Implementing the Sustainable Development Goals (SDGs) through EU Development Policy: a debate on the occasion of preparations for the Joint Synthesis Report

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INTRO

As the world prepares to face new challenges – from migration to climate change and from slowing global economic growth – international cooperation as, we knew it, in the form of North-South partnership based on unilateral aid transfers and grants, has proved to be insufficient. In order to face these, including eradicating poverty and redressing inequalities, one of the main requirements is to stimulate the investment needed for real and sustainable development, estimated to be some 10 or 20 times larger than all the aid budgets of today put together.

KEY POINTS

- There is a mismatch between policy as expressed at a sector level and what is implemented by the respective administrations. Although private investments are deemed to play a vital role in putting developing countries on to an economically sustainable path, there has been a serious underperformance in attracting them. The language of the main donors-actors may have changed but the policies and their implementation have not. The modern tools of today are more about budget support but maybe it is high time to design an approach more supportive of the private sector and a more conducive business environment.

- The power of the private sector goes well beyond job creation. Spill-over effects of greater and broader entrepreneurship on GDP, capital flows and employment hinge on inter-firm linkages, technological transfers, and public revenues for governments, which in turn boost competitiveness and create a favourable investment climate. Based on recent experience, African leaders increasingly acknowledge the need for a mix of private financial flows and public funding, in order to foster entrepreneurship and development. The private sector is increasingly viewed as a key engine of economic growth by giving it greater recognition and sufficient motivation.

- In order to achieve such ambitious goals, it is fundamental for both the EU and developing countries to understand that private companies willing to invest in Africa, or indeed elsewhere, cannot be expected to act as donors in Development Assistance. They are not charities, they are answerable to shareholders, with a view to achieving a return on investment.

- The EU, already good at coordinating the assistance among European countries and in conjunction with other major development partners globally, has to give greater priority to promoting and increasing the contribution from the private sector to the Development Agenda, including participation and contribution to the SDGs.

HOW TO PROCEED TO STRENGTHEN THE INVESTMENT CLIMATE

- The choice and design of financial Instruments needs to be framed into a policy environment encouraging private sector investment. General budget support may be beneficial but in countries with weak public structures or inexperienced institutions, it must be accompanied by technical assistance for the efficient use of the funds provided. If well targeted and controlled, such assistance and support can significantly enhance the business environment in order for the private sector to flourish.

- More systematic and concrete dialogue between the public and private sectors should lead to more large-scale integrated projects, especially in the infrastructure sector. These can be cross-border and intra-regional, involving energy, ports, transport networks and urban development, mobilizing both large and small companies. It should also encourage “smaller” European companies to internationalize and to find reliable local partners. For this to happen, technical support mechanisms required both in the setting up of projects and their start-up implementation need to be provided. This action, offering immediate support to SMEs, must also facilitate their access to finance from local banks and private equity investment funds. This is more than ever necessary if European SMEs are to have a

  greater role to play and to benefit from the "European Investment Plan (EIP) for Africa" mechanisms.

- Acknowledging the importance of Public Private Dialogue (PPD) should translate into effective Private Public Partnerships (PPPs) by applying guarantees to bilateral development institutions, which provide the bulk of the funding, and promoting the internationalisation of Small and Medium Enterprises (SMEs) to encourage the development of more efficient supply chains. Galvanising the support and the participation of these SMEs in the policy development process, and providing them

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with appropriate tools to mitigate investment risks, should help to smooth the path towards entering new markets.

- The EU Delegations in Africa need to focus more on economic diplomacy, supporting European enterprises and giving businesses already active on the ground greater recognition and voice.

- The EU policy of delegating the management of the funds to bilateral and European development agencies with on-the-ground expertise and sector-based *know-how needs to be extended, albeit cautiously*. The use of bilateral agencies as the executing arms of European Aid is a double-edged sword, as some are not effective in all areas, far from it, and consideration should perhaps be given to common implementing tools for the many and various donors.

- Simplify, standardise and streamline the procedure for the creation of trust funds, as well as the application and disbursement mechanisms of these funds. It is recommended to develop new procedures and to increasingly allocate the funds directly to the operators, without the intervention of the Recipient States' administrations. In addition, the EU External Financing Instruments (EFI) need to be simplified, in order for SMEs to have a clear understanding of the procedures and eligibility criteria to apply for and secure funds.

- Financial interventions: a significant part of the risk must be taken, according to carefully prepared arrangements, by the public sector. China, in many of its African approaches, shows a long-term strategy and pragmatism and has much to teach other donors in this regard. Help is provided to de-risk the investment climate through diversified financial mechanisms – i.e. blending finance and easy-to-access first-loss guarantees – so to maximise the leverage effect and enable young enterprises to get off the ground.

- Improve the investment climate in Africa in key economic sectors where there is European know-how and interest: for example, Agribusiness, through consolidated agricultural supply chains via better targeted and risk-tolerant blending finance; Energy, by scaling-up the electricity supply to rural areas and removing unnecessary regulatory barriers; and Technology & Innovation, by working towards a favourable and more "predictable" ICT sector.

- Promote regional integration and give priority to South-South cooperation. As more Southern countries garner useful lessons for successful development and higher economic growth that is relevant to other least developed countries (LDCs), it would be helpful to ensure closer partnerships where no country is left behind. This could include the improved harmonisation of regulations, taxation and customs, and better regimes for dispute settlement mechanisms to promote greater private sector involvement.

CONCLUDING REMARKS

As the new Sustainable Development Goals (SDGs) replaced the old Millennium Development Goals (MDGs), the content and scope of these changed quite significantly. The MDGs were primarily the result of the concerted efforts of development aid agencies, whilst the SDGs were more the outcomes of a fresh, thorough and detailed examination of the States involved, from both the northern and the southern part of the world. The new goals are different in the way they envisage and implement development policies. They confirm the passage from a prescriptive North-South relationship to a partnership that is beneficial for both sides.

From the European private sector's point of view, the SDGs are still very ambitious, and thus difficult to implement. In order to face the challenge, it is essential to include in the action list four important measures:

- Internalising and ensuring consistency of SDGs with national priorities.
- Mastering the coordination of public policies.
- Getting up-to-date and reliable statistical information. Despite the progress made in this regard in many developing countries, data are still mostly inadequate and insufficient, which causes gaps in both interpretation and analysis and, as a result, in policy setting.
- Following up, and evaluating the outcomes of public policies, in order to restore the credibility of governmental strategies, thereby providing a solid and reliable legal framework by measuring the impacts of financed projects. Impact assessments can then be used as a benchmark for European funds allocation.