



POSITION PAPER

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BUSINESS AND DEVELOPMENT: A NEW FRAMEWORK FOR COOPERATION

EXECUTIVE SUMMARY

BUSINESSEUROPE proposes to strengthen the dialogue between the European business community and development policy officials. The aim of this dialogue is to improve the effectiveness and coordination of development policy by introducing a business perspective.

For BUSINESSEUROPE development policy should focus on three key areas:

1. Promoting good governance
2. Facilitating investment in infrastructure
3. Removing barriers to trade and investment

In terms of process, BUSINESSEUROPE is eager to work with development policy officials on:

1. Modernising procurement procedures
2. Reinforcing public-private partnerships
3. Guaranteeing access to raw materials

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1. INTRODUCTION: MORE COOPERATION, BETTER RESULTS

The private sector contributes to development objectives by investing capital, creating new jobs, transferring expertise and technology and generating tax revenue. Since the objectives of business and development are to a large extent interrelated, the private sector should be more actively involved in both the formulation and the implementation of EU development policies. To this end, BUSINESSEUROPE recommends:

- Establishing high-level meetings between business and the European Commission
- Establishing working level groups to identify and progress areas for cooperation

The aim of such involvement is:

- Improving EU development policies to optimise their effectiveness
Business expertise and experience in developing countries can provide policymakers with useful information on obstacles to growth and job creation. Once those obstacles are removed, companies will be able to fully play their role in development.
- Increasing coordination of development aid
Business is increasingly concerned that the lack of a coordinated approach among EU member states misses the opportunity to leverage growth and development in a more significant way. The European Commission is in a key position to co-ordinate the development activities of various actors.

2. BASIC CONDITIONS FOR ECONOMIC ACTIVITY

BUSINESSEUROPE urges development policy to focus on three key issues:

(1) promoting good governance; (2) facilitating investment in infrastructure; (3) removing barriers to trade and investment.

1. Promoting good governance

A well-functioning administration is immensely important to provide predictable and stable conditions for economic growth and development. In many developing countries, corruption and the lack of legal certainty hinder the development of local enterprises and deter investments by internationally operating companies. Development cooperation should therefore promote better governance in areas pertaining to the economy, such as customs administrations, the protection of private property rights and contract enforcement. Capacity-building should focus on ministries dealing with the economy, industry and natural resources. In addition, the European Commission should provide effective technical assistance to business associations in developing countries. BUSINESSEUROPE members are already involved in transferring expertise to counterparts in developing countries, but more could be done.

2. Facilitating investment in infrastructure

Well-functioning economic infrastructure is essential for business activity, the ability to export and social development. In the absence of an adequate economic infrastructure, developing countries will not be able to achieve sustainable economic development or integrate into the world economy. Even though the need for infrastructure measures in developing nations is particularly acute, some countries lack the capacity to adequately design, implement, maintain and operate infrastructure projects that meet their development goals. While international donor institutions are attempting to address this gap, BUSINESSEUROPE believes that business expertise can play a part in strengthening current activity. For instance, European infrastructure providers are fully capable of not only designing and building infrastructure facilities, but also operating and maintaining them together with local partners, thereby making a direct contribution to capacity-building. It is important in this respect that the European Commission and other donors make adequate arrangements at the planning stage to ensure that sufficient financing is available over the project's life-cycle. Besides enhancing efforts in conventional infrastructure projects in transportation, energy supply and communication, new possibilities in relation to health, education and climate change should be explored.

3. Removing barriers to trade and investment

An open market with transparent and predictable rules forms the basis for economic growth. However, markets in developing countries are burdened by complex and nontransparent domestic regulations. In addition, these markets are often too small to generate a sufficient amount of trade and investment. BUSINESSEUROPE urges the European Commission to:

- Foster regional integration as a solution to creating sustainable markets.
- Promote the elimination of non-tariff barriers, including import quotas and export restrictions, as well as less visible barriers resulting from domestic regulation, technical barriers to trade and onerous customs requirements, in order to boost exports, trade and economic growth.
- Support transparent and predictable rules governing investment, to ensure legal certainty for investors, by including rules on investment in Economic Partnership Agreements.

3. SPECIFIC PROPOSALS

BUSINESSEUROPE is eager to work with development policy officials on three specific issues at EU level: (1) modernising procurement procedures; (2) reinforcing public-private partnerships and (3) guaranteeing access to raw materials.

1. Modernising procurement procedures

The current provisions of EU procurement policy focus too heavily on the lowest bidder, often at the expense of quality and sustainability. BUSINESSEUROPE therefore urges the European Commission to modernise its procurement procedure and review contract conditions for development cooperation projects.

- BUSINESSEUROPE recommends a holistic approach to establishing appropriate selection criteria towards procurement, taking into account a large

variety of criteria, such as: (1) quality; (2) life-cycle costs and sustainability; (3) innovation and suitability of technical solutions, (4) operational responsibility and viability and (5) involvement of the local private sector.

- BUSINESSEUROPE recommends the application of the 'envelope procedure' to all procurement contracts. In addition, officials should engage in prequalification of eligible companies by requiring bidders to document their technical know-how and financial strength, as well as their intention to employ local workforce and team up with local suppliers.
- BUSINESSEUROPE furthermore recommends that there should be improved exchanges of information between business and the European Commission to ensure that both sides fully understand the specific needs of development cooperation projects.

2. Reinforcing public private partnerships

BUSINESSEUROPE supports reinforced partnerships between the public and the private sector in EU development policy. To facilitate this cooperation, the Commission should collaborate with business on co-financing and risk mitigation. Similar projects have been very successful in some EU Member States (e.g. Germany).

3. Guaranteeing access to raw materials

BUSINESSEUROPE believes that business, development agencies and resource-holding countries can work together to promote freer and more sustainable development and trade in raw materials. The European Commission should take greater account of the raw materials sector in development policy cooperation. It should support investment in infrastructure and capacity building. Partner governments should be encouraged to strengthen authorities and institutions responsible for raw materials. This should be done by establishing constructive development relations with resource holders by helping them to implement an effective and sustainable minerals policy, investment framework and taxation regime.

4. CONCLUSION

BUSINESSEUROPE is prepared to contribute to EU development policy through dialogue with relevant EU officials. This dialogue should strengthen the contribution that business can make to development, with the aim of improving the coordination and effectiveness of development policy.
