



Input to
Consultation

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Private Sector in Development

WWF's input to the European Commission Consultation

The world is now facing issues of natural resource scarcity, environmental loss and degradation due to over-exploitation of resources and unsustainable production and consumption patterns as well as increasing impacts of climate change. Therefore the private sector has an important role in terms of contributing to improved management of natural resources, improved efficiency in production methods, sustainability in operations and accountability for its environmental and social behaviour. A responsible business model that will contribute to achieving development and social goals also relies in the long term on the sustainable use of resources and mitigation of climate change.

WWF is a global conservation organisation. Its mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by: conserving the world's biological diversity, ensuring that the use of renewable natural resources is sustainable and promoting the reduction of pollution and wasteful consumption.

WWF is a global network and aims at building concrete conservation solutions through a combination of field based projects, policy initiatives, capacity building and education work. Specific efforts are dedicated to the involvement of local communities and indigenous peoples in the planning and execution of field programmes, respecting their cultural and economic needs. WWF also strives to build partnerships with other organisations, governments, and business to enhance its effectiveness and promote change at local, national and global level.

WWF's programmes can contribute towards long term poverty reduction and sustainable development by investing in the maintenance of ecosystem services, supporting new livelihood opportunities in natural resource management, and promoting strong environmental governance. In particular for the poor living in rural areas, their daily lives depend on access to natural resources and to the environmental services that nature provides. However, policy makers and businesses often fail to consider the real value of biodiversity and ecosystems in economic and development plans leading to unforeseen social and environmental costs.

ISSUE 1: EU SUPPORT TO LOCAL PRIVATE SECTOR DEVELOPMENT

How to support micro-enterprises and workers in the informal sector?

Micro-enterprises in the informal sector can be an important vector for local sustainable economic development. The EU can support initiatives which offer sub-granting schemes for micro-enterprises in the informal sector. For example, as a result of sub-granting schemes WWF in Uganda supported nature-based initiatives in protected areas implemented by communities such as local handicraft making or production of agricultural products (fruits, vegetables, honey). The communities are assisted to start these initiatives and to establish linkages with the buyers such as tourism facilities. Such initiatives stimulate local economic development and encourage conservation of biodiversity and ecosystems.

How can we create opportunities for the local private sector in EU sectoral programmes?

Support to the local private sector in developing countries, including small and medium sized enterprises is fundamental for long term sustainable development which has local ownership, potential to encourage inclusive growth, employment and income generation.

Currently, the EU Switch Asia programme is a good example of the kind of approach the EU can initiate – in this case encouraging changes to production methods and consumption behaviour towards sustainability. The EU Switch Asia programme has contributed to changing the mind-set of relevant stakeholders, in particular producers and end users in developing countries, towards the importance of investing in the sustainable use of raw material/natural resources in different sectors such as timber, fisheries and textiles. The focus on SMEs has proven particularly useful because they comprise the larger part of the industrial sectors in Asia.

The Switch Asia programme also encourages strong collaboration among partners and many different stakeholders from the initial concept onwards. CSOs have played a key role in convening diverse stakeholders, including local communities and user groups, SMEs, chambers of commerce, larger private sector corporations and local authorities to discuss innovative green initiatives with both economic and livelihood benefits.

ISSUE 2: THE ROLE OF THE EUROPEAN PRIVATE SECTOR IN DEVELOPMENT

Should the EU engage with the European private sector to increase its impact on development? If so, what form should this engagement take?

Strong public regulation is essential to provide the framework and the signals for medium to long term business investment but the private sector can also take the lead in innovation, technological and skills transfer, support to improve standards along the supply chain, provision of jobs in green sectors and fair trade. The private sector is foreseen as one of the actors providing an important contribution to the post 2015 sustainable development framework and goals. Indeed, as outlined above, there are many positive contributions it can make, including in its core business activities but it should equally be held accountable for lack of action or for activities which undermine global efforts towards sustainable development, promotion of human rights and protection of the planet's resources.

When setting its objectives for engaging with the private sector in development, the EU should consider what brings added value for sustainable development impacts. Growth alone should not be the overall purpose, but growth which is sustainable and equitable and includes well-being as a measure of progress.

The EU should develop stronger legislation to ensure that its companies respect international treaties, internationally recognized guidelines and principles and ensure they have a positive impact in their operations outside Europe, including reporting on their activities to promote transparency and accountability.

The EU can promote codes of conducts and performance targets, facilitate multi-stakeholder dialogues and initiatives, support enhanced governance and accountability, support governments in strengthening implementation of multilateral environmental agreements and in their capacity to negotiate investment agreements and can support CSOs to engage in debate on natural resource use and capacity to monitor the outcomes.

What are the risks of engaging with the private sector and what principles have to be applied to manage these risks?

Some of the questions raised when engaging with the European private sector to achieve development outcomes include:

- Poor country ownership or local participation
- Questions surrounding tied aid.
- Ensuring sustainability of the activities over time once the initial “start-up” phase has ended.
- Assessing the added value of donor involvement compared to core business objectives.
- Lack of results-based monitoring frameworks
- Lack of transparency and accountability
- Lack of environmental or social safeguards

Where donors are engaging the European private sector to incentivise development outcomes, the following principles could be considered good practice:

- Donors should include conditions on local procurement and ensure that private sector partners are contributing tax revenue in countries where they are working.
- Demonstrate added value in terms of generating resources, pooling knowledge and stimulating innovation and not be regarded as a substitute for—but rather as an addition to—national public sector investment in key sectors (e.g. health, education, infrastructure).
- Strong regulatory frameworks in place to ensure quality of contributions, avoid risk of corruption and ensure adherence to international social and environmental safeguards and standards.
- Donors should coordinate to pool knowledge and funding and avoid multiplicity of individual overlapping initiatives.

- Ensure a transparent process including in decision making and management of resources. Information on progress and outcomes should be in public domain so it can be independently monitored and eventually available to others for replication.
- Procurement in private-public partnerships should be based on competitive bidding and ensure a level field for national and international companies.
- Integration into national development plans, local ownership and participation. PPPs should involve and respond to needs of local actors to increase likelihood of long term sustainability.
- Adherence to Paris Principles, Accra Agenda for Action and Busan Global Partnership for Development Effectiveness.

ISSUE 3: CONCENTRATING SUPPORT ON HIGH IMPACT INVESTMENTS

What matters more: how companies invest (adoption of international standards) or what they invest in/sectors they invest in (eg inclusive business, green industries)?

Both of these matter but it should also be born in mind the interlinkages between sectors and the need to take an integrated approach across sectors in order to achieve sustainable development.

In addition, the EU's legal obligations to policy coherence for development imply that the EU should improve steps to assess the impacts on developing countries of its own domestic policies on production and consumption or trade and investment. The role of development cooperation can only be a small part of the EU's contribution to sustainable development globally.

In terms of international standards, the EU should take steps to ensure that European companies apply high standards in their investments: for example, adherence to the OECD guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the International Labour Organisation's Tripartite Declaration of principles concerning multinational enterprises and social policy.

Where public funding is involved as in, for example, private-public partnerships with development objectives, these standards should be contractual obligations and mechanisms put in place for third parties to raise issues of non-compliance. CSOs and CSO networks have an important role to monitor the implementation of such standards and therefore support to strengthen such CSO activities is an important complement.

In terms of sectors, business, governments and civil society can work together to manage the risks of unsustainable resource use, to improve understanding of the opportunities of sustainable management of natural resources and the value of investment in natural capital for the long term, to develop and implement better production practices that reduce negative environmental impacts and bring positive social benefits.

WWF welcomes the recent EP vote to strengthen the proposed Accounting directive¹ regarding disclosure of non financial diversity and information. The directive obliges large EU companies to publish environmental and social audits, involving scrutiny of the entire company's supply chain, and to include sectoral guidance on evaluation of land, water, carbon footprints and material use. Getting companies to acknowledge the wider impact they have is the first step on a path to reduce and to rectify the environmental and social impacts they may create, either directly or indirectly.

In addition, where European companies are using and trading in minerals and other natural resources sourced from conflict areas, they should be required to carry out OECD due diligence guidance for responsible supply chains of minerals from conflict-affected and high-risk areas to identify and mitigate the risk of financing conflict related activities and human rights abuses.

¹ Directive of the European Parliament and of the Council amending Council Directives 78/660/EEC and 83/349/EEC ('Accounting Directives') as regards disclosure of non-financial and diversity information by certain large companies and groups

ISSUE 4: ENHANCING DIALOGUE WITH THE PRIVATE SECTOR

Should private sector actors be represented in the EU's structured dialogue with CSOs? Should the EU establish separate mechanisms for dialogue with the private sector? Should NGOs be invited to these?

The private sector is already invited to join the EU Structured Dialogue (Policy Forum for Development). It provides a good opportunity to discuss some of the issues facing development actors in developing countries in particular and share experience on obstacles, problems or good practice. The participation of the private sector is therefore very much welcome and we believe that the EU should continue its support to multi-stakeholder dialogue platforms.

In addition, the EU could facilitate resolution mechanisms via dialogue with private sector actors, relevant CSOs and affected parties where there are issues of concern which impact on employment, environment, human rights, taxation and so forth.

Do you have good examples of inclusive country led public/private dialogue, good practices?

Multistakeholder dialogue is an essential tool for resolving differences and finding solutions to issues of competing interests over shared natural resources. For example, Lake Naivasha in Kenya is the largest freshwater lake in Kenya and supports a variety of economic activities, important both for jobs and for Kenyan foreign exchange, plus renewable energy from hydropower and geothermal. Stakeholders include agricultural smallholders, Masai pastoralists, fishermen, tourist companies and hotel owners, foreign and local commercial flower and vegetable farmers all reliant to one extent or another on the lake for water and/or power. Coalitions between the state and private sector have developed to collectively design solutions to competing pressures on this important shared resource such as water quality and quantity, soil erosion and sedimentation, for example through payments to upstream smallholders by downstream companies for protecting the natural ecosystem functions.

ISSUE 5: THE PRIVATE SECTOR AS A DELIVERY CHANNEL FOR DEVELOPMENT

What risks and opportunities do you see in the private provision of public goods and services?

The private sector has a role to play in the provision of goods and services but this should be within a strong and transparent regulatory framework. There is no "one size fits all" answer for their role in the provision of public goods but it would depend, for example, on the nature of these goods and the type of end-users. It must be also recognised that the private sector is profit-seeking and not philanthropic.

Access to energy for the 2-3 billion people currently excluded from modern energy services to provide a basic minimum for both consumptive and productive uses is a crucial area to be addressed in a new global sustainable development framework post 2015. It will require the interaction of many players, including government to set policy framework, local authorities, local and international private sector, and financial institutions. Both on grid and off grid solutions will be required, bearing in mind that the cost of extending the grid to sparsely populated or remote areas can be high. Local solutions providing domestic or centralised village level generation are a competitive solution in rural areas, allow for future demand growth and encourage income-generating activities.

In the Kasese district in Uganda WWF is working with civil society, local government, businesses and communities to upscale innovative business approaches that use local agents of change, namely community-based organisations (CBOs), local women and youth entrepreneurs, as a means of disseminating solar photovoltaic (PV) systems to replace kerosene-powered hurricane lamps and providing access to a source of clean and renewable electricity.

The innovative business model is to provide business training as well as specific solar PV energy training to CBOs and local women and youth entrepreneurs so that they can be empowered to run solar energy distribution at the district level in a profit-making fashion. CBOs receive household level solar PV systems for free and are trained to install them in households. Local women and youth entrepreneurs will be trained to manage energy kiosks. Such locally-based initiatives create jobs and stimulate local economic development. WWF enables the link between CBOs and international suppliers of PV systems while CBOs are in charge of installing, maintaining and buying new systems to suppliers. Current level of penetration is rather low due to lack of upfront financing for potential customers to access the solar equipment. Support from donor organisations is therefore needed to support the expansion of the rural electrification market.

This approach has proven to be successful thanks to the establishment of local capacity for maintaining and expanding the provision of solar PV equipment, the provision of the equipment and finally the link back to inform public-sector capacity and policies and encourage the further development and expansion of the model.

Are multi-stakeholder alliances an effective model for the private provision of goods and services to the poor?

In order to improve production standards and create value across supply chains, WWF is engaging in several multistakeholder alliances. These do not provide all the answers of course but perhaps are illustrations of ways in which better production and consumption models can be encouraged which mitigate environmental degradation and provide social and economic benefits.

In Pakistan, WWF is working with farmers and retailers to promote better ways of growing cotton. Through the initiative Pakistani farmers have reduced their use of water by 37%, pesticides by 47% and chemical fertilizer by 40% across 170,000 hectares. Yields are just as good and have produced an average increase in annual income of 15% through reduced water and chemical use. Working conditions and living standards have already improved in many communities.

A further example, in the Greater Mekong region, is a partnership with a Swedish furniture company on sustainable rattan production is supporting livelihoods while reducing forest degradation by establishing a more sustainable, credibly certified rattan production supply chain in Laos, Cambodia and Vietnam.

In the Mekong Delta, we are working with the Aquaculture Stewardship Council to improve standards for farmed shrimp and pangasius. Also in the fisheries sector, we are collaborating with the Marine Stewardship Council to promote and support responsible management of the Mekong's tuna, hard clam and blue swimming crab fisheries.

In the Amazon basin, WWF is working with local and state governments and SMEs to improve the way small and medium sized enterprises produce timber inside public forest areas concessions. Specific tools are being developed to facilitate timber producers to source and sell certified wood. At the same time the project helps create a market for their wood, by encouraging the construction sector and the local and state governments in key regions of Brazil to implement responsible purchasing policies. As a result, local authorities will be able to access to governmental and international funding related to their performance in green issues and improve their standing as responsible and sustainable actors. Furthermore, they will also contribute to economic development, by eliminating market demand for illegal wood and by increasing the public revenues from timber that can be used to address a variety of social and environmental challenges inside their territories.

ISSUE 6: ANY OTHER ISSUES NOT SUFFICIENTLY COVERED IN THE ROAD MAP YOU WANT TO RAISE?

To date, little has been documented on outcomes, impacts, effectiveness and lessons learned from PPPs in the development sector. Therefore clear eligibility criteria for choosing PPPs as a delivery mechanism, compared with alternative models, should be established from the outset.

Similarly there are few comprehensive results-based frameworks developed by donors, especially in comparison with the obligations for project planning, monitoring and reporting which are usually required of other actors. These should be developed with appropriate indicators the demonstrate value for money, leverage, development impact and broader societal benefits.

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Why we are here

To stop the degradation of the planet's natural environment and
to build a future in which humans live in harmony with nature.

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