

THE ROLE OF THE BUSINESS SECTOR IN DEVELOPMENT: A PRINCIPLED APPROACH

THIS PAPER HAS BEEN PREPARED BY GCAP ITALY FOR THE INFORMAL MEETING OF THE EU DEVELOPMENT MINISTERS ORGANIZED BY THE ITALIAN PRESIDENCY OF THE COUNCIL OF THE EUROPEAN UNION, FLORENCE 14/15 JULY 2014.

The Italian Coalition for the fight against poverty (the national chapter of GCAP – the Global Call Against Poverty) welcomes the opportunity for CSOs and other constituencies to meet the EU development ministers in an outreach session back-to-back the informal meeting that takes place in Florence on 14/15 July under the EU Italian Presidency.

At this particular time when the development landscape is changing, we acknowledge the importance of an open dialogue that looks into the role that the private sector as a development actor, which is one of the critical areas in the current debate on the post 2015 development agenda as well as on the future of development cooperation and on new global partnership for development. We look forward to the discussion in Florence to share our views and to understand the next steps that the EU will take with regard to this critical agenda in the light of the most recent Communication¹ and EU Council Conclusions².

The role of the private for-profit sector is a centre piece of the ongoing debate on the best strategies to implement the Internationally Agreed Development Goals, which has attracted diverse opinions from different constituencies. We believe there is now the opportunity to frame the discussion around the globally agreed principles for effective development³, which all actors willing to play a role in development arena are required to implement. The Busan declaration⁴ makes provisions for the wide formula “shared principles, common goals and differentiated commitments”, which offers all development actors ample opportunities to stay true to the effectiveness principles: ownership, results, inclusivity and accountability.

We plead the international community and the EU leaders in particular to take a differentiated approach that clearly reflect the diversity in the private for profit sector. It is then critical to acknowledge that the for-profit sector may play different roles, from implementation to financing (e.g. through blending). Also, support for private sector in Partner Countries will require other frameworks than those that will eventually apply to companies from donor countries.

On the most recent EU positions on the private sector, we would like to echo Concord’s reaction⁵ to the Conclusions adopted on June 23⁶. It is encouraging that Ministers endorsed the clear message that “*that EU and Member States’ support for private sector development should be based on the Busan principles for effective development cooperation*”. In fact, the Busan Partnership compels all development actors to operationalize four key principles: national ownership of development process, focus on results, inclusive development and transparency & mutual accountability. Notably, at the first High Level Meeting of the Global Partnership for Effective Development Cooperation (Mexico City, April 2014)⁷, the global community also agreed that *public policies* and *national priorities* should be properly factored in when shaping public private partnerships and scaling up financing for development. As the private sector is actively involved in the Global

¹ EC Communication “A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries” – May 13th, 2014

² EC Council Conclusions, June 23rd, 2014

³ Busan Partnership for Effective Development Cooperation, Dec 2011.

⁴ Ibid

⁵ Concord’s reaction to the EC Conclusions of June 23rd, 2014: <http://bit.ly/CONCORDreaction>

⁶ Ibid

⁷ Conclusions of the first HLM of the GPEDC, Mexico City – 15/16 April - <http://effectivecooperation.org/hlm2014/>



Partnership for the Effective Development Cooperation, we rely on a full support for the Busan principles on its part as well and we trust the EU will stay vigilant in this regard.

The EU general support for the Busan principles is then complemented by the statement that the support for the private sector *“should also be in line with a rights-based approach to development cooperation, encompassing all human rights, and should also be in line with internationally recognised guidelines and principles including, inter alia, the UN Guiding Principles on Business and Human Rights, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises as well as with the UN Global Compact”*. Also, the EU is the process of adopting a Results Framework⁸ with the intention of enhancing its capacity to monitor and report back on its global efforts to achieve the development goals. It is then critical to make sure that such a framework will also be applied to development projects with the private sector

We believe that a EU on the role of the private sector in development should factor in the determination of the discussion on the global post 2015 agenda, which has also been the subject of a most recent Communication, which follows up to a previous one on the same matter⁹, *“A Decent life for All”* of February 2013. In this regard, we really appreciate the profile given to the issue of accountability. We agree with the statement that the new post 2015 framework should *“include actions which significantly increase the ability of people to participate in policy choices that affect them and to hold governments and other actors accountable for progress”*; we strongly support that a new global mechanism should be *“endorsed and supported at the highest political level to ensure that national governments and other actors, including the private sector, are held accountable for the implementation of the framework,...”*

We look forward to a fruitful multi-stakeholder dialogue to shape the donors’ policies, and EU’s in particular, for the private sector in the most effective way. This dialogue should adopt the post-2015 development agenda comprehensive approach based on human rights, which focuses on the inter-linkages between the three sustainable development dimensions and requires a coherence among diverse policies. Market cannot stand alone and separated by social and environmental issues; in this regard, cooperation policies with private for profit sector must be defined in strict coherence with trade, investment and financial EU policies aimed at achieving a human sustainable development. The next few months are crowded with key moments at global and regional level that offer the opportunity to take the private sector agenda forward on the right track.

Thus, in view of the discussion at the informal meeting of development ministers on July 15th, we would like to reiterate the call from the European CSOs¹⁰ that:

- support to and cooperation with private sector must contribute to fighting poverty and inequalities, promoting human rights, sustainable development and economic justice. Economic growth and job creation alone is not enough
- local actors and markets in partner countries must be prioritized
- PPPs are not a solution to be applied across all development contexts, especially in the case the governance of the global commons
- blending grants and loans must still prove its financial and development additionally; priorities pursued through aid should be kept in line with shared development goals rather than being diverted to other ends
- accountability is crucial: multi-stakeholder approaches and mechanisms should be established to pre-assess, monitor and evaluate private sector initiatives in a transparent way and that intended local communities are centrally involved in these processes; it is a priority to establish the conditions for an equitable and balanced relation between local communities and local/global private sectors actors
- cooperation with the for-profit private sector must be coherent with frameworks to ensure that trade, investment and financial policies are consistent with sustainable development goals.

⁸ EC Conclusions on Result Framework May 19th, 2014 - http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/142687.pdf

⁹ EC Communication on post 2015 “A decent Life for all: from vision to collective action” June 2nd, 2014

¹⁰ CONCORD reaction to the EC Communication on Private Sector - <http://bit.ly/CONCORDreaction2>

