

## ANNEX TO CONCORD LETTER TO DEVELOPMENT MINISTERS' INFORMAL MEETING FLORENCE, 14-15 JULY 2014

### 1. The post-2015 sustainable development framework

As the Open Working Group enters the final phase of its work, the Beyond 2015-CONCORD European Task Force urges you to show leadership in this crucial stage of the negotiations to ensure that the key global challenges are addressed in a comprehensive and integrated manner. The post-2015 framework must be **based on human rights principles** and the progressive realization of everyone's rights as well as the **respect for the environment and planetary boundaries**. We urge you to press for a transformative framework that **puts the people and planet first** by promoting:

- **A universal post-2015 framework.** Universality implies that all countries have a responsibility to achieve all goals within their own countries as well as to contributing to progress beyond their borders. Universality can and should apply to all goals of the framework and not be limited, for example, to sustainable consumption and production. The EU should clarify how it proposes that differentiation for national contexts would be incorporated into the framework, as many EU Member States have been limiting the implication of the principle of **Common but Differentiated Responsibility (CbDR)** to the environmental issues in the negotiations within the Open Working Group. We recommend that the EU be clear in defining its own responsibility. In doing so, the EU will show the world that it is a committed and responsible partner in achieving sustainable development and poverty reduction everywhere.

- A post-2015 framework that adopts a **Human Rights Based Approach (HRBA)**, recognising that human rights are indivisible and universal and key to a transformative agenda which tackles the root causes of poverty and inequality. In order to ensure HRBA in practice, the EU needs to push for non-discrimination, people's participation at all levels, empowerment and accountability to ensure that no one is left behind. A HRBA underlines the fact that all people – no matter who they are - must benefit from the outcomes of the future framework. If we are to truly leave no one behind we must address the root-causes to persisting **inequalities** within and between countries and address those across the whole framework. Special attention must be given to improving the lives of those currently most excluded and marginalised.

- **Climate change and respect for planetary boundaries.** The EU should maintain the position it outlined in its May 2013 Council Conclusions, when it recognised that no sustainable development framework can be achieved if climate change and environmental degradation continue unabated. Strong, concrete and ambitious targets therefore need to be in place throughout the framework, consistent with UNFCCC and other multilateral environmental agreements.

- The need for **reform of current economic paradigms and of the financial and trade systems.** The EU must make a strong push for an economic model that operates in the interests of poor and marginalised people, reduces inequalities and poverty and prevents further environmental degradation. In this vein, the EU should recognise **the need to measure progress by alternative means rather than an exclusive focus on economic growth as measured by GDP**. One such measure that is gaining ground is based on the notion of well-being.

- The principle of **Policy Coherence for (Sustainable) Development (PCD)** with all partners. If the Post-2015 framework is to be successful, all actors - including governments, transnational businesses and other actors - must be called upon to put in place robust mechanisms to improve the respect and monitoring of all their policies to ensure that they are coherent with sustainable development objectives. PCD is particularly important as the global governance system lacks the basic capacity to handle and redress unfair policies which may undermine sustainable development.

- **Accountability** as a central part of the framework. Rigorous, independent mechanisms which clearly define the 'who, the 'for what' and the 'how' of accountability will be contribute to the success of the framework. The EU has an important role to play in pushing for the establishment of legitimate and adequate systems of responsibility, accountability and transparency.

Finally, we hope that the EU and its Member States remain committed to playing a full and active role in the work to define the post-2015 framework. That role should encompass working with all partners, including civil society, in establishing goals and targets for the framework.

## 2. The role of the Private sector

*Five key issues to be addressed to make the EC Communication on PS work for development and poverty eradication:*

### Introduction

CONCORD welcomes the conclusions of the Foreign Affairs Council on the role of private sector in development and acknowledges that they respond to many of the issues that civil society organizations working on development consider important. We appreciate the call for an increased focus on support to micro-, small and medium-sized enterprises (MSMEs), and the promotion of women's and youth entrepreneurship. However, we believe that much depends on whether, and how the actions proposed in the Council Conclusions and in the EC communication on the Role of the Private Sector in Development are implemented. We have identified five key issues that in our opinion need to be addressed by the EU and other stakeholders in order to ensure that the potential impact of the Private Sector on poverty eradication and the empowerment of the most vulnerable in developing countries will be maximized.

**A clear framework of principles is required to ensure that the role of the Private sector is effective in contributing to the achievement of EU and internationally agreed development co-operation objectives**

The Busan development effectiveness commitments represent a strong and internationally agreed framework to ensure the effectiveness of development cooperation. CONCORD believes that it is critical to ensure that the private sector's contribution to development is fully integrated into the development effectiveness approach. Therefore the stated intention in the recent EC Communication to ensure that the private sector's role in development is guided by clear principles that complement aid effectiveness principles is very welcome. We believe that this intention should be acted upon as a priority, through the design of a specific EU framework setting out key principles and benchmarks for the private sector's engagement in development co-operation. This new framework should guide the activities of the private

sector, provide benchmarks to assess its developmental impact (particularly on poor and marginalized communities), and ensure a proper adherence to, and implementation of key social, environmental, fiscal, human rights, and transparency and accountability standards as a precondition for support to private sector actors in development. The EC CSR Strategy mentioned in the Communication is not sufficient to ensure the private sector's compliance with international standards in the areas outlined.

**The EU should ensure the development of due diligence procedures for screening private sector companies seeking to benefit directly or indirectly from public support.**

The EU and other major international donors who are promoting the engagement of the private sector in development have a responsibility to ensure that these companies meet a number of minimum standards in areas such as human rights, environmental impact, labor conditions and others. The recent Council Conclusions on the private sector and development contain ambitious wording concerning adherence to international principles, agreements and standards by the private sector. However, the EU needs to translate these aspirations into practice through the development of robust and transparent procedures that will ensure compliance by private sector companies with internationally recognised standards. In addition the EU should ensure that compliance with these standards is monitored and met throughout the whole life cycle of projects. Special attention should be paid to ensuring the environmental sustainability of the private sector's activities in relation to development, an area where the Communication is rather weak.

**The EU needs to ensure that the financing modalities for supporting the role of the private sector in development do not disproportionately privilege the interests of TNCs over those of domestic private sector companies in developing countries.**

CONCORD is concerned about the Communication's apparent emphasis on conventional Public Private Partnerships (PPPs) in relation to the provision of infrastructure and services – including social services - in developing countries. This promotion of PPPs does not take cognizance of the growing body of research from within the EU and from developing countries which indicates that they are often an expensive means of financing essential infrastructure and services. This tends to be disproportionately passed on to the public sector and can result in key infrastructural assets being privately run and/or owned rather than being in public ownership. Furthermore, there is a danger that multi-national corporations with prior experience of PPPs will be the main beneficiaries of this approach and that it will do little to promote the capacities of local private sector companies. We welcome the reference in the Communication to “new forms of partnership and multi-stakeholder alliances beyond classical PPPs” and call on the EU to give greater attention to more innovative and sustainable, multi-stakeholder partnership models appropriate to the context of developing countries.

With regard to other financing modalities, we would also like to see more emphasis on preserving the role of ODA as a unique public, predictable, counter-cyclical source of finance for developing countries aiming at improving the lives of people living in poverty.

We have serious concerns with regards to using limited ODA resources for blending and private finance leveraging mechanisms that have still to be evaluated against their concrete impact on poverty and contribution to sustainable and inclusive development. Growing evidence from official development agencies questions the lack of additionality and transparency of these mechanisms and the serious risks of undermining commitments on untying aid, democratic ownership and accountability.

Concord believes that in order to ensure that the contribution of the private sector to developing countries is sustainable in the long term, the objective must be to build an enabling environment at the local national and international level where the domestic private sector can develop and thrive; and to ensure the sustainable transfer of knowledge, skills and capacities by foreign private sector companies to the local private sector and other stakeholders. The Communication does not address these issues in detail and fails to differentiate between the process of building up the domestic private sector in developing countries as a vital part of economic transformation, and the creation of financial and other incentives designed to attract foreign investors and multi-national corporations to operate in these countries. These are very different visions of the role of the private sector in development and it is important to make clear whether and how they complement each other.

**The EU must recognise that the economic transformation of developing countries requires strong policy coherence for development on its part and the part of its Member States.**

The strategic framework put forward by the EC communication focuses on how EU aid and policies can boost the contribution of the private sector to development. However, overseas development aid amounts to only one of a much wider set of factors in this process. In this regard, CONCORD welcomes the references by the recent Council Conclusions to tackling tax evasion and illicit financial flows. We call on the EC to develop regulations to prevent these practices and to increase the overall transparency of private sector. Developing countries not only need financial support, but also policy space to nurture the private sector and to harness its development potential. For example, the EU's agricultural, trade, investment and fiscal policies have a significant impact on policy and regulatory frameworks as well as on markets and domestic resources in developing countries. In order to achieve its development objectives the EU needs to ensure that the provision of financial support for the private sector and the creation of an enabling environment for business go hand in hand with greater Policy Coherence for Development (PCD).

**Finally, the EU should develop implementation guidelines and an action plan with timelines setting out how it intends to implement the policies and actions outlined above, and those set out in the Communication on the role of the private sector in development.**

In particular, much more guidance is needed with regards to PPPs and in general, the use of public finance to mobilise private flows - including the blending of loans and grants - to make sure that these modalities are aligned with development effectiveness principles, contribute to the objectives of inclusive and sustainable development and poverty reduction and are implemented in a transparent and fully accountable way.

CONCORD is looking forward to a structural dialogue with all relevant stakeholders on the implementation of these policies and actions, and to a specific role in monitoring, measuring and evaluating the impact of projects and programmes related to the private sector in development.

We are looking forward to the next steps to be set by the EU under the guidance of the Italian Presidency to concretize the implementation guidelines and action. We express our willingness to contribute to the success of this process offering our commitment and expertise.