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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: Council Conclusions on "A stronger role of the private sector in
development cooperation: An action-oriented perspective."

At its meeting on 12 December 2014, the Council (Foreign Affairs/Development) adopted the
Conclusions set out in the Annex to this note.

Council Conclusions on

"A stronger role of the private sector in development cooperation: An action oriented perspective."

Introduction

1. The Council recalls its previous Conclusions on the role of the private sector in development¹, and in particular its call for a continued discussion on tools and modalities in view of the operationalisation of the actions set out in the Commission Communication on “A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries.”²
2. The Council welcomes the discussions which were subsequently convened by the Presidency and the Commission, involving a wide number of stakeholders. Those discussions have confirmed that the private sector is emerging as an increasingly active player in the development field. Interactions of development partners with private sector actors have also become more multifaceted.
3. The Council recalls that the overall objective in this policy context remains poverty eradication through sustainable development. The Council underlines in particular the need to strengthen the role of the private sector in implementing the future Sustainable Development Goals and in contributing to inclusive economic growth, to the creation of decent jobs, to the transition to a green economy, to food and nutrition security, to environment protection, to climate change mitigation and adaptation, to the social and economic empowerment of women and youth, with a particular focus on the poorest and most vulnerable.
4. The Council stresses the key role of the private sector in relation to the new global partnership which is being considered in the context of discussions on the post-2015 agenda.

¹ Doc. 11149/14

² Doc. 9802/14

Principles and Criteria

5. In exploring new ways of working with the private sector in order to harness its expertise and resources for inclusive and sustainable development, the Council recognises the challenges such as how to identify the best approaches and models for collaboration with the private sector in development cooperation, how to ensure effective guidance on and oversight of due diligence in particular with respect to human rights, how to ensure alignment of interests and mutual accountability among different stakeholders, how to mitigate reputational and fiduciary risks in particular for the EU and its Member States or how to assess and measure the development impact of private sector engagement. The Council takes note of the related discussions in the context of the Development Assistance Committee of the Organisation of Economic Cooperation and Development (OECD/DAC) on the statistical treatment of private sector instruments and leveraged finance within the post 2015 development finance measurement framework.
6. The Council therefore supports the principles (focus on employment creation, inclusiveness and poverty reduction, differentiation, market-based approach, emphasis on results, Policy Coherence for Development) and criteria (measurable development impact, additionality, neutrality and transparency, shared interest and goals and co-financing, demonstration effect, compliance with labour, social, environmental and fiscal standards including respect for human rights) proposed by the Commission as a framework to address these challenges and raise awareness of the opportunities and conditions for successful partnerships with the private sector.
7. The Council welcomes the Member States' commitment to apply this framework in their support to and engagement with the private sector in development cooperation at bilateral and multilateral level as a basis for a common EU and Member States' approach to achieve effectiveness, development impact and better coordination of actions in support of private sector development and public-private development partnerships. The Council also notes that these principles complement the core aid effectiveness Busan principles of country ownership, including the specific commitment to accelerate efforts to untie aid.

8. The Council notes that the criteria should be used as guidance in assessing the appropriateness of proposals for direct support. The assessment should in particular foresee a differentiated approach to take into account the type and the size of the private sector enterprise involved and the context in which it operates. Consistency with the principles and criteria or a credible trajectory towards them has to be an integral part of the respective partnership and intended programmes. Furthermore, the Council invites the Commission and Member States to continue sharing experience and to define how to apply concretely those principles and criteria.

Actions to catalyse private sector engagement and resources for development

9. The Council recognises that the Commission Communication proposes an ambitious set of actions that has the potential to improve the effectiveness of EU support to private sector development. The Council invites the Commission to ensure that this new strategic framework and related actions are appropriately reflected in the programming of EU development assistance for the period 2014-2020 and invites the Commission to draw on the potential provided by its various instruments in order to ensure that this approach can be applied in a coherent, efficient and complementary manner at the subnational, national, regional and global level.
10. The Council takes the view that the actions proposed in the Commission Communication, which relate to catalysing private sector resources and engagement for development, require the EU and the Member States to further enhance interaction and to take up joint actions building on the expertise and knowledge, including transitional experiences, at global, EU and Member State level: the elements below should thereby be taken into account.

Innovative Financial Instruments and Mechanisms

11. Leveraging funding for development from the private sector remains a challenging task. The Council supports the use of innovative financial instruments to leverage additional financing. These may include solidarity funds, multi-donor mechanisms, micro-donations or impact investment and blending.
12. Blending in particular is an important tool to boost economic growth, innovation and job creation. The Council acknowledges the work and looks forward to the continued efforts of the Commission, Member States and European Financing Institutions (EFIs) in the EU Platform for Blending in External Cooperation (EUBEC) to improve effectiveness by increasing donor coordination, promoting division of labour and reducing transaction costs for partners, and to enhance the developmental impact of blending operations, on the basis of the lessons learnt.
13. The Council looks forward to the implementation by the Commission of the DCI, ENI and EDF blending frameworks, including blending facilities for Latin America, Asia, Central Asia, the Neighbourhood, Caribbean and Pacific regions and countries as well as the setting up of the new Africa blending facility. The use of blending mechanisms should build on the cumulative efforts of European donors and financial institutions and on an efficient division of labour. This could be achieved by encouraging a wider participation in blending activities and by promoting coordination among the different donors and financial institutions involved.

14. Regarding in particular micro, small and medium enterprises, including in the informal sector, as well as social enterprises and cooperatives, the Council encourages the Commission, Member States and EFIs to pay particular attention to local banking systems and to improve their access to capital, long term financing and financial services, to support particularly the financing of women and young entrepreneurs; to promote financing for enterprises in the social economy, vocational training schemes; and to support business-to-business contacts and the take-up of best environmental practices. Actions to increase SMEs' access to technology and markets should also be prioritised. Particular attention should be devoted to pro-poor sectors which have a multiplying effect and create jobs matching the policy agenda of the EU such as sustainable agriculture, agribusiness, energy and enterprises which promote a green low carbon and climate resilient economy. The EU-ACP Impact Financing Envelope, a new special window under the ACP Investment Facility managed by EIB, is welcome in this context. By bearing higher risk than permitted under the Investment Facility, it supports projects with higher development impact. Both the higher risk and higher impact need to be appropriately assessed and reported.

Structured Dialogue and Inclusive Business Models: the need for scaling up

15. The Council is fully convinced of the need for a structured dialogue with the private sector that could include governments, local authorities, CSOs, social partners, trade unions and business associations, academia and representatives of the informal sector. This dialogue should be conducted at local, regional and global level and on a sectorial basis. Such dialogues should not duplicate existing dialogues and should, where possible, build on existing mechanisms at international level such as the Global Partnership for Effective Development Cooperation.

16. The Council recognises that public/private dialogue can promote an environment conducive for responsible investment, the creation of decent jobs and sustainable development, and enhance policy effectiveness – it also responds to growing demand from private sector actors to become more involved in economic policy making and in particular in the promotion of a sustainable, transparent and business friendly environment and a sound regulatory framework in partner countries. The Council particularly welcomes the recent adoption of the "Joint ACP-EU Cooperation Framework for Private Sector Development support in ACP Countries" and the establishment of an EU-ACP platform for dialogue including private sector actors.
17. The Council welcomes the Commission's endorsement of the Busan Joint Statement on "Expanding and Enhancing Public and Private Co-operation for Broad-Based, Inclusive and Sustainable Growth", as well as the Commission's more active role in the Partnerships for Prosperity, and the recent interactions between private sector actors/organisations, Civil Society Organisations and Local Actors in the framework of the Policy Forum for Development. The Council considers that such processes may facilitate successful interaction between private sector, civil society organisations and local community level actors.
18. The Council invites the Commission and Member States to work together to support the replication and scaling up of inclusive business models and related private sector multi-stakeholder partnerships, build on existing initiatives, and analyse how synergies could be developed to increase the development impact of EU and Member State actions. The Council encourages in particular the Commission and Member States to share experiences and facilitate access to information about existing initiatives and programmes, which present partnership and funding opportunities for business and other stakeholders interested in partnering for development.

19. Furthermore the Council encourages the Commission to explore innovative ways to develop partnerships with the private sector in development assistance programmes aiming at, inter alia, favoring youth traineeships, open to young Europeans, and promoting local youth employment. The Council calls on the Commission and Member States to explore how to enhance the role of diasporas in the development of the private sector in countries of origin, in particular to promote investment and knowledge transfer.

Corporate Social Responsibility

20. The Council supports the Commission's and Members States' efforts to promote Corporate Social Responsibility, in particular through the implementation of the internationally recognised guidelines and principles, i.e. the UN Guiding Principles on Business and Human Rights, the International Labour Organisation (ILO) Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, the Organisation of Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, the UN Global Compact, and the International Organisation for Standardisation (ISO) 26000 Guidance Standard on Social Responsibility.
21. The Council underlines that Corporate Social Responsibility, in particular through the implementation of the UN Guiding Principles on Business and Human Rights, and the promotion of freedom to conduct business, as set out in Article 16 of the Charter of Fundamental Rights of the European Union, will be one of the priority areas of EU assistance for the European Instrument for Democracy and Human Rights in the 2014-2020 period.

22. The Council welcomes the intensified international cooperation aimed at more responsible global value chains and encourage the Commission to be an active partner in this area. The Council underlines the growing recognition that integration of social, environmental, ethical, human rights and consumer concerns and the responsible management of the supply chain into a company's business operations and strategy can contribute to strengthening its competitiveness and sustainability. The Council acknowledges the need for Member States to engage their own industries on responsible value chains in particular if acting in the countries most in need. Public-private development partnerships should inter alia motivate the private sector to go beyond internationally agreed standards in order to develop relevant voluntary approaches that are gaining in importance.
23. In respect to trade and economic relations, where the private sector is a key actor, the Council underlines the importance of referring to internationally recognised guidelines and principles on Corporate Social Responsibility in the ongoing and future negotiations of Economic Partnerships Agreements and other bilateral agreements, and of promoting sustainable development when engaging in investment, outsourcing and trade in and with partner countries. The Council underlines the responsibilities of the private sector to promote human rights, hereunder children's and women's rights.
24. In this context, the Council welcomes the recent revision of the public procurement directives to take better account of environmental and social concerns, and of the Accounting Directive on the disclosure of non-financial information. The Council renews its call for strengthening the external dimension of Corporate Social Responsibility and of the implementation of the UN Guiding Principles on business and human rights, notably through the Strategy on Corporate Social Responsibility and the Action Plan on Human Rights and Democracy, both currently under review, and through the OECD Guidelines for Multinational Enterprises.

Enhanced EU coordination in support of Private Sector Development: gaining momentum

25. The Council welcomes the initiative taken by the Commission and Member States to do a mapping of future Private Sector Development and Private Sector interventions at national and regional level. This mapping should be the first step of a more ambitious agenda to increase EU and Member States aid effectiveness in this domain and can be taken forward in joint programming and related division of labour processes. The Council calls upon the Commission and Member States to collaborate further notably in the framework of future multi country/regional interventions in Asia, Caribbean and Pacific, Central Asia, Latin America, the Neighbourhood and in particular Africa.
 26. The Council will keep developments in this area under close review and calls on the Commission and the EEAS to report regularly, in the context of the Annual Report, on the implementation of the actions and proposals set out in the Commission Communication as well as in these Conclusions and on cooperation with the private sector more generally, with a view to monitoring the progress achieved in the actions identified.
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