



## Criteria on Private Sector investment in development programs

### Trade Unions key asks

#### Background

Private sector is called to have an increasing role in the development cooperation, notably through private-public blended finance. However, the impact of private sector on actual development is still an assumption. There are several forms under which the engagement with private sector is undertaken. This makes it even more challenging to assess development results. Therefore, it is necessary to create a clearer nexus between allocation of resources and impact of actions for which donors and development finance institutions hold responsibilities. These are not well defined yet, and the below matrix reflects the key priorities put forward by trade unions.

#### Definition

The matrix is a set of universal criteria for the use of donors and development finance institutions to engage, design and evaluate the results of their development interventions.

“Criteria” refers to international development effectiveness principles (country ownership, inclusive partnerships, transparency and accountability, focus on results).

“Eligibility” applies to the private entity that should comply with specific standards.

“Appraisal” refers to the modality project proposals should be screened upon.

“Results” measures progress according to the three dimensions of sustainable development - economic, social and environmental - as enshrined in SDGs.

The fields in the column (trade unions engagement, business conduct, social dialogue, disclosure & transparency, risk distribution and SDGs) reflect the key areas in which specific criteria should be applied.

#### Scope

The matrix is addressed to donor governments and DFIs. It is extensively applicable to private sector when making use of development resources in order for them to be consistent with the international development effectiveness principles and contribute to the SDGs.



<b>Fields</b>	<b>Eligibility criteria (on private sector entity)</b>	<b>Appraisal criteria (on project proposal)</b>	<b>Results assessment criteria (on project implementation)</b>
<b>Trade Unions Engagement</b>	<b>Trade Unions are involved at every stage (planning, implementation and evaluation)</b>		
<b>Business conduct</b>	1. Adherence to Development Effectiveness Principles and 2. Explicit adherence to key responsible business conduct instruments, including: <ul style="list-style-type: none"> <li>a) UN guiding Principles on Business and human Rights</li> <li>b) ILO Declaration of Principles concerning Multinational Enterprises and Social Policy</li> <li>c) OECD Guidelines for Multinational Enterprises</li> <li>d) OECD Due Diligence Guidance</li> </ul>	Risk analysis on social, economic and environmental levels, highlighting risks identification, mitigation and avoidance, including grievance mechanisms in place (due diligence procedure)	1. Development effectiveness principles implementation 2. Complaints received and remedies addressed
<b>Social Dialogue</b>	1. Proven records on industrial relations, especially on: <ul style="list-style-type: none"> <li>a) Respect of freedom of association, collective bargaining and trade unions rights</li> <li>b) Collective bargaining agreements, protocols and MOUs</li> <li>c) Compliance with international and national law</li> </ul> 2. Proven records on negotiation of a Global Framework Agreement (GFA) <sup>1</sup> signed by duly mandated trade union sector federations and multinational companies. The GFA includes ILO standards. 3. Existence of an international works council <sup>2</sup>	1. The action promotes: <ul style="list-style-type: none"> <li>a) Respect of freedom of association, collective bargaining and trade unions rights</li> <li>b) Compliance with national and international law</li> <li>c) Social dialogue at local/country level accompanying the implementation of the action</li> </ul> 2. the implementation of the action includes the role of Global Framework Agreement (GFA) <sup>3</sup> parties, and/or international works council	1. Improvement of industrial relations: (i.e. increased coverage of collective agreements) 2. Social Dialogue structures set up and in function and main activities reported 3. Report on the activities of GFA and/or international works council

<sup>1</sup> Preferential Criteria for Multinational Companies

<sup>2</sup> Preferential criteria for Multinational companies

<sup>3</sup> Preferential Criteria for Multinational Companies

<p><b>Transparency and Disclosure</b></p>	<p>1. Policy on disclosure on social, economic and environmental impact, especially on:</p> <ul style="list-style-type: none"> <li>a) Corporate structure (i.e. supply chain transparency, areas of sub-contracting)</li> <li>b) Workforce (i.e. type of contracts)</li> </ul> <p>2. Policy on disclosure on tax reporting on a country-by-country basis, including turnover, benefits, paid taxes</p>	<p>1. Data on project implementation, in particular:</p> <ul style="list-style-type: none"> <li>a) list of subsidiaries, suppliers and subcontractors</li> <li>b) mapping of the workforce (foreseen employment objectives)</li> </ul> <p>2. Foreseen tax revenue generated and their destination</p>	<p>1. Complaints received and remedies addressed on:</p> <ul style="list-style-type: none"> <li>a) Workforce claims on injuries, serious accidents and fatalities</li> <li>b) Discriminatory hiring, unpaid wages, unfair wages</li> </ul> <p>2. Income generated at country level in favour of the domestic country system, including taxes and social contributions</p>
<p><b>Risks Distribution</b></p>	<p>Financial solidity (i.e. records on outstanding or closed workforce claims)</p>	<p>1. Public Sector Comparator (why it is preferable over traditional public procurement)</p> <p>2. Fair redistribution of risks:</p> <ul style="list-style-type: none"> <li>a) Additionality check evidencing the value added of the action</li> <li>b) Transparency over sharing of risk and liability of profit/losses</li> </ul>	<p>1. Assessment of financial profits and losses of private and public entities involved in the action</p> <p>2. Infrastructure/services/goods are additional, accessible, and affordable for all and without discrimination</p>
<p><b>SDGs Engagement</b></p>	<p>Adherence to the Sustainable Development Goals (SDGs)</p>	<p>Project's foreseen contribution to quality of employment and sustainable enterprises through the interconnections of SDGs goals and targets</p>	<p>1. Quality and sustainability of jobs created (based on international labour standards), particularly on: freedom of association and collective bargaining; fair wages; social protection; occupational health and safety</p> <p>2. Contribution to the creation of local private sector entities and domestic capital (and their sustainability), especially: n. and type of local companies created; n. of contracts for purchases/procurement with local companies; respect of new companies for international labour and environmental standards; training and upskilling of local workers.</p>