

BRATISLAVA MODEL UNITED NATIONS 2013



UN Development Programme

Involvement of Private Companies in
Development Aid

Study Guide

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Meet Your Chair

Welcome! It's an honour for me to be your chair at Bratmun, UNDP, 2013/2014. Currently, I am an IBD4 student at Gymnasium Novohradská in Bratislava (Slovak Republic). I participated in Bimun (as delegate) and at Bratmun (as under chair). When it comes to being a chair, this is the first time for me. I am very happy for such amazing opportunity and thankful for the possibility to achieve such unique and amazing experience. Now here are some very basic facts about me (feel free to skip this part): I am 18 years old. My hairs are black, my eyes are brown and I am definitely not tall. I like to spend my free time with good literature, family, enjoyable people, reggae music and I also love to eat pancakes!

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Importance of International and Bilateral Trade Regimes

Currently, MDGs world's main targets are to reduce extreme poverty in its many dimensions, including hunger, disease, exclusion, and lack of infrastructure, same as low accommodation standards in problematic areas. The aim is to achieve gender equality, better educational possibilities, health care and environmental sustainability. Without basic infrastructure and with terribly vague human capital, some of the countries have to export their primary commodities made and based on natural (physical) endowments instead of exporting export based on technology, intellectual potential and financial investments. **MDG (United Nations Millennium Development Goals) number 8 is focused on developing a global partnership for development.** Its target 8.A. states following: *“Develop further an open, rule-based, predictable, non-discriminatory trading and financial system.”* UNDP millennium goal also focuses on addressing the special needs of least developing countries. That means that every single state has its own potential for outer export and inner industrial development, which has to be considered, analysed and properly treated in collaboration with other member states of United Nations. This collaboration, global partnership, focuses on building an open, rule-based and non-discriminatory trading and financial system among the countries. In order to achieve this, good governance, development and poverty reduction in national and international aspects are crucial elements. When the purpose of the trade is to reduce poverty, we need to form better national development strategies that understand the role of a trade as a key component- international and technical assistance among the countries should increase and become more effective. In conclusion, *“Improvements in the international trade regime will have an impact on poverty only if countries have sound policies and receive the necessary assistance to build the productive capacity to take advantage of new opportunities.”*

Accra Agenda for Action

The 3d High Level Forum on Aid Effectiveness introduced Accra Agenda for Action. It was adopted on 2-4 September, 2008, in Ghana. Its purpose is to develop country level policy dialogue on development aid and to establish functional collaboration with civil society organizations. Accra views the development aid as an opportunity to build partnerships for development, not only as an economical support of the state. Vision of effective and working partnership therefore lays in full harnessing of the energy, skills and experience of all actors of the development aid policy. These actors are bilateral and multilateral donors, global funds, CSOs, public institutions and the private sector. In order to achieve millennium goals, good collaboration between actively participating government (this might be a possible issue in some of the countries!) and civil society organizations and the private sector. **Purpose of civil organizations in such model is to design national strategies, protect human rights, democratization process, building institutions, delivering services and supporting governments of recipient countries to combat corruption. Private sector in this model is supposed to deal with social and economic problems, including employment and preferably with creating conditions for long-term economic growth and income of developing countries.** Sound economic policies do their best in order to achieve balance of responsibilities between the private and public sectors to secure economic progress. Civil

society organizations play a vital role in enabling people to understand and claim their rights (if private companies in state you are representing seem to contradict to human rights in some way, that it is also an issue!), and also in shaping development policies and partnerships. Article 32 of Busan Partnership for Effective Development Cooperation, states that *the private sector has a central role in advancing innovation, creating wealth, income and jobs, mobilising domestic resources and in turn contributing to poverty reduction*. Private sector is obviously also supposed to contribute in the design and implementation of development policies and strategies to foster sustainable growth and poverty reduction. Private sector is also supposed to participate at development of financial mechanisms which have to state shared development goals. Busan partnership views “Aid For Trade” as an engine for sustainable development able to prevent market failures.

ODA

Purpose of the ODA (Official Development Assistance) is to promote sustainable development in developing countries. EU, as the main contributor to the ODA in the world, helps to improve trade policy in certain regions. Every recipient state of ODA has different needs, aid management structures and preferences. However, in order to improve aid effectiveness, there is a need in better than current coordination of policies, measures and actions.

New Member States

10 new member states, which joined both the European Union and the OECD a decade ago, made their commitment to contribute to the EU Development Co-operation Policy, called EDCP aimed at supporting developing countries. They are also supposed to contribute to achieving of the United Nations Millennium Development Goals. Post-communist countries (located mainly in the EU’s eastern and south-eastern parts) have their experience from transition to democracy and market economy. The goal of NMS is to co-operate with countries with which they share historical or geographical ties. Building transnational alliances between 9 new EU Member states is current goal of the Center for Economic Development (Sofia).

OECD

Mission of OECD (Organization for Co-operation and Development) is to promote policies that will improve the economic and social well-being of people around the world. I recommend taking a look at their website, where you can find a huge amount of useful information about our topic. 34 countries are members of OECD, and maybe the country you are supposed to represent is the member as well. In this forum, governments share experiences and seek solutions to the common problems when it comes to the development co-operation. (<http://www.oecd.org/development/>).

AID FOR TRADE

Aid for trade is a principle of ODA which departs from the prerequisite that the ODA should build production capacities of recipient countries in order to improve their capacities to trade with foreign partners. Purpose of this principle, which relates directly to the involvement of private companies into the ODA is to make recipient countries aware of the vital role of trade, which is a vehicle of economic growth, when it comes to the development policy. Aid for Trade Work Programme 2012-2013 focuses mainly on private sector in the development aid. One of the goals of the World Trade Organization (WTO) is *to encourage additional flows of Aid for Trade from bilateral, regional and multilateral donors to support requests for trade-related capacity building from beneficiary countries.*

(http://www.wto.org/english/tratop_e/devel_e/a4t_e/aid4trade_e.htm)

Role of Private Sector in the Development Effectiveness

The third high level forum on aid effectiveness (Accra, Ghana, September 2-4, 2008) agreed on Accra Agenda for action. Article 13 states that “we will broaden country level policy dialogue on development”. Article 16 states that the *“aid is about building partnerships for development.”* In order to achieve partnership of a good quality, energy, skills and experience of all actors, with no matter whether it comes to the bilateral or multilateral donors, global funds or private sector. **Innovation, creation of wealth, income, job opportunities, mobilising of domestic resources and in turn contributing to poverty reduction are the main purposes of the private sector.** Various actors can be the part of the private sector, even if they do not provide official development assistance. Private sector consists of more than formal businesses. In fact, for-profit private sectors, foundations, non-governmental organisations, voluntary contributions and private academia. Private sector is defined as formal businesses and represented by for-profit companies, banks, and investment funds. **Development aid from the private sector is becoming more significant both in terms of volume and experience.** Recently, recognition of private sector is viewed as a “vehicle” creating already mentioned income growth and poverty reduction, and therefore it is necessary for the donor countries to follow following steps:

1. Engage with representative business associations and trade unions in order to improve legal, regulatory and administrative environment for the development of private investment, and also to ensure a sound policy and regulatory environment for private sector development, increased foreign direct investment and to insert huge effort into the development goals.
2. Make private companies able to participate in the design and implementation of development policies and strategies to foster sustainable growth, also as poverty reduction.
3. Create innovative financial mechanisms to mobilise private finance for shared development goals.
4. Aid for trade should be used for building a productive capacities, address market failures and decrease possible risks faced by private sector actors (private companies).

5. Development and business outcomes should be mutually reinforced by co-operation of the public and private sectors.

Problematic Issues, Controversies

At the fourth High Level forum on AID effectiveness held in Busan, governments of the donor countries seemed to agree, that control of recipient governments of international aid is the most effective way of achieving MDG. Following the Aid for Trade principle the private companies from the donor countries are important actors of the development aid. However, there are many evidences that the development funds are misused by private companies in terms that they are invested into the building capacities of the private companies, but not to support their activities in the recipient countries. In the end, the development funds are used rather as a part of the pro-export policy of the donor country instead of bringing development aid to the recipient countries. **Where is the border between pro-export policies of the donor countries and the development aid they declare they want to provide to the recipient developing countries? How to identify where the pro-export policy ends and where the development aid starts?** According to the report prepared by Eurodad (European Network on Debt and Development) in 2012, European governments, the European investment Bank, World Bank and others, made about 30 million dollar investments going to the private sector in the world's most undeveloped countries. Approximately half of these investments went to the firms based in OECD countries. As stated in *The Bureau of investigative journalism*: “Out of the top 15 investments from the EIB and the World Bank International Finance Corporation (IFC), two are investments to UK domiciled companies: Helios Towers and Vodafone Ghana.” Article is listed in the recommended research and I strongly recommend taking a look at it. As stated in the article, **Development Finance Institutions and aid agencies argue that private sector companies can leverage more capital from their investments than development institutions could produce by themselves.** However, such statement is not clear and different institutions might have different attitudes towards this issue. In fact, investments into private sectors of recipient countries might be helpful while achieving Millennium Development Goals, but they should not be consumed by the private companies from the donor countries which implement development projects. . **Also, the very fact that a public money flow into private firms via the schemes of development aid should not be ignored.** Private sector is supported in order to establish developing economical conditions in certain areas. Is that positive or negative aspect of the development aid investments? Is it better to support functional companies from recipient countries? Are those companies able to analyze the needs of the recipient state properly? Governments support private companies in order to support business of their states as well. Is this scheme really functional? Is such co-operation functional when it comes to the development?

Our Goal

We have to analyze, first, the current situation of private companies participating in the development aid, second, effectiveness of such participation, and third, what should be done in order to achieve better results while taking into consideration millennium development goals (of course with the special focus on the eight one!). We have to discuss relationship between business with its natural aim to achieve business profit and the nature and aims of the development aid, which in principle should be a non-profit activity aimed at helping poor countries. What can we do in order to facilitate efficient participation of private sector in the development aid as well as to achieve better results of the development aid? What is a better option – either to give public money (development cooperation funds of the EU or OECD countries) to profitable private businesses or to implement development aid via the support of non-profit organizations from the public sector, including CSOs (civil society organizations)? Where the business ends and development aid starts when it comes to the involvement of private companies into the development aid? Different donor states have different experiences with the involvement of their private companies into their bilateral and multilateral development aid. What are the most different cases when it comes to the so-called new member states of the EU? Do development projects implemented by the private companies affect trade regimes between the donor and the recipient countries? What are advantages of private companies as implementing organizations of the development aid in comparison with CSOs and or public institutions?

Further Recommendations

I strongly recommend reading all of the links listed down below and also make research about the given topic! We are looking up to your participation at Bratmun 2013/2014. Please, revise rules of the procedure and equip yourself with the useful knowledge that might be used during procedures. I hope you find our topic to be interesting! Private sector is often blamed for the corruption in developing countries. All of the private companies have different relationship with the government and different positions of influence. Delegate is supposed to be fully aware about the actions of private companies associated with the donor or recipient countries they are supposed to represent! ☺

Recommended Readings

<http://www.un.org/millenniumgoals/global.shtml> - MDG. n. 8 deeply explained

<http://www.ced.bg/uploads/publication/kniga.private.sector.body.final.pdf> - I **strongly recommend** reading following work in order to obtain understanding of importance of the private sector in development assistance and aid effectiveness!!! ☺

http://www.die-gdi.de/CMS-Homepage/openwebcms3.nsf/%28ynDK_contentByKey%29/MPHG-7LKAML?Open – here you can learn about “Aid for trade”!!!

http://www.miga.org/documents/IFI_report_09-13-11.pdf -International Finance institutions and development through the private sector!!!!

<http://www.thebureauinvestigates.com/blog/2012/05/30/international-development-aid-going-to-private-companies/> - Article discussing our issue, written in 2012!!!!

http://www.realityofaid.org/roa_report/aid-and-the-private-sector-catalysing-poverty-reduction-and-development/ --very good website focusing on our topic! If you are lucky, you might find there some attitudes of the country you are representing!!! ☺ **The Reality of Aid, An Independent Review of Poverty Reduction and Development Assistance...**

http://www.realityofaid.org/wp-content/uploads/2013/02/ROA_Report_2012-Aid_and_the_Private_Sector1.pdf - Following document is very helpful, in order to obtain understanding of our issue.

<http://www.oecd.org/development/effectiveness/47088121.pdf> -The document is based on interviews with state donors!!!

<http://www.alliancesud.ch/en/policy/aid/promoting-privatisations-with-development-aid> - An Article

<http://www.oecd.org/development/> - OECD forum for development policies

http://www.wto.org/english/tratop_e/devel_e/a4t_e/aid4trade_e.htm -Aid for Trade official website

<http://www.oecd.org/dac/aft/aidfortradepolicydialogue2013.htm> Aid for Trade policy dialogue 2013

<http://www.theguardian.com/global-development/2013/jul/10/aid-for-trade-donors-recipients> -Article about effectiveness of Aid for Trade

<http://www.theguardian.com/sustainable-business/blog/private-sector-global-development> - short article about private sector

<http://web.undp.org/cpsd/documents/report/english/chapter4.pdf> -document about the role of private sector in the development aid

<http://unpan1.un.org/intradoc/groups/public/documents/un/unpan006231.pdf> - **I really recommend to read this document**, while its informational value about the role of private sector is high!

<http://www.globalhumanitarianassistance.org/data-guides/defining-humanitarian-aid> Global Humanitarian Assistance