



## Economic Development and Employment

# Private sector development

### The challenge

A dynamic private sector is essential for self-sustaining economic development. Productive companies generate employment and income, while the taxes they pay provide the foundation for a functioning public sector. They contribute to overcoming social and environmental challenges in areas relevant to development policy.

Yet companies are frequently unable to fulfil their role in society and the national economy adequately. Unfavourable business environments stand in the way of business start-ups, investment and growth. Entrepreneurial skills are often lacking, and promotional measures run by the state or by chambers and associations frequently take insufficient account of the diverse business community needs.

### Our approach

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH supports state and non-state partners in developing the private sector sustainably. We pursue a systemic, structure-building approach with the aim of promoting ecologically and socially sustainable economic activity. Our context-specific services combine interventions to strengthen companies and supporting institutions with policy advice and measures to boost networking among the relevant players.

The target group is micro, small and medium-sized enterprises (MSMEs) in the formal and informal sectors. We also support cooperation with large multinational companies if we believe positive, broad-impact effects are attainable.

### Our services

We offer context-specific services based on our long experience in the field. Thereby, we include approaches and instruments that have proved to underpin the effectiveness of

Germany's private sector, especially the German "Mittelstand".

GIZ's service portfolio in private sector development comprises three main areas:

#### (1) Legal, administrative and regulatory frameworks:

To create an environment conducive to investment, trade and growth, GIZ supports state actors in cooperating with the private sector to analyse opportunities and obstacles, prioritise reform needs and improve legislation, regulations and administrative procedures for companies. The main focus is on reducing regulatory and administrative constraints. We not only assist in increasing capacity of governmental authorities for analysis, implementation and monitoring, we also contribute to improving policymaking processes, for example by setting up dialogue mechanisms.

The private sector operates in national and global settings shaped by reciprocity but also conflicts of interest with the principles of sustainable development. In the context of regulatory reform, GIZ therefore places great value on regulations that also extend to social and environmental values and norms.

Alongside reforms at national level, GIZ supports regional and local actors in improving the conditions for business activity and investment in their area.

#### (2) Establishing and strengthening enterprises and support structures for MSME promotion:

To ensure its advice and support are appropriate, GIZ distinguishes between companies whose purpose is to secure the financial and social foundation of their operators, and growth-oriented companies that must stand up to competition.

We support companies throughout their entire life cycle. This includes promoting business start-ups, strengthening entrepreneurial skills and improving access to finance. We



support companies in utilising sustainability as an opportunity for innovation and growth. Women are key agents for development, so we pay particular attention to the economic empowerment of women by strengthening the position of female entrepreneurs and employees.

In order to stabilise companies within their economic sectors, we support their integration and enhance their standing in local, regional and international value chains. We also promote cooperation between enterprises in our partner countries and private sector companies, including the German private sector. Promoting inclusive business models is of particular importance for us.

**(3) Innovation and technology development:** Germany's system and policies for encouraging innovation are highly respected internationally and seen as a model by many countries. From this starting point, GIZ offers a three-level, systemic approach:

1. Strengthening innovative entrepreneurship;
2. Strengthening cooperation between companies and education and research institutions for the dissemination of innovative knowledge, including technology transfers, spin-offs, innovation clusters and networks;
3. Designing a conducive environment for innovation, for example in the field of infrastructures geared to quality, information and communications technologies, financial services and other support mechanisms.

## The benefits

GIZ contributes to secure livelihoods and economic growth. This creates a foundation for employment and inclusive, environmentally sustainable growth. To encounter the growing number of fragile, conflict-ridden countries, we provide context-specific measures that contribute to peace and stability. GIZ also supports the measures funded by the EU for private sector development in and outside Europe.

## An example from the field

On behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), GIZ has been implementing a programme promoting the MSME sector in cooperation with India's Ministry of Micro, Small & Medium Enterprises and the Small Industries Development Bank of India (SIDBI) since 2010. By 2025, India aims to create at least 180 million new jobs. Most of them need to be created in the country's approximately 26 million MSMEs despite unfavourable framework conditions.

GIZ has supported the Centre of Excellence for Sustainable Development to offer country-wide services to identify and strengthen inclusive businesses. This has improved businesses' capacity for innovation and enabled Indian social enterprises to improve their business models.

In conjunction with three banks, financial products have been developed specifically for growth-oriented SMEs. One product is geared to improving companies' energy efficiency. It was made available via 15,000 bank branches and has a potential user base of over half a million SMEs.

A national online portal provides access to around 20 different promotional programmes for MSMEs and simplifies the application process.

To institutionalise exchange between Indian and German companies and economic development institutions, an Indo-German forum focusing on medium-sized companies was held for the first time in mid-2013, organised by GIZ together with the German Chamber of Commerce Abroad and Indian partners.

## Contact

Ralf Barthelmes  
E [ralf.barthelmes@giz.de](mailto:ralf.barthelmes@giz.de)  
T +49 228 -24934 -171  
I [www.giz.de/privatwirtschaft](http://www.giz.de/privatwirtschaft)

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Dag-Hammarskjöld-Weg 1-5  
65760 Eschborn,  
Germany  
T +49 61 96 79 -0  
F +49 61 96 79-11 15  
E [info@giz.de](mailto:info@giz.de)  
I [www.giz.de](http://www.giz.de)