



EU Commission offers a conservative and bias policy approach on the role of private sector in development in its latest Communication: “A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries” ([COM 2014, 263 final](#))

The Trade Union Development Cooperation Network (TUDCN), an initiative of the International Trade Union Confederation (ITUC), bringing together affiliated trade union organisations, solidarity support organisations, regional ITUC organisations, the Global Union Federations (GUFs), the European Trade Union Confederation (ETUC) and the Trade Union Advisory Committee to the OECD (TUAC) took note of the above mentioned Communication and presents the following response:

A semblance of consultation...

In November 2013, trade unions released a [position paper](#) in response to a preliminary “Road Map” prepared by the EC.

In February this year, trade unions contributed to an EC survey questionnaire. Trade Unions have also participated in a number of EC-led consultation meetings and produced a stand-alone [policy paper on the role of private sector in development](#).

If any, trade unions have taken the EC-led process on private sector for development very seriously.

Unfortunately, this consultation process is flawed and the EC consultation report provides evidence of that:

- Social Partners have not been considered as a category of actors in their own right (contrary to the international principles of consultation with social partners);
- unlike business associations, trade unions do not appear as a stand-alone actor (they are put in the same category of CSOs);
- There is no per equation amongst different contributions (individual and organisations), undermining representation.

A naïve and bias approach putting profit before development.

In its successive contributions, trade unions have reasserted that there is no assumption of an automatic cause-effect relationship between private sector development on the one hand and decent work creation and poverty alleviation on the other and, accordingly, have suggested a number of policy conditions:

- Recipient country ownership of development cooperation as a core principle of aid and development effectiveness;



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- A rights-based approach to development, including effective observance by multinational enterprises (MNEs) of UN Human Rights and ILO core labour standards as well as of key international instruments: the United Nations 'Protect, Respect and Remedy' Framework, the ILO Tripartite Declaration on MNEs and Social Policy, and the OECD Guidelines for MNEs;
- The role of social dialogue and social partners as essential foundation for inclusiveness;
- Fair and transparent risk-sharing arrangements for Public-Private Partnerships (PPPs) for financing infrastructure, and other forms of public support to private finance;
- Protect the right to public services in developing countries and assure that the private sector development agenda does not support a privatisation agenda;

Unfortunately however, the reading of the EC Communication suggests that much of the above developmental concerns are simply ignored.

Key messages of the Communication

The main outcomes of the Communication are:

- To herald the EC as a “facilitator” and as an advisor for business groups’ operations (p3);
- To set principles for using public moneys for private finance as listed in Box 1 “Criteria for supporting private sector actors” (p5); and
- To identify 12 “action points” to be delivered by the EC.

More specifically, our reading of the above action items suggests that the EC Communication priorities are as follows:

- More support for business groups’ capacities for networking and for lobbying developing countries in favour of business-friendly reforms and reducing the cost of business (action items 1 & 11);
- More public grants and subsidised loans to business groups, with a particular focus on SMEs, vocational training, women and youth entrepreneurship (2, 3, 7 & 9);
- More PPPs and government guarantees to private finance, including infrastructure, clean energy and “agri-business” (4, 5, 6, 7 & 8);
- Endorsement of the Busan “joint declaration” of 2011, signed by all major OECD-based business groups, opposed by NGOs and unions (12); and
- Promotion of a non-binding and optional approach to responsible business conduct and to MNEs’ compliance with human rights and core labour standards (10).

The proposed Action items significantly depart from the trade union policy issues outlined above. It is deeply discouraging that the EC would not want to recognise and take on board trade union views. It is also the trade union understanding that none of the NGO concerns, as expressed among others by Eurodad, have been taken into account. This calls into question the relevance of the many EC rounds of consultation for other stakeholders than business groups. It is in contrast with last years’ EU Communication “The roots of democracy and sustainable development”, which recognises the importance of sector/actor based dialogue schemes for policy processes: “For example, trade unions’ and employers’ organisations work is intrinsically linked to social dialogue...on policies affecting the labour market”.



Country Ownership ? Not on the international trade and business agenda.

A part from a reference in passing in the section 2.2.1 on “Creating a business environment” (p6), there is little that suggests that recipient country ownership would be of concern. Country ownership is not listed as a “criteria for supporting private sector actors” (p5). Quite to the contrary, the insistence on “harnessing the EU’s political weight” (p15) in support of private sector development could well pose serious risk for political interference in the recipient / partner countries internal affairs. Country ownership of development policy is a core principle of aid and development effectiveness, and surely is one much needed for democratic and inclusive ownership of development.

Rights-based approach to development: at best voluntary and not accountable.

The paper claims that the “Commission is moving towards a rights-based approach” and perhaps for a cause: it is not there yet and, considering how international rights are misinterpreted in the paper, the road might be long and tortious. Reference is made to a (ILO?) “Decent Work Agenda” in the introductory part (p2). The core part of the document however is largely silent on the need for effective observance of international standards and norms. Much to our disappointment, the EC continues to believe that respect for ILO and human rights standards is an option that falls under business groups’ “voluntary approaches”, and that respect for the rights of workers to benefit from a safe working environment and for their representatives and for local communities to be informed and consulted are to be subject to the “*bon vouloir*” of CEOs and MNE executive management. This is a truly hopeless perspective on responsible business conduct that is proposed by the EC¹.

The role of social dialogue and social partners sacrificed on the altar of global business

Social dialogue and the need for a balanced approach to social partners (trade unions and employer groups) are mentioned once in the paper, where they are treated as optional under business voluntary and self-defined approaches to responsible business conduct. By opposition, much emphasis is put on the need for the EC to directly support business groups (“Provision of support for (...) strengthening of business intermediary and support organisations” p6) and, importantly, to provide direct support to their lobbying activities (“engagement of the private sector in action-oriented public-private dialogue at the level of policy formulation” p6).

PPPs and other forms of “blending” public moneys into private hands

Five out of the 12 action items of the Communication are directly or indirectly related to increasing the EC financial support to PPPs and other forms of “blending” of public and private moneys. As with

¹ Incidentally the EC seems to misinterpret the use of the OECD Guidelines for MNEs where it reads “The Commission encourages companies to *adhere* to internationally recognised guidelines and principles, including (...) the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises”. The OECD Guidelines constitute an inter-governmental agreement (including all EU27 member states, except Malta & Bulgaria) that *applies to all MNEs* headquartered in signatory countries. Accordingly there is no point in promoting “adherence” by companies (if indeed the meaning of “adherence” is equivalent to a commitment to observe), since the MNE Guidelines apply irrespectively of the views or opinion of the executive management of companies.



previous EC papers, the text falls short of a balanced approach to PPPs, weighting the cost and benefits – and as opposed to traditional public procurement and public services. PPPs have proven to be a flawed model that leads to over-priced public services, and there is much evidence to corroborate this, not least within the EU-27.

The developmental role of the state and public services “forgotten”

There is nothing in the Communication that would suggest the need to sustain and reinforce the developmental role of the state and of public administration and services in developing countries. Accordingly the proposal may well be read as an ideologically oriented call for reducing the role of government and for privatisation of public services and administration in sectors such as transport and housing (p7), healthcare and nutrition (p10), water and sanitation, waste management and education (p13).

Private sector approach is alienated from and contradicting the Agenda for Change and mainstream EU development policy orientations.

The focus of the Roadmap neglects almost entirely the social dimension of sustainable development omits any reference to the role of social partners in sharp contrast with the policy orientations contained in the EU “Agenda for Change”, stating that: “the promotion of decent work covering job creation, guarantee of rights at work, social protection and social dialogue is vital”.

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