

Civil society voices for **BetterAid**

Statement by civil society organisations on: Private sector and development

November 2011

This statement has been endorsed by the BetterAid Coordinating Group.

BetterAid unites over 1700 development organizations from civil society worldwide, and has been working on development cooperation and challenging the aid effectiveness agenda since January 2007. BetterAid is leading many of the civil society activities including in-country consultations, studies and monitoring, in the lead up to the Fourth High Level Forum on Aid Effectiveness (HLF4) in Busan in November/December 2011. www.betteraid.org

The discussion on the private sector engagement in and for development is by itself very complex given the multitude of actors and interest that are at stake. The current interest in private sector engagement recognises the potential contribution of the private sector but should be part of a much larger approach that addresses development effectiveness¹ as the overall objective for our development efforts.

Private sector: a multi-actor reality

Human rights-based development is primarily a collective (state) responsibility, although the private sector can also play a relevant role in development. The private sector should be defined as the whole group of for-profit economic actors, including international and transnational business, state enterprises, domestic enterprises, small and medium enterprises and, in many areas relevant for development, the micro enterprises. Trade unions represent workers in private sector companies, and in that sense are part of the private sector. A related sector is the social economy, made up of entities such as cooperatives which have often made a crucial contribution to development. Given that broad scope of the private sector, the impact and potential for development is extremely diverse and so is the role aid can play in this respect.

Considering private sector actors in development, we should not isolate the business actors from all the other actors that contribute to the potentially positive impact of the sector in development : the public sector as an actor in its own right, as partner of the private sector and as promoter of the enabling environment; the trade unions, representing the work force as an essential partner in any sustainable development strategy and the other actors in civil society (advocacy CSO, academic institutions and foundations, local governments, ...)

Any policy approach to the private sector therefore needs to be based on a multi-actor approach (based essentially on social dialogue and tripartism bringing together the core group of social actors) and be addressing development from a policy coherence angle (“whole of governance” in development).

¹ Towards a Comprehensive Paradigm for Decent Work and Development Effectiveness; TUDCN 2011. “Development effectiveness is defined by trade unions as the generation of positive social outcomes in terms of decent work, social protection, social dialogue, respect for human and trade union rights, gender equality, environmental sustainability, and the enjoyment of decent livelihoods and well-being by all.”

Principles for development effectiveness for the private sector engagement

- The private sector should, as do other development actors, adhere to the **development effectiveness principles and agenda**, including the agreed commitments in Paris and Accra relevant to the sector and the internationally agreed standards and norms on human rights, gender equality, labour rights and decent work, disability and environmental sustainability.
- **Policy coherence** is essential for economic growth to be successful in contributing to development: social, employment, economic, trade, financial and environmental policies have to go together.
- **Country ownership** should be supported and promoted by respecting and using country systems by default (including local public procurement).
- **Democratic and inclusive ownership** of development should be supported and commitments made to promote social integration by fostering societies that are stable, safe and just and which are based on the promotion and protection of all human rights and on non-discrimination, tolerance, respect for diversity, equality of opportunity, security and participation of all people including the disadvantaged and vulnerable groups and persons².
- The private sector must promote and adhere to clean business practice, **transparency and accountability** in development co-operation.

Messages concerning engagement with the private sector in development

1. Social dialogue is essential to ensure broad based ownership of the economic and social development objectives and strategies, to monitor the implementation of the rights based approach, including the respect of core labour standards and the promotion of gender and social equity as well as green” jobs. Through social dialogue the actors of the private sector contribute to effective conflict management and social peace. Social partners (representative workers’ and employers organisations) should be recognised as actors in development.
2. We should recognise and take into consideration the diversity of private sector actors and their specific potential real contributions to sustainable development, in terms of fostering economic growth, job creation, improved living wages and transfer of technologies. That demands in the first place that priority be given in terms of donor support, to the local private sector and the actors of the social economy. The use of ODA and others sources of funding to attract foreign private investment should therefore not be prioritised and in any case should respond to direct and transparent mechanism for supporting local private sector actors.
3. Private sector activities contributing to economic growth and sustainable development should combine economic opportunities with tackling inequalities and promote job-rich growth. Actors from the private sector should respect and apply the ILO principles and Labour Standards as included in the ILO Conventions and monitored by the ILO supervisory system. The private sector, and in particular the transnational companies should observe the UN Guiding Principles for Implementation of the Business and Human Rights Framework (Protect, Respect and Remedy), the ILO Tripartite declaration on Multinational Enterprises and Social Policy and the OECD Guidelines for Multinational Enterprises, and learn lessons from IFC (WB)-ILO cooperation on promoting core labour standards

²²² The Copenhagen Consensus: a summary of principles comments of the World Summit for Social Development Copenhagen 1995 Commitment 4.

throughout the production chain. Business should align their operations and strategies with the 10 universally accepted principles included in the UN Global Compact.

4. Transparency and accountability should be at the heart of private sector engagement and need specific approaches, as regulation of the economic activity is indispensable to address adjustment problems and distributional concerns. Governments must be responsible for holding private sector development interventions accountable. In this respect we recall the need for companies to report on their financial affairs, including tax, on a country-by country basis. We also recall the need for smart procurement for development³. Measures as proposed by many players in order to combat corruption, bribery, illicit capital flows and tax-evasion, should be made more stringent and compulsory throughout the sectors. Tax havens should be banned and financial speculations brought under control. The UN Convention against Corruption and the OECD Anti-Bribery Convention should be applied.
5. An integrated approach on an enabling environment for sustainable enterprises should be developed. In contrast to narrowly defined, traditional perspectives which depict enterprises in terms of linear input–output relationships centred solely on maximizing short-term economic value, an integrated approach to sustainable enterprise development takes a more holistic and long-term view. As defined in the 2007 *ILO resolution on Promoting sustainable enterprises*⁴, supporting the enabling environment for sustainable enterprises requires combined inputs from many private sector players, including the social partners themselves but the support of donors and multilateral technical assistance where appropriate.
6. Private-Public Partnerships (PPP) should be based on a thorough analysis of real needs, appropriateness on the longer term, fair risk sharing, accessibility and affordability of the services and goods produced. They should genuinely respect a multistakeholder approach and fostering development results.
7. Cooperatives and social economy initiatives should be encouraged respecting the cooperative values and principles and measures should be adopted to promote the potential of cooperatives as non-profit sector of the economy and key actor for sustainable development models⁵.

8. Private sector and private foundations

The role of private foundations in development is welcomed by the international community as a forceful complementary source of development finance. The foundations, when acting as private charity, should adhere, as all other actors, to the principles and commitments of Paris and Accra including the international agreements on Human Rights, gender equality, decent work and social rights, environmental sustainability and disability. Like the CSO organisations with the Istanbul Principles for CSO Effectiveness, the private foundations, as a group of specific actors in their own right, should abide by the process of effectiveness and accountability.

³ See Eurodad 2011: “How to spend it. Smart procurement for more effective aid”

⁴ ILO Resolution Concerning the promotion of sustainable enterprises, 96th session of the ILC, 2007

⁵ ILO Recommendation 193 “Promotion of Cooperatives” 90th session of the ILC, 2002