



2014/2205(INI)

24.6.2015

OPINION

of the Committee on Foreign Affairs

for the Committee on Development

on private sector and development
(2014/2205(INI))

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SUGGESTIONS

The Committee on Foreign Affairs calls on the Committee on Development, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Stresses that, under Article 208 TFEU, the primary objective of EU development cooperation is to reduce and eradicate poverty and shall be conducted within the framework of the principles and objectives of the Union's external action; recognises that poverty has multiple and interlinked causes, including those of an economic, political, socio-cultural or environmental nature or relating to conflict or security; states that, under Article 3(5) of the Treaty on European Union (TEU), the EU's aim in its relations with the wider world is to contribute to sustainable development, solidarity and mutual respect, free and fair trade, the eradication of poverty and the protection of human rights and that the private sector has the potential to contribute to sustainable, efficient and long-term development; stresses, furthermore, that EU development cooperation aims to promote human rights and to spread and strengthen democracy, good governance and the rule of law; stresses, therefore, that development cooperation must be guided by these objectives; recalls that the objectives of development cooperation must be taken into account in the implementation of EU policies likely to affect developing countries; believes that economic development is key to eradicating poverty and that progress in this area is essential if the goal of ending extreme poverty by 2030 is to be achieved; further supports the objectives of the Millennium Development Goals as the framework for alleviating poverty and realising other aspirations, including improvements to health and education;
2. Welcomes the Council conclusions of 12 December 2014 on a stronger role of the private sector in development cooperation; concurs with the conclusions that 'the private sector is emerging as an increasingly active player in the development field' and on 'the need to strengthen the role of the private sector in implementing the future Sustainable Development Goals' based on aid effectiveness principles;
3. Stresses the potential of the private sector's contribution to long-term sustainable development, and underlines possible EU added value in partnering with the private sector in achieving development goals;
4. Supports the work of the Association of European Development Finance Institutions (EDFI), as its members provide capital to enterprises in developing countries through direct investments in companies, as well as indirectly by committing capital to local commercial banks and emerging-market private equity, focusing on micro, small and medium-sized enterprises (MSMEs); urges the Commission to favour these kinds of programmes in its financing and cooperation, as the private sector in developing countries is of utmost importance;
5. Calls for the development of more effective transparency and accountability standards for EU technology companies in connection with the export of technologies that can be used to violate human rights, to aid corruption or to act against the EU's security interests;
6. Stresses that development policy cannot achieve these objectives as a stand-alone policy, but must be integrated into a broader approach which combines foreign and security policy, trade policy and any other external action policy instruments; notes that coherence

between these different branches of EU external action is crucial;

7. Stresses the need to look at how the private sector can be further engaged in the framework of the European Neighbourhood Policy, to help create economic growth and jobs in Europe's neighbourhood, for example through sharing expertise in providing access to capital;
8. Notes that development is primarily the responsibility of the state, that the framework for development assistance must be set by governments and that this is primarily a task for the public sector, but underlines that reducing poverty requires not only public policy but also the involvement of the private sector; notes, while acknowledging that the private sector's primary objective, in line with market economy principles, is not to reduce poverty and equality, but to make a profit, that the private sector nevertheless has an important influence on society and that private sector involvement in development objectives must therefore be carefully designed with special emphasis on corporate social responsibility; requests in this regard that all EU enterprises fulfil their corporate social responsibility obligations to respect human rights in line with the UN Guiding Principles; urges the EU to look for ways to strengthen corporate social responsibility;
9. Stresses that the private sector should be involved in EU development policy and projects as long as the different roles between private sector and public sector actors are fully understood and recognised by all parties involved; stresses that public-private partnerships within the post-2015 development agenda must have a strong focus on poverty reduction; underlines that a fully functioning market economy, based on the rule of law, remains an important driver of economic and social development and that the EU's development policy should reflect that fact; notes that public-private partnerships, blending and microcredits might be important tools to reduce poverty and stimulate economic growth, innovation and job creation, but need to be thoroughly analysed in terms of development impacts, accountability and transparency; emphasises, however, that building up an endogenous private sector with local microbusinesses, SMEs and local value chains is important for job creation and a source of tax revenue for developing countries as domestic micro and small enterprises accounts for the bulk of employment in developing countries; welcomes the Council recommendation to place an increased focus on supporting micro, small and medium-sized enterprises;
10. Welcomes the 'Framework for Business Engagement with the United Nations', which underlines the fact that a robust private sector delivering economic growth is essential for the achievement of the Millennium Development Goals and that the private sector 'is making important contributions toward shared economic, social and environmental progress';
11. Believes that the private and public sectors are most effective when they work together in order to create a healthy environment for investment, business activity and the foundations for economic growth;
12. Notes that no country has been able to eradicate poverty without economic growth, and that no country will graduate from aid dependency without it; further believes that the private sector is a critical driver of economic growth and can make a significant contribution to poverty reduction and higher living standards through the provision of more and better jobs, higher wages, and improved and affordable goods and services;

13. Welcomes the involvement of the private sector in the OECD High Level Forum on aid effectiveness; welcomes, in particular, initiatives in that context taken on innovative ways of leveraging private sector development funding and the Joint Busan Statement in 2011 on ‘Expanding and enhancing public and private cooperation for broad-based, inclusive and sustainable growth’;
14. Stresses that structural and institutional reforms, backed by sound policy implementation and fair laws, rights and regulations, can act as a catalyst for private sector investment and export growth, which will, in turn, contribute to the development goals and the alleviation of poverty;
15. Welcomes the role played by foreign private sector investment in developing countries in accelerating domestic development; further stresses the importance of encouraging responsible investment which supports local markets and helps alleviate poverty;
16. Welcomes that the proportion of untied bilateral aid has continuously increased, but expresses concern over continued formal and informal forms of tied aid¹; calls on the EU and its Member States to implement their commitment in the European Consensus on Development to ‘promote further untying of aid going beyond existing OECD recommendations’; underlines the growth-creating potential of further untied aid which would benefit local industries in developing countries; calls for an increase in real aid and for sustainable building of regional/local value chains; calls for further empowerment of local actors and an emphasis on building sustainable regional/local value chains; stresses the importance of local and regional ownership, partner countries’ own national strategies and reform agendas, the involvement of development projects and the added value provided by securing local supply chains; believes that development policy has an important role to play in addressing the root causes of the current migration flows towards the EU;
17. Underlines the need for strong legislation on property rights in order to stop land grabbing, i.e. when large-scale land acquisitions in developing countries result in serious violations of human rights, especially of indigenous people, and/or cause severe damage to the natural environment; welcomes the launch in 2014 of an EU programme to strengthen land governance in African countries; stresses the importance of full transparency and accountability of the operations of EU companies and financial institutions in large-scale agribusiness investments and land acquisitions in developing countries; stresses that the defence of human rights, gender equality, social cohesion and the fight against inequality should remain at the core of development activities; recalls the need to comply with agreed international standards such as the International Labour Organisation (ILO) standards and the UN Guiding Principles on Business and Human Rights, and urges the Commission to take the lead by developing a clearly defined framework agreement governing all partnership agreements with the private sector in accordance with the corporate social responsibility principles and standards; stresses that respect for human rights should become a business imperative; calls as a matter of urgency for binding international rules for firms on compliance with human rights, labour law, workplace health and safety law and environmental standards;
18. Supports the G8 commitments on tax, transparency and trade which underpin economic

¹ ActionAid (2005): Real Aid An Agenda for Making Aid Work, p. 4.

development, including the implementation of internationally agreed guidelines to promote good business practice and protect land tenure and property rights; calls for European development efforts to play a significant role in the implementation of the UN Guiding Principles on Business and Human Rights, including working with European enterprises and investors to ensure full compliance with the guiding principles and the OECD Guidelines on Multinational Enterprise in their business activities and in their supply chains in developing countries; calls on the Commission to champion the proposal from investors and other stakeholders to support binding rules on social, environmental and human rights reporting by business, consistent with the EU directive on non-financial reporting, which are encompassed as one of the proposed new UN Sustainable Development Goals;

19. Calls on the EU and its Member States to support developing countries in gathering their resources, e.g. through national tax systems, and in combating illicit financial flows and corruption, as a result of which developing countries lose several hundred billion euros per year¹, i.e. several times the total amount of official development aid; calls on the EU, its Member States, all organisations and the developed and developing signatory countries to the 2011 Busan Partnership for Effective Development Cooperation to honour their commitment to intensity efforts to fight corruption and illicit financial flows; calls on the Commission, as part of that strategy to take a consistent approach that incorporates the main existing rules on transparency, combating tax avoidance and evasion, accounting and monitoring of the major extractive industries; calls, in this regard, for further measures to ensure that corporations are accountable to the countries they operate in; calls for effective international rules against tax avoidance and evasion, i.e. in the ‘Action Plan on efforts to combat tax evasion and tax fraud’;
20. Calls for greater transparency in finance to help combat corruption and illicit financial flows, including through the development of fair and effective tax systems;
21. Stresses that financing for development must strengthen the resources available to promote equality between women and men, women’s rights and women’s empowerment, as well as to eliminate child labour; points out that the private sector can play a major role in this respect;
22. Insists that the EU and its Member States should maintain their position as major donors of development aid and play a leading role in upholding international sustainable development commitments; calls on the Member States to honour the commitment to give 0.7 % of GDP to official development assistance; stresses that private funds must not be used to increase contributions artificially; stresses the need to further develop innovative financial mechanisms aiming to leverage further private sector funding for development, complementary to official development assistance, in full respect of the principles of additionality, transparency, accountability, effective reporting, ownership and alignment with partner countries’ priorities;
23. Welcomes the Commission’s differentiated approach to the highly diverse private sector, which ranges from microbusinesses to large corporations; calls for a differentiated approach to least developed and fragile states;

¹ Eurodad: Giving with one hand and taking with the other - Europe’s role in tax-related capital flight from developing countries, p.6.

24. Calls on the EU to continue to actively engage in the discussions on the post-2015 agenda, while considering the opportunities and challenges that arise from a closer partnership with private sector actors.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	23.6.2015
Result of final vote	+: 34 -: 30 0: 0
Members present for the final vote	Lars Adaktusson, Michèle Alliot-Marie, Petras Auštrevičius, Mario Borghezio, Elmar Brok, Klaus Buchner, James Carver, Fabio Massimo Castaldo, Lorenzo Cesa, Javier Couso Permuy, Arnaud Danjean, Mark Demesmaecker, Georgios Epitideios, Anna Elżbieta Fotyga, Eugen Freund, Michael Gahler, Richard Howitt, Manolis Kefalogiannis, Tunne Kelam, Afzal Khan, Janusz Korwin-Mikke, Andrey Kovatchev, Eduard Kukan, Ilhan Kyuchyuk, Arne Lietz, Barbara Lochbihler, Sabine Lösing, Andrejs Mamikins, David McAllister, Francisco José Millán Mon, Pier Antonio Panzeri, Demetris Papadakis, Ioan Mircea Pașcu, Vincent Peillon, Kati Piri, Andrej Plenković, Cristian Dan Preda, Jozo Radoš, Alyn Smith, Charles Tannock, Eleni Theoharous, László Tőkés, Ivo Vajgl, Johannes Cornelis van Baalen, Geoffrey Van Orden, Hilde Vautmans, Boris Zala
Substitutes present for the final vote	Luis de Grandes Pascual, Tanja Fajon, Neena Gill, Takis Hadjigeorgiou, Antonio López-Istúriz White, Fernando Maura Barandiarán, Miroslav Poche, Miloslav Ransdorf, Marietje Schaake, Traian Ungureanu, Bodil Valero
Substitutes under Rule 200(2) present for the final vote	Biljana Borzan, Victor Boștinăru, Marisa Matias, Luděk Niedermayer, Jean-Luc Schaffhauser, Patricija Šulin