

Trade union response to the EC Roadmap on the ‘Communication on “Strengthening the Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries”

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 from Africa, Latin America, Asia Pacific and Europe , the Global Union Federations (sector unions: GUFs), the European Trade Union Confederation (ETUC) and the Trade Union Advisory Committee to the OECD (TUAC), took note of the above mentioned Roadmap and offers the following response:

1. We are concerned about the focus of the Roadmap which neglects almost entirely the **social dimension of sustainable development**. While the Roadmap rightly makes reference to global challenges such as youth unemployment, volatile commodity prices, migration and climate change, nothing in the objectives of the Roadmap (section B.1) would suggest that universal respect and enforcement of core labour standards is an equally important challenge to be met. The document 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”;
2. We express regret that **trade unions have been ignored as specific “stakeholders & experts”** to be consulted. This is again in contrast with the EU policy, namely with the 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”;
3. We insist that the EC adopt develop and implement a **rights-based approach to development, as prioritised and mainstreamed in the “Agenda for Change”**. In the specific case of private sector support, this entails identifying the implications and consequences on the rights of populations (rights-bearer) of the private sector activity;
4. We believe that the Roadmap falls short by solely referring to –voluntary- corporate social responsibility principles even in reference to “adherence to environmental, labour and human rights standards”. We demand that internationally agreed and binding **ILO standards and the Decent Work Agenda** are explicitly taken included as essential pillars in relation to any support to private sector development (PSD);
5. We believe there is no automatic cause-effect relationship between private sector development and **decent work creation**: particularly in the case of Multi National Enterprises (MNEs) operating in developing countries where the deficit of labour rights serves as a main driver for attracting private sector investment, as it implies lower labour costs for the enterprise. Moreover, with particular reference to enterprises operating in the **informal economy**, the priority is economic and labour formalization, particularly as far as

labour and fiscal regulations are concerned, not only to “simplify (...) the legal and regulatory environment for businesses”;

6. We emphasize in particular that full recognition of **social dialogue** and social partners (workers' and employers' organisations) is essential foundation for inclusiveness. Social dialogue helps to ensure broad based democratic ownership of economic and social development objectives, including respect for core labour standards and the promotion of social equity. Through social dialogue, employers and workers representatives contribute to shaping effective social and economic development strategies while providing effective means for conflict management and contributing to social peace. The social partners together should be recognised as development actors in their own right;
7. We call for **corporate accountability**. MNEs must be held to account for the activities and must promote and adhere to international transparency and accountability standards in development cooperation. More specifically, MNEs and their private sector partners should respect and apply the ILO principles and labour standards as elaborated in the ILO Conventions and as monitored by the ILO supervisory system. They should comply with all International Framework Agreements and implement the United Nations 'Protect, Respect and Remedy' Framework, the ILO Tripartite Declaration on MNEs and Social Policy, and the OECD Guidelines for MNEs;
8. We demand **corporate transparency**. A minimum condition of the private sector participation in development should be that it meets its fiscal obligations. Companies should report on their financial activities, including tax and procurement procedures, on a country-by-country basis. On one hand there is emerging focus on the importance of Domestic Resource Mobilization as a sustainable source of development finance. On the other hand OECD countries and the private sector continue to parrot the notion of a favourable business climate, like tax incentives. It is unacceptable to forego discussion with respect to tax havens, which we note are mostly based in OECD countries, and the widespread practice of fiscal evasion and avoidance, as well as capital flight and corruption. Tax evasion by multinational companies in developing countries (about EUR 125 billion/ year) represent more than ODA. The EC, which has adopted an Action plan fight against tax fraud and tax evasion in 2012 (COM (2012) 722 final), should ensure policy coherence on transparency issues. The international community and the EU as an essential partner in development should promote meaningful international control and legally binding rules to combat impunity and illegal international corporate behaviour;
9. We are equally concerned about the **uncritical stance on “blending” of public and private moneys**, through public grants to private businesses and “risk sharing agreements” such as Public-Private Partnership for financing infrastructure. The roadmap overlooks any possible risk associated with “blending” and in particular the possibility of situations where gains are privatised while losses socialized. Likewise, the potential that public finance becomes a new and obtuse instrument for tied aid and public subsidy to European businesses operating in developing countries;
10. The unwavering and blind support to **Public-Private Partnerships** in developing countries – as opposed to traditional public procurement and public services –for financing

infrastructure is irresponsible in our view. In practice, PPPs have proven to be a flawed model that leads to over-priced public services, and there is much evidence to corroborate this. In contrast to traditional public procurement, experience within Europe shows that PPPs have many hidden costs and are excessively complex contracts to handle;

11. Furthermore, we are concerned that the need to sustain and reinforce the **role of public administration and services in developing countries** appears nowhere in the Roadmap which accordingly may well be read as a politically oriented and indeed neoliberal call for reducing the role of government and for privatisation of public services and administration. Mobilising private sector investment for decent jobs and growth in developing countries should not substitute or threaten in any way the indispensable increase in publicly financed investments and in the promotion of public services in developing countries. In times of austerity-related ODA cuts, there is a risk that any increase in support for private sector development would end in depriving other essential traditional ODA sectors of their means;
12. **Country ownership** of development policy is a core principle of aid and development effectiveness. 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 by social integration and participation. Here again, the role of social partners and social dialogue are essential for ensuring ownership and effectiveness in elaborating and implementing the economic and social development strategies;
13. We are very worried by the Roadmaps support for the creation of “alliances for the implementation and replication of **inclusive business models**”. As we have seen in the past, this model actually favours privatisation processes of public services (such as education and health services) making no reference to international norms and conventions, not least human rights and core labour standards;
14. Rightly, the Roadmap makes reference to the **need of results measurement** on the impact of private sector development programmes. We also underline the fact that the private sector in development should demonstratively prove the economic, social and environmental impact and contribution to economic growth and wealth creation for those segments of society that are most affected by poverty. This remains underdeveloped and is not given its due emphasis in the Roadmap;
15. In general, the private sector, where it purports to be an actor in development and without question when supported by ODA, should fully adhere to **principles of development effectiveness** as included in the Busan Partnership Agreement. If the private sector, wishes to be a “partner” in development, it should live up to the effectiveness agenda as defined in Paris, Accra and Busan especially transparency, accountability and development impact evaluation;
16. We are worried about the references to the **“key role” of the private sector in “green economy” and for “green growth”**. The experience of natural resources management by corporations in developing countries, as well as, profit-driven corporate pressure during

Rio+20 negotiations and now in the current Climate Change COP19 in Warsaw, make us sceptical about private sector effective commitment with environmental sustainability;

17. Finally, we strongly suggest as part of the future EU thematic programme “**Global Public Goods and Global Challenges**” support for capacity development and capacity building of social partners in the interest of reinforcing national social dialogue structures.

Brussels 25/11/13



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