence of public capital (Africa has twice as much public capital as private capital). Many developing countries are struggling to establish a business-conducive climate and to attract or even retain foreign and domestic investors. Flows of foreign direct investment (FDI)[1] are low and domestic capital tends to flight abroad towards High and Middle Income Countries which are perceived as safer capital destinations. Inevitably, lack of capital translates into a lack of productive capacity.

While resources for external assistance remain scarce, financing needs continue to grow globally, a situation exacerbated by the financial and economic crisis. Therefore, it is of paramount importance to leverage private funding and other resources and fully involve private actors in the achievement of the Millennium Development Goals.

Following the 2003 Commission Communication on support for the business sector[2], EU assistance to the business sector in developing countries has focused on improving the macroeconomic framework and regulatory environment for the enterprises, promoting investment, inter-enterprise co-operation, access to credit and upgrading of finance and microfinance systems. Since then, both the economic and political context in developing countries and the EU development strategy have significantly evolved. The focus of the EU Consensus on Development[3] on governance, enabling

[1] World foreign direct investment flows fell moderately in 2008 following a five-year period of uninterrupted growth, in large part as a result of the global economic and financial crisis. While developed economies were initially those most affected, the decline has now spread to developing countries, with inward investment in most countries falling in 2009 too. The decline poses challenges for many developing countries, as FDI has become their largest source of external financing (source: World Trade Report UNCTAD 2009).

[2] Communication from the Commission to the Council and the European Parliament on "European Community Co-operation with Third Countries: The Commission's approach to future support for the development of the Business sector" - COM (2003) 267 of 19.5.2003.

[3] Joint declaration by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission on the development policy of the European Union entitled "The European Consensus" (Official Journal C 46 of 24.2.2006).

infrastructures and promoting regional integration and trade has a direct link with the investment climate.

National and regional institutions in the African, Caribbean and Pacific (ACP) region are increasingly willing to respond to the sector's needs and use its potential. Faced with the mounting pressure of globalization, developing countries are increasingly determined to improve country competitiveness and productivity. Competitiveness is rightly seen as a key requirement to diversify away from dependence on a few primary–commodity exports and move up the skills and technology ladder.

This calls for increased synergies between all development actors and closer involvement of private actors in the definition of development policy or actions and coordination and harmonisation mechanisms, in order to enhance synergy and effectiveness while preventing any risk of fragmentation.

What are the main problems which this initiative will address?

'Private sector' refers to an extremely diversified world of undertakings and a multitude of needs and business opportunities. Priorities and needs are likely to be different for each type/size of enterprise (domestic or foreign, large or small, private or public, formal or informal) or cluster and sector, which may require tailor-made responses. For example, the informal sector forms a large part of the economies in many developing countries. It provides employment and income to many poor households, including those who lose or cannot find a job in the formal economy. It includes a disproportionate number of women and people from disadvantaged groups. The transition from informal to formal business is a key issue for many developing countries and requires business support, simplified red tape, adapted fiscal schemes and facilitated access to finance (including microfinance). Small and medium enterprises (SMEs) need expanded access to financial services, business development services, technology and innovation, in order to improve their competitiveness and raise their capacity to link up with larger firms, both domestic and foreign, thereby integrating more effectively in local and international value chains. Performance of all business is affected by the investment climate (including the business environment) where they operate.

EU development policy has so far treated the business sector mainly as a passive subject, (i.e. a recipient or beneficiary of assistance, with the exception of initiatives enhancing the public-private policy dialogue). This does not take into account the emergence in recent years of private actors offering new and different viewpoints and solutions, including for example migrant remittances from diasporas, which in the last decade have brought fundamental changes in the development landscape. Many foundations and enterprises are implementing philanthropy and corporate social responsibility (CSR) initiatives targeted at local communities in developing countries. So far, such initiatives are still too fragmented and need to be spread out and scaled up.

As in any public-private cooperation, this should take into account the differences in decision making processes, notably the different time and administrative constraints. Donors' main instruments are ill-suited to work with private companies and foundations for implementing development policy. If business is to be more closely associated in this field, there is a need to set out a suitable approach to facilitate access to financing, obtain a high leverage effect and ensure more flexibility in adapting to changing conditions.

Who will be affected by it?

EU Member States; developing countries and their Regional Integration Organisations; existing and potential economic operators in developing countries. Potentially: multilateral donors.

(i) Is EU action justified on grounds of subsidiarity?
(ii) Why can Member States not achieve the objectives of the proposed action sufficiently by themselves? (Necessity Test)
(iii) Can the EU achieve the objectives better? (Test of EU Value Added)

Yes. Development policy is a joint responsibility of the Commission and EU Member States. The Commission should promote co-ordination and harmonisation, in particular with and among EU Member States and with regard to the blending of financial instruments. Moreover, the reform of the European Investment Bank's (EIB) external mandate will have an impact on the financial architecture of the Development Cooperation Policy (e.g.:"EU platform for external cooperation and development" proposed by the Camdessus report on the revision of the EIB's external mandate[4] which will affect significantly the EU and Member States' strategies for supporting the private sector and will require improved and adapted coordination mechanism for blending of grants, loans, guarantees, etc.

This coordination can be best ensured at European level, building on principles of mutual reliance among EU and bilateral development and financing institutions

B. Objectives of the initiative

What are the main policy objectives?

To enhance the role of business in development by launching a new strategy for business in developing countries focussing on:
- The central role of business and private investment for growth and development.
- ODA leveraging private development friendly investments
- Territorial and business competitiveness
- SME and informal business

The Communication should review the existing strategy and instruments taking into consideration the recommendations of realised, on going and foreseen[5] evaluations on: Investment Facility, the EIB's external mandate, Intra-ACP Programmes (Proinvest, BizClim, Microfinance, Centre for the Development of the Enterprises), Private Sector Development[6] and Trade Related Assistance[7] policies. The role of the different actors should also be re-considered. In particular, the Strategy for Business should provide a platform for involving the business as an actor and a partner. Full use should be made of the EIB potential for further supporting the private sector in developing countries (see above reference to the Camdessus report on the revision of the EIB's external mandate).

The competitiveness of businesses strongly relies on the competitiveness of the territory where they operate and the capacity of attracting investment is intrinsically related to the overall competitiveness of a territory. In other words, the ability of a territory to face up to market competition by developing all of its resources (tangible and intangible) around promising focal points.

The Strategy for Business should consider the blending of financial instruments (loans, grants, equity, guarantees, trade finance, etc.) and combine different instruments (legal framework, administrative provisions, capacity building, know-how and technology transfer) in order to create business-to-business opportunities (notably where EU companies have a world leadership; e.g.: energy efficiency and renewable energy sources), accompany the EU investors (e.g.: strategic raw materials and commodities), create local and transnational business linkages (clusters/value chains) and establish public-private partnerships targeting common objectives.

The EU could support projects proposed by business partnerships for development, with a strong focus on development goals (notably Millenium Development Goals), territorially based, shared with local stakeholders, with positive fallout on local companies and coherent with the relevant National Indicative Programmes and Regional Indicative Programmes. Such a partnership should be leaded by private actors, like enterprises and foundations, and include local public institutions and the civil society as far as they are co-financiers of the project.

In order to efficiently associate and mobilise private actors, attention should be given to applying

[4] http://ec.europa.eu/economy_finance/een/017/roundup_en.htm#4043

[5] The evaluation on "Trade Related Assistance" and "Private Sector Development" are going to be launched respectively in September and December 2010.

[6] http://ec.europa.eu/development/policies/9interventionareas/trade/private_sector_en.cfm

[7] http://ec.europa.eu/development/policies/9interventionareas/trade/aid-for-trade_en.cfm

[8] The cost should amount to €2-3 million, considering that it could be co-funded by other institutions and-or entrusted to the CDE. Financing could be provided by the 10th EDF (Intra-ACP programme) and would be based on the existing allocations (2007-2013).

sufficiently rapid and flexible implementing mechanisms. European Development Fund procedures are predominantly geared toward cooperation with public administrations and regional organisations and might not respond adequately to this requirement.

It is also proposed to set up a SME Observatory for ACP countries, possibly entrusted to existing bodies, such the Centre for the Development of the Enterprise, in order to support the collection of information on business, networking and policy formulation on SME development[8]. It would constitute an active platform facilitating the growth of economies of aggregation.

Do the objectives imply developing EU policy in new areas?

In new areas: territorial and business competitiveness is a relatively new concept for the EU Development policy, which could entail further policy implications.

In areas of strategic importance: yes – Global growth will open up new opportunities for Europe's exporters and competitive access to vital imports. This Communication will be part of the contribution to the external dimension of the EU 2020 strategy

C. Options

(i) What are the policy options being considered?
(ii) What legislative or 'soft law' instruments could be considered?
(iii) How do the options respect the proportionality principle?

(i)

a) The Commission takes the initiative to produce a Communication aiming at reviewing the existing strategy.

b) The Commission undertakes a routine update of the tools for private sector development on a base-by-case basis (i.e. not in the context of a wider review).

c) No EU action

(iii) The initiative will offer the opportunity to pool funding, blend existing financing instruments and improve the EU and Member States' co-ordination and effectiveness

D. Initial assessment of impacts

What are the benefits and costs of each of the policy options?

The Communication will:
- update Commission policies and instruments to the changing environment in the developing countries;
- enhance the role of business in development and leverage private resources for achieving development goals (notably the MDGs);
- launch a new strategy for business in developing countries, which will foster the complementarity and efficiency of the existing instruments.

b) This approach could lead to significant improvement in the efficiency / effectiveness of policies but it would fail to maximise complementarity between the various instruments, favour business-as-usual solutions or minimal reforms - and, probably, eat up more resources than a joined-up policy-making exercise.

c) This is not advisable given the context characterised by the implementation of the regional economic integration process, including the negotiation of Economic Partnership Agreements that emphasises the importance of the business climate and the role of private actors. Updating a strategy that will be 8 years old in 2011 is necessary to ensure that the EU applies the most performing available instruments for the current and future situation.

Could any or all of the options have significant impacts on (i) simplification, (ii) administrative burden and (iii) on relations with other countries, (iv) implementation arrangements? And (v) could any be difficult to transpose for certain Member States?
(i) Potentially, yes. The benefits of increased efficiency and effectiveness amongst the existing instruments would accrue to the Commission and Member States and to the economic operators concerned. (iii) Yes, this is one of the objectives of the Communication
(i) Will an IA be carried out for this initiative and/or possible follow-up initiatives? (ii) When will the IA work start? (iii) When will you set up the IA Steering Group and how often will it meet? (iv) What DGs will be invited?
IA is not needed given that this is a guidance type of document.
(i) Is any of options likely to have impacts on the EU budget above €5m? (ii) If so, will this IA serve also as an ex-ante evaluation, as required by the Financial regulation? If not, provide information about the timing of the ex-ante evaluation.
(i) No. The Communication will be generally based on the existing allocations for the European Development Funds and the budget (financial perspectives 2007-2013)

E. Evidence base, planning of further work and consultation
(i) What information and data are already available? Will existing impact assessment and evaluation work be used? (ii) What further information needs to be gathered, how will this be done *(e.g. internally or by an external contractor)*, and by when? (iii) What is the timing for the procurement process & the contract for any external contracts that you are planning (e.g. for analytical studies, information gathering, etc.)? (iv) Is any particular communication or information activity foreseen? If so, what, and by when?
The necessary information is partially available internally. Missing data and information will be collected by an external contractor in the course of 2010. This information concerns in particular policy orientations as well as current financial and other instruments at EU and Member States level. The emphasis of the work will be on the analysis of this information with a view to formulate a new strategy.
Which stakeholders & experts have been or will be consulted, how, and at what stage?
No consultation has taken place at this early stage All stakeholders, in particular EU Member States, the European Economic and Social Committee, the ACP Secretariat, the private sector in developing and EU countries as well as relevant NGOs, will be consulted during the second semester of 2010 and the first semester of 2011. Extensive consultation will include meetings (general ones on the full scope of the communication and others dedicated to more specific aspects) with the various stakeholders. In order to involve a wide public the Commission will exploit also events like the EU-Africa Business Forum, the CEOs for Africa Round Table, and the European Development's Days (both 2010 and 2011 editions might be concerned).