Development cooperation: state-owned enterprises, public services and economy of developing countries

2003/2158(INI) - 19/05/2003 - Document attached to the procedure

PURPOSE : to present the manner in which the Commission will approach future support for the business sector in developing countries. CONTENT : The important contribution that the business sector and, in particular the private sector can make to aid development and help fight poverty is now widely appreciated by the main bilateral and multilateral donors. This includes the United Nations, the Bretton-Woods Financial Institutions, as well as the OECD -Development Assistance Committee and NGOs. This wide consensus reflects the perception that economic growth creates the resources to combat poverty and that business development and a dynamic private sector are essential for economic growth. The Commission feels that an analysis of the main policy documents that have hitherto emanated from the EU-institutions highlight the need for a coherent framework together with harmonised support for the business sector in all third countries allowing the necessary flexibility and adaptability to different regions and programmes. This Communication sets down proposals for the reorganisation and restructuring of the Community's support for the development of the business sector in third countries. The proposals are based on five considerations: - the importance of the business sector for development; - the experience the Commission has gained in the management of a range of instruments designed to support business and in particular private sector development; - the benefits gained from action at a Community level; - the need, given the reform of the Community's external assistance programmes, to harmonise instruments and procedures so as to improve efficiency and delivery; - a clear understanding of what the Commission does best and what is best left for others to do : the restructuring proposed is especially important in those middle-income developing or transition countries where prospects for a dynamic growth of local entrepreneurship are promising, and where European SMEs can develop their business or trade through forms of partnership (Joint Ventures), twinning, technology transfers or technical assistance. This is the important value added that further Community action can now bring. Drawing the appropriate lessons from past experience in supporting business sector development in third countries, the Commission has identified five areas of intervention or instruments on which it will base business sector support : - overall policy dialogue and support, in particular as regards macro- economic and trade policy, and good governance, providing the necessary regulatory framework, institution building and advice. This would encompass technical assistance in support of reforms, particularly in the fields of legislation, banking and finance, taxation, public expenditure, customs procedures and trade facilitation measures, institutional building, administrative efficiency; - investment and inter-enterprise co-operation promotion activities : depending on the level of development of thecountries involved Community support could include strengthening the role of Investment Promotion Agencies and other private intermediaries (Chambers of Commerce and Industry, professional associations, consultancies) and providers of investment - related business services ; - facilitation of investment financing and development of financial markets : more precisely the overall objective of these instruments and services is to mobilise private savings flows (both domestic and foreign) to finance investments that are essential for a thriving business sector. This strategy is based upon the assumption that more efficient financial markets are essential for healthy private sector development in developing countries; - support for Small and Medium- sized Enterprises in the form of non-financial services : this will encourage private sector companies to enhance their competitiveness, gain access to modern technology, improve management and seek new markets; - support for micro-enterprises : this will help to improve conditions for self- employment, which can be an effective way of making economic opportunities accessible to the poor and therefore of fighting poverty. The Commission plans to retain complete control of the policy, programming and design aspects of these five areas. As regards the implementation and management of financial instruments, including microfinance, and non-financial services (Business Development Services), the Commission plans to make full use of

intermediaries (to be selected) with whom it will establish appropriate management/financial Agreements or Conventions.