



# Position Paper



## EUROCHAMBRES' response to the Issue Paper on Strengthening the Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries

### 1. Key Points

- *European companies are crucial partners for local companies, mainly SMEs, in developing economies in terms of capacity-building, transfer of technology and know-how, increase in business flows and integration of global value chains.*
- *The concepts of 'Private sector development support' and 'Private sector engagement for development' in third countries can and should be linked to the internationalisation of European businesses. These initiatives are mutually reinforcing. Therefore, a comprehensive and integrated approach is needed to private sector development which means that it should be conceptualised in the context of enhancing European Economic Diplomacy.*
- *The role of local intermediaries such as business support organisations is crucial because they can fulfil functions of advocacy as well as service delivery, including capacity-building and advice regarding economy transformation. These actions result in a better enabling environment as well as a stronger local private sector which lead to sustainable and inclusive growth in the long-run.*
- *The experience and capacity of the Chamber network in supporting such local intermediaries must be recognised and drawn upon in various initiatives. EUROCHAMBRES as well as different national Chambers actively support and cooperate with business intermediary organisations in third countries, often through a local presence of support structures and joint initiatives.*
- *The creation of European initiatives supporting the existing structures and/or pooling resources under an EU platform is an effective instrument to ensure private sector engagement for development and to implement private sector development support.*

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## 2. Introduction

As the Association of European Chambers of Commerce and Industry representing over 20 million enterprises in Europe – 98% of which are SMEs – through members in 43 countries and a European network of 1700 regional and local Chambers, EUROCHAMBRES welcomes this initiative of the European Commission to organise a wide consultation on strengthening the role of the private sector in achieving inclusive and sustainable growth in developing countries.

At all levels of the economy – local, regional, national, European and global – **the Chamber of Commerce network is a key player in supporting companies, mainly SMEs**. Over the last decades, Chambers have developed expertise, networks, capacities and tools to provide concrete and effective help, tailor made to the needs of SMEs, in Europe as well as in developing economies.

That extensive experience confirms that most SMEs do need support to identify the potential of their products, develop a market strategy, understand cultural as well as technical and non-technical barriers, use various financial instruments, etc. Especially in times of economic recession, initiatives which accompany business in the long run, including but not limited to financial incentives for private sector support and engagement, are well received.

EUROCHAMBRES shares the vision that private actors – and especially SMEs – make a significant contribution to job creation and poverty alleviation. Hence, we have identified development as a crucial area for cooperation and aspire to contribute to achieving inclusive and sustainable growth. EUROCHAMBRES is pleased to see that the Issue Paper addresses several issues which EUROCHAMBRES has been working on over the past years. Moreover, EUROCHAMBRES firmly believes that **business hold the key to tackling poverty**. It is the private sector which creates the jobs, goods and services that the world's most vulnerable people need to lift themselves out of poverty. We thus consider as essential a more targeted and comprehensive strategy to foster the involvement of the private sector in the EU's new external assistance instruments in the post-2015 development framework.

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### **3. Linking the economic and development rationales**

EUROCHAMBRES welcomes that the Issue Paper recognises in particular that: “the European private sector will be targeted as a development partner where it contributes to local private sector development, for instance through investment, supply chain linkages, capacity development or technology transfer.” (p. 3)

Whereas by 2015 90% of economic growth is expected to be generated outside Europe, only 13% of European enterprises are active beyond the EU’s borders. EUROCHAMBRES therefore encourages policy-makers to embed private sector development in the wider context of **European economic diplomacy** as the EU has experience to share in setting an inclusive and sustainable agenda.

Drawing on the capacities and know-how of EU business will benefit the local private sector in developing economies. As recognised by the ‘**Agenda for Change**’, economic growth needs not only an enabling business environment but also a competitive local private sector that is equipped to harness the opportunities offered by globally integrated markets. This objective can only be reached if local businesses are connected with European businesses.

#### **(A) Role of the European private sector**

The **European private sector can therefore fulfil the role of being a strategic AND implementing partner for the private sector in developing economies**. European enterprises should be strategically recognised as partners in development policies and documents so they can be associated in the implementation of projects for capacity-building and technology transfer purposes. Fostering lasting linkages between European and local enterprises are more effective and sustainable than any temporary support of the public sector to local companies, which is by definition limited to the duration of the intervention and the funding. Unlike the view of several development NGOs which tend to stress the need to contain the harmful behaviour of foreign firms by restrictive government policies, EUROCHAMBRES emphasises that the private sector must be fully recognised as the motor for growth and development.

While acknowledging the important contribution as well as the undeniable responsibility of Multinational Corporations (MNCs) and large companies, EUROCHAMBRES believes that the forthcoming **Communication should differentiate between the role of MNCs, large companies and SMEs. European SMEs in particular boost technology transfer, job creation and the formation of human capital when operating in developing economies and partnering with local enterprises for the production and distribution of products and services**. SMEs are thus core drivers for inclusive and sustainable growth. Moreover, with respect to the need for Financing for Development beyond 2015, the EU should indeed favour a comprehensive and integrated approach in which the (European) private sector is looked at as an important source of external finance and resource mobilisation.

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## **(B) Role of business intermediary organisations**

Entrepreneurship and robust SMEs are crucial areas in improving economic development and successfully implementing anti-poverty policies of the local government. SMEs have neither the capacity nor the human capital to cope with an overly complex legal and administrative environment. They need a stable, simple, transparent, predictable and reliable framework governing their business. Therefore, it is a priority to create a **regulatory framework conducive to entrepreneurial activity, from a fiscal, financial, economic and administrative point of view**. A business environment encouraging and supporting entrepreneurial activity is a precondition of private sector development. Chambers can be also helpful in supporting their third-country partners to get involved - as recognised partners - at national level in the discussion on economic and entrepreneurial issues so as to help the economy to develop in a more sustainable way.

Traditional measures developed by the European Commission so far have often only had a temporary or insignificant impact. The need for the **strengthening of business intermediary organisations** in developing countries cannot be underestimated in order to guarantee the sustainability and effectiveness of EU support. On the one hand, business organisations help implement concrete services and activities for enterprises, while, on the other hand, they can collect and provide relevant data to raise awareness among local and national authorities on existing market obstacles and on the importance of creating an enabling business environment.

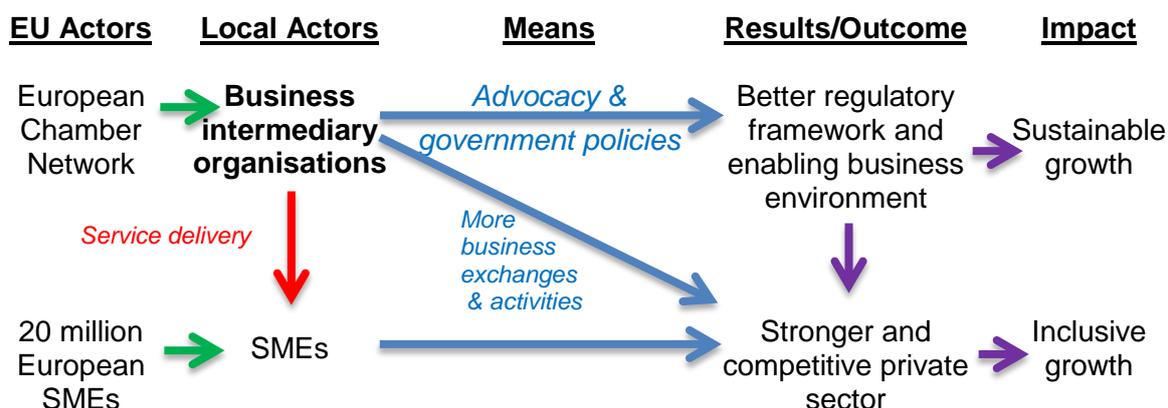
**Chambers of Commerce and Industry**, in particular, have acquired extensive experience in a number of areas of crucial importance to support business organisations as well as businesses in developing countries.

## **(C) Private sector development and engagement**

In sum, EUROCHAMBRES is convinced that the contribution of European private sector as well as the Chamber network is quintessential for the following purposes:

- 1) **Private sector development support**: Business intermediary organisations such as local/bilateral/European Chambers of Commerce are linked with the European Chamber network. They have capacities and expertise to deliver concrete services and advice to local companies to create a stronger private sector. In addition, they are well placed to fulfil an advocacy function and contribute to a better regulatory environment which in turn strengthens the local private sector.
- 2) **Private sector engagement for development**: Being the bridge between local companies and European companies, the Chamber network is capable of harnessing the European private sector as a driving force in achieving inclusive growth in developing economies because European companies are needed to share business practices and technologies with local companies.

In the following table, the **red arrow** represents 'private sector development support' whereas the **green arrows** represent 'private sector engagement for development'. The **blue arrows** are the direct result of the interventions whereas the **purple arrows** lead to the long-term impact.



#### (D) Importance of framework conditions

Before replying in the next chapter to certain key issues and questions raised in the Issue Paper, EUROCHAMBRES stresses the importance of shaping an overall legal and regulatory framework that is conducive for companies to thrive in and that is inviting companies to get involved in a country. In addition, a favourable trade and investment policy can determine a business environment that will impact favourably on decisions of companies.

An obstacle to development, growth and competitiveness stems from SMEs being confronted with a complex web of non-tariff barriers, such as differing degrees of administrative, technical and environmental standards, and a rising use of localisation policies in developing economies. Too often, companies are hindered by legal framework conditions (process to establish a business, tax systems, complying with standards, procedures for obtaining proof of origin, protection of IPR, etc.) which are not favouring sustainable and inclusive growth and which thus risk to render concrete business support initiatives obsolete.

In reference to the 2012 Commission **Communication on Trade, growth and development**, “Effective development policy is essential in helping create better conditions for trade and investment in developing countries, as well as to ensure equitable distribution of their benefits for poverty eradication.”(p. 3) and “No country has ever been able to sustain long-term growth without integrating into the world economy. Access to markets abroad enables greater economies of scale and specialisation, while access to cheaper and more varied inputs, including more efficient services opens up new production possibilities.” (p. 5)

Public Private Partnerships (PPP) models are vital to improve the legal framework and broaden the infrastructure, especially in developing countries.

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## 4. Replies to key issues & questions

***Issue 3: Stepping up EU support to (M)SMEs:** Micro-, small- and medium-sized enterprises are the main source of employment creation in developing and developed countries alike. The EU has longstanding experience in supporting its SMEs through European enterprise policies that should be harnessed to step up its support to SME development in partner countries. Moreover European companies have the potential to contribute to SME development in partner countries by integrating local SMEs into their supply chains. Finally, the EU development assistance programmes have the potential to create business opportunities and markets for local SMEs.*

EUROCHAMBRES completely agrees with this description.

- ⇒ If EU programmes and instruments supported business intermediary organisations to do more **proactive advocacy**, local SMEs could benefit from a better business environment helping them to get their ideas off the ground, flourish in the local economy and create employment.
- ⇒ In addition, targeted European initiatives can strengthen the role of business intermediary organisations or create new platforms and networks to **organise activities and deliver services** improving SMEs' productivity. This can be done for instance by providing tailored information on business opportunities, training sessions on tapping into markets as well as matchmaking with EU businesses for integration into supply chains.

As explained in Chapter 3 of this Position Paper on linking the economic and development rationales, European SMEs are core drivers for inclusive and sustainable growth as they boost technology transfer, job creation and the formation of human capital when operating in developing economies and partnering with local enterprises for the production and distribution of products and services.

In order to feed the reflection on the experience with SME support, EUROCHAMBRES refers to **European support programmes, European Business Centres and European Business Networks** as examples of EU internationalisation initiatives which are connecting European business with local enterprises in specific developing and emerging economies. In addition, the establishment and development of **European Chambers abroad** is a noteworthy evolution. The different practices are summarised below:

- 1) The EU has launched several **support programmes** for internationalisation of SMEs. Two examples can be used as a benchmark:
  - First, the so-called "Invest programmes" (AL Invest, East Invest, Invest in Med) focus on mobilising existing business organisations from both regions (EU and Latin America, EU and the Eastern Neighbourhood, EU and the Mediterranean, etc.) to implement joint projects in the area of economic cooperation (B2B), investment promotion, training for SMEs, etc. They have proven to be particularly successful if based on mutual interest, e.g. helping Latin American SMEs to come to Europe, but also vice versa. The "Invest" programmes are mainly organised through grant contracts, thus creating ownership and co-responsibility with the private sector organisations.
  - Second, the Gateway to Japan programme, launched 15 years ago, identified EU SMEs in specific sectors and organised joint missions to Japan, to meet buyers, understand the market potential etc. The

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- programme was very successful and generated a high profile for the EU in Japan (and later also in Korea). It is now tested in other emerging markets.
- It is worth indicating that certain member states have developed important “best practices” to design internationalisation programmes and services for SMEs (e.g. Go International in Austria, PIPE in Spain, CCI International in France, DEInternational in Germany, WorldPass in Italy, etc.).
- 2) The creation of **European Business Centres** was situated in the context of the Europe 2020 strategy, which aims at enhancing EU competitiveness in a globalised world. The Communication “Small Business, Big World” outlined the main principles for an EU internationalisation strategy. The European Business Centres are among the first concrete initiatives to put these principles into practise. Initial funding came from the “Preparatory Action” (PA) budget line, adopted by the European Parliament for the years 2008-2010. Further support came from ICI+ and, after 2013, from the Partnership Initiative and/or the new SME Competitiveness initiative - COSME.
- The concrete examples of Business Centres are:
- The European Business and Technology Centre (EBTC) in India was created in 2008: [www.ebtc.eu](http://www.ebtc.eu) & <http://www.ebtc.eu/news.html>
  - The EU SME Centre in China was created in 2010: <http://www.eusmecentre.org.cn/>
  - The Europe ASEAN Business Centre (EABC) in Thailand was created in 2011: <http://www.eabc-thailand.eu/>
- 3) A new generation of **EU Business networks** is being put in place since the end of 2013:
- The EU-Indonesia Business Network (EIBN): <http://www.eibn.org>
  - The EU-Vietnam Business Network (EVBN)
  - The EU-Philippines Business Network (EPBN)
- These Networks strengthen the capacities of existing structures.
- 4) Another initiative that is more sui generis is the development of **EU Chambers abroad**. The establishment of a European Chamber in a third country is often an autonomous development that is emanating from the needs of European entrepreneurs and their representatives on the ground to develop common positions and activities. Over the last years, some EU Chambers have become very effective in representing common EU business interests abroad and in speaking with one voice on behalf of the European business community. The European Commission could support the development of EU Chambers itself (e.g. through its Delegations and Market Access Teams) in countries where no or few bilateral Chambers are present or strengthen their activities and support to the local private sector. EUROCHAMBRES is supporting the development of such EU Chambers, while respecting their autonomy, by signing cooperation agreements, developing joint activities and offering network opportunities.

EUROCHAMBRES argues for the adoption by the European Commission of a single vision and strategy, including the creation of an ‘**SME internationalisation coordination platform**’, to streamline the coordination and use of the existing as well as any future initiatives. This point is crucial to guarantee the success of all EU initiatives. The concrete design of the platform is not clear at present and would need to be clarified, especially in terms of efficiency, value added, etc.

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In conclusion, past experience has shown that European practices/approaches to support the internationalisation of SMEs can have an added value when filling gaps that national support cannot cover. This is in particular the case with regards to formulating a common European business voice abroad. EUROCHAMBRES has taken an active responsibility in such initiatives. Moreover, as shows in the schematic overview under point 3.(C) on page 5 of this Position Paper, SME internationalisation policies can contribute to development goals because they allow for closer business ties between Europe and third countries. Together with favourable framework conditions (cf. point 3.(D) on page 5), they can contribute to inclusive and sustainable growth.

**Question 11:** *How can domestic firms and industries in developing countries be better integrated into global value chains? Can global value chains function as a source of economic governance in fragile and post-crisis countries?*

A stronger **focus on development of the economic infrastructure** is a prerequisite for **regional integration as well as integration in global value chains**. Steady energy supply, ICT-connection and suitable transport infrastructure (roads and seaports) are indeed indispensable for private sector development and for integration into the world economy. Investments in these sectors (particularly energy, ICT and transport) should be vitally expanded. **Private Public Partnerships (PPP) models** can broaden the infrastructure, especially in developing countries, where the political and/or the financial risks are considered too high for the private sector. Creative PPP and Design-Build-Operate (DBO) models should be supported stronger by the EU external programs. This requires sufficient funding not only for the initial investment but for operations and maintenance as well. EU development cooperation should make sure that appropriate funds are available. Enhancing EIB's and other European Development Finance Institutions' role to act as lenders and investors for infrastructure projects in developing countries would be also helpful to that effect.

**Enhancing regional economic integration is clearly crucial for growth-oriented development.** For doing business in developing countries, (local as well as European) private enterprises still too often face obstacles such as the existence/proliferation of tariff and non-tariff trade barriers as well as the lack of implementation of free trade measures agreed with the EU as part of regional or bilateral trade agreements. In order to address those obstacles the following initiatives could help:

- ⇒ On the one hand, taking advantage of business partnerships between private actors in developing countries and in the EU for lobbying purposes might help address non-tariff barriers, such as bans, restrictive import permits, discriminatory taxes and suspended duties.
- ⇒ On the other hand, ensuring that free trade measures – where agreed – are effectively implemented, could facilitate regional integration in those countries and expand local trade opportunities for enterprises.

**Business intermediary organisations** can help local companies plugging into global value chains if and when they connect with EU companies.

**Question 12:** Which instruments could the EU use to promote innovation, technology development and transfer, and to ensure learning opportunities and the adaptation of new technologies in developing countries, including clean and low-carbon ones?

The EU should support **business intermediary organisations**, such as Chambers of Commerce, to **deliver the following activities and services for individual enterprises** (not in a particular order of priority):

- ⇒ arranging trade fair visits and stands
- ⇒ B2B meetings and matchmaking sessions (e.g. joint ventures) between SMEs as well as between SMEs and larger companies, including Multinational Corporations (MNCs). Due to the establishment of value chains, local SMEs benefit when larger companies extend their business to the private sector in Europe.
- ⇒ enhancing vocational training programmes for entrepreneurs as well as mentoring programmes between successful and new entrepreneurs to facilitate knowledge sharing and exchange of best practices.
- ⇒ hosting international delegations
- ⇒ information on marketing, access to financing and new markets, supply chains, international certifications, logistics, etc.
- ⇒ managing International Volunteer programmes in Enterprises<sup>1</sup>
- ⇒ networking events for entrepreneurs
- ⇒ on-site visits with individual company visits
- ⇒ organising trade academies
- ⇒ providing administrative services such as business registry, conciliation/mediation and one-stop shop capacities
- ⇒ providing export guarantees and insurance
- ⇒ rolling out of capacity building products e.g. IFC's SME toolkit, Business Edge, etc.
- ⇒ supporting female entrepreneurship
- ⇒ the establishment of Cluster Collaboration Platforms to foster the development of clusters as well as innovation
- ⇒ training activities for employees to improve qualifications

EUROCHAMBRES stresses the importance for business intermediary organisations to transcend an event-oriented approach and to **deliver more individualised, tailored services in order to really achieve results, such as the market penetration and expansion of an enterprise**. Simple prospective and preparatory activities are often insufficient. Services need to be more specific and technical in order to guide SMEs in the long run and truly create value. These services can be delivered on a remunerative basis, even if these are delivered by a public body, as long as the private sector, including business intermediary organisations such as Chambers, are closely associated. The EU should not determine how bilateral chambers deliver their services.

In terms of **sectors**, the EU should ideally target private companies providing transportation, shipping, telecommunications, power and other critical infrastructure and services. The EU could also target sectors in which European companies have expertise to provide technology solutions in response to challenges in developing economies (e.g. clean technologies for climate change related challenges). The linkage between the

<sup>1</sup> The Volontariat International en Entreprises (V.I.E) created and managed by UBIFRANCE enables enterprises to provide to a young person under 28 a professional stage abroad for a period of 6 to 24 months.

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agriculture and manufacturing sectors should be considered. The EU should of course take into consideration which sectors can contribute to creating local employment.

Furthermore, the **EU should improve access to low-cost financing**. Despite the important role of SMEs in the economy, their growth is often constrained by the lack of capital. Their small size and lack of credit ratings deny their access to bond and equity financing. Banks are also reluctant to lend to SMEs or charge them a high interest rate, since SMEs usually do not have strong credit history and cannot provide substantial collateral. The EU should therefore put in place financial provisions in support of SMEs or coordinate better with financial institutions

Last but not least, the EU should also consider the possibility to launch **targeted Calls for Proposals** for the promotion of North-South partnerships in the private sector and of Public Private Partnerships. Targeted Calls for Proposals (CfP) for the private sector may increase business opportunities with the developing countries and help to establish sound business partnerships. These CfP should set clearly defined objectives (i.e. job creation, quality improvement, managerial know how transfer) meeting the needs of private actors.

**Question 14:** *Do see added value in better linking and coordinating SME support services by EU Member States in partner countries under a common national EU SME support platform or forum?*

Yes, the EU should not duplicate but complement and coordinate existing support services under a common umbrella or platform. Any support initiatives should function as a clearing house passing on information and enquiries to bilateral service providers. Moreover, they channel and reinforce the existing support structures of the EU member states by giving them additional visibility, by pooling resources or even by co-funding or reimbursing part of their activities.

**Issue 9: The role of the private sector in the transformation towards a green economy:** *The private sector is a key actor in realising the potential of an economic development that generates growth, creates decent jobs, helps reduce poverty and achieves development within planetary boundaries. This requires framework conditions that give a value to natural capital besides the account for physical and human capital. Given that most of the poor directly depend on ecosystems for their livelihoods and food security, the conservation or rebuilding of natural capital (e.g. through measure to address land and soil degradation, protection of water resources) is vital also to achieving poverty eradication.*

EUROCHAMBRES agrees completely and stresses that:

- ⇒ Private sector support can be a crucial vehicle in the economic transformation and especially in the transformation towards a green economy.
- ⇒ International co-operation between European recycling companies and SMEs in developing regions could, for instance, contribute to achieving a better supply of secondary raw materials for Europe and the global economy as well as better protection of health and environment conditions and a fair share of the value added chain in developing countries.

**Question 28:** *How can private sector investment in green industries and innovation be promoted in developing countries (e.g. sustainable, low-carbon agriculture, renewable energy, clean technologies for cooking and burning fuels, recycling, eco-services etc.)?*

**Question 29:** *What does it take to achieve "leap-frogging" of developing countries to a green economy (i.e. economic development without repeating the "grow first, clean up later" path)? In particular how can the EU support private sector engagement that avoids investments in production and consumption practices based on outdated, in-efficient and polluting practices and technologies that will "lock-in" development path in unsustainability for many years to come?*

In the transition towards a green economy, EU cleantech companies need to be supported in tapping into the opportunities in developing markets. This presents a win-win situation in which growth, employment and sustainability targets can be met.

As a case study of how development, economic and sustainability goals can be linked, the EBTC's general objective is to assist the business, science & research community - in Europe and India - to work together towards generating new business opportunities in **clean technology transfer** & establishing business relevant cooperation in the field of research, science and technology. EBTC is working hand in hand with European Chambers and other networks of partners and initiatives - both in Europe and India - in order to identify synergies and create a real European added value. EBTC provides services and knowledge of the Indian market, reaches out to the European business and research community and undertakes efforts to enrich the bilateral policy dialogues by involving the private sectors of the EU and India.

The Commission should also consider the private initiatives from large companies to promote a green economy as a spin off for European SMEs to enter new markets in developing countries.

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## 5. Coherence, complementarity & coordination

### (A) Coherence

In today's globalised market involving multiple large players, it is clear that joint efforts at EU level can add value to activities from individual member states. Not only the Lisbon Treaty and the Small Business Act but also the 2011 Communication on 'Increasing the impact of EU Development Policy: an Agenda for Change' provide for an appropriate policy framework to do so. In the wake of the Commission's Global Europe and the EU 2020 strategy, it is evident that there is a strong need for a clear, articulated but single global vision with regard to the internationalisation of European businesses.

On that basis, EUROCHAMBRES welcomes the Commission "Issue Paper" and encourages DEVCO to frame it under a new "European Economic Diplomacy" striving for coherence with other initiatives taken in DEVCO, DG Enterprise & Industry and DG Trade.

EUROCHAMBRES pleads for the development of a robust European Economic Diplomacy, composed of 4 elements:

- 1) *Advocacy*: stronger promotion for a conducive business and regularity environment in developing countries;
- 2) *Services*: support to business intermediary organisations in developing countries which can deliver services and activities to local and European companies;
- 3) *Instruments*: available instruments and programmes at EU level (blending mechanisms, grants, development programmes and trust funds) destined to support economic growth in developing countries.
- 4) *Visibility*: better promotion of the overall European expertise outside Europe.

Today's situation on the ground reflects a lack of leadership and coherence within the EU services, instruments and institutions, resulting in confusion and inefficiency: EU centres are developed or discussed following different concepts, EU Chambers are being established in different – sometimes conflicting – formats, new initiatives are developed without a global vision.

### (B) Complementarity

European efforts can only be successful and sustainable if a number of governance principles are respected:

- a) Complementarity and Synergy with existing initiatives and capacities
- b) Focus on European added value
- c) Implemented through a public private partnership

### (I) Complementarity and synergy

It is of prime importance that the support provided by the EU to SMEs is **complementary to what already exists** in the target market but also in their home base. Duplication of already existing activities and market structures would lead to a situation of competition and in some cases even unfair competition, which cannot be in the interest of any EU funded programme.

More than just complementing, successful EU initiatives will be those that can build on the capacity of existing service providers, thus creating **synergies** and developing a **shared ownership** between member states and the EU. The EU support activity would benefit from their expertise which has been developed, in some cases over decades.

## **(II) European added value**

EUROCHAMBRES strongly believes that EU support to SMEs in developing countries can be beneficial. The “**criteria**” for determining the “European value added” can be different:

- Bringing in the European dimension to activities can ensure a higher level of visibility, and help to profile the EU with a common quality label.
- Activities may also be developed at European level for reasons of confidentiality (on market access issues for example)
- A European approach can also be justified by the level of specialisation, such as in a specific niche in the market to fill a gap that was not yet filled by other service providers.
- Initiatives may be linked to relevant EU policies, etc.

Reference should also be made to the specific needs of certain member states which do not have important national support systems, and where a common EU effort can prove to be more cost-effective. In order to do so, it will be important to map and analyse the existing support structures and the needs of these countries in detail.

## **(II) Public Private Partnership**

EUROCHAMBRES strongly believes that the strategy of EU support to private sector development, needs to be developed through a public-private partnership. This means the full involvement of private sector representatives, both in the target markets and at home, on the basis of **shared ownership** and **shared responsibility**.

Relevant stakeholders should include the EU and the bilateral European Chambers of Commerce and Industry in the countries concerned, but also their counterparts inside Europe. The combined capacity of these networks, already in itself, offers tremendous opportunities to develop a common European strategy and furthermore guarantees the sustainability of any local initiatives in developing countries.

## **(C) Coordination**

Today, there is no leadership, no structured coordination and hence no single strategy for developing this European economic diplomacy. Some practical examples illustrate this point:

- DG Enterprise launched the creation of Enterprise Europe Network contact points in China, while EUD/DG DEVCO financed the creation of an EU SME Centre in Beijing and the EBTC in India;
- FPI launched a Gateway to ASEAN project, while EUD/DEVCO launched a series of support initiatives for EU SMEs towards these same ASEAN countries;
- Under the new financial perspective, both COSME (DG Enterprise) and the Partnership Initiative (EEAS/FPI) will develop initiatives to support European economic interests in third countries, without any clear division of tasks;
- Missions for Growth are launched by DG Enterprise without any apparent coordination with other DGs (except the Task Force initiatives in Egypt and Myanmar).

Any new initiatives would do well to not add to the complexity in the cacophony of existing programmes and projects but to take the existing initiatives fully into account, build upon the best practices and lessons learnt and streamline practices. Without proper coordination, the mushrooming of new instruments risks complicating and restraining the access and involvement of European companies, to the detriment of local companies in developing countries.

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## **6. Conclusions & Recommendations**

A dynamic private sector can lead to sustainable and inclusive growth, income generation, job creation and trade facilitation. A core prerequisite for achieving these objectives is the establishment of a **business and investment-friendly environment** as well as a **strong and competitive private sector** in which SMEs can thrive.

**SMEs play an important role in creating employment and boosting growth in developing countries.** Their entrepreneurship, flexibility and responsiveness to change are essential driving force of economic and social development. They generate employment opportunities that improve the livelihood of millions of poor people in the developing world. They are also sources of innovation and technology transfer.

EUROCHAMBRES therefore recommends the European Commission to focus the upcoming Communication on the further **strengthening of business intermediary organisations** in third countries, which can support SMEs and represent their common interests towards local governments. **Business intermediary organisations channel private sector engagement for development and deliver concrete private sector development support to SMEs.**

EUROCHAMBRES invites the Commission to reflect on the value of **supporting or enhancing initiatives** such as EU support programmes, EU Business Centres, EU Business networks and European Chambers abroad.

In order to strengthen the role of the private sector, EUROCHAMBRES recommends the Commission to not only take into account business support initiatives but also the need for **supporting a more enabling (regulatory, trade and legal) framework** in which companies can thrive.

Any new initiatives need to be integrated into a coherent policy and budgetary framework. An enhanced **European economic diplomacy** can contribute significantly to strengthening the competitive position of European SMEs as well as SMEs in third countries. For these efforts to be effective and sustainable, they need to be coherent and in line with business interests as well as already existing European initiatives. If the initiatives are not coordinated and their “EU label” is hard to recognise, the task of increasing awareness on these different opportunities and measures, which Chambers are undertaking towards the SMEs in their networks, will be challenging.

Therefore, EUROCHAMBRES recommends the EU to strive for increased **complementarity, synergy and communication as well as a closer partnership** with the European private sector. The European Commission should support the private sector to develop an **SME internationalisation coordination platform** as a toolkit for Chambers as well as other business intermediary organisations that is connecting different actors, offering an overview of existing support initiatives and providing up-to-date and detailed information for final beneficiaries on challenges and opportunities in developing economies.

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