

*Concept Note for a Side Event at the  
UN Financing for Development Forum*

*UN HQ, New York City, April 19th*

**Holding the private sector accountable for sustainable  
development and human rights.  
A call for government action**

**Organised by the CSO Financing for Development (FfD) Group (including the Women's Working Group on FfD) with the following facilitating organisations: Bread for the World, the European Network on Debt and Development (Eurodad), Christian Aid, Society for International Development, Third World Network and the Association for Women's Rights in Development (AWID).**

Official development assistance (ODA) is, on its own, only a short term solution to financing the Sustainable Development Goals (SDGs). Wider domestic resource mobilization, including progressive taxation, and the role of the state are essential. In addition, the Addis Ababa Action Agenda (AAAA) emphasised the importance of additional resources raised by the private sector. Whether finance is fully public, private or private with public support, it will need to be raised and implemented in a way that respects sustainable development and human rights principles.

However, some practices are harmful and hamper sustainable development, sometimes even deepening inequalities, including along gender lines, and undermining or even violating the fulfilment of human rights for all people. It is the task of UN agencies and institutions that report to the UN to conduct careful impact assessment of the role of the private sector, and to make recommendations based on the respective mandates.

Currently, the international community faces several challenges in relation to this agenda. Investors have been calling for implementing “sustainable capital markets”, defined according to the Brundtland Commission Report as: “capital markets that finance development that meets the need of the present, without compromising the ability of future generations to meet their own needs. One of the biggest barriers preventing investors from properly incorporating Environmental, Social and Governance (ESG) factors into their investment decisions is the inaccessibility of consistent data such as carbon emissions, taxes paid by businesses, employee payroll, or water use”. However, standards for private business and finance are being created outside of the intergovernmental forums in private and industry-based bodies which may lead to missing out on external effects of private sector actors on developing countries and all groups in accordance with human rights frameworks.

There is also a discrepancy in the rights of investors and companies versus their responsibilities. While companies and investors are benefiting increasingly from investor-state dispute resolution (ISDS) mechanisms and mutual arbitration processes (MAP) in tax revenue arbitration, there is little obligation to report on, and be accountable for, private sector impact on society and environment. All of the initiatives to shift the balance remain voluntary, and thus, easily circumvented. For instance, the United Nations Environment Programme (UNEP) has for years worked on sustainable stock exchanges, with now the majority of stock exchanges being subscribed, the United Nations Conference on Trade and Development (UNCTAD) has researched the impact of investments on development, and the UN Human Rights Council (HRC) has outlined the UN Guiding Principles on Business and Human Rights. The various constraints to right to development, human, economic and social rights imposed by bilateral investment treaties can be addressed by greater use of human rights frameworks and the work of the ongoing Human Rights Council.

Civil society organisations (CSOs) have repeatedly challenged the current bias in promoting the PPP model as a modality for development implementation in many different global and sectoral policy processes, including those leading up to the 2030 Sustainable Development Agenda and the Addis Ababa Action Agenda (AAAA) on FfD. In particular, CSOs have exposed the increasing evidence that shows that PPPs change the nature of public services and investments, worsen the fiscal problems against which they are offered as solutions, expose fundamental faults in transparency and democratic accountability, and provide less efficient and more costly operations than they claim. PPPs also contribute to fostering development implementation strategies that socialise costs and privatise gains to the exclusive benefit of the corporate sector. All of the aforementioned have impacted negatively on women's lives in particular. To address our concerns, we believe that decisions on international standards can only be legitimately taken within global, democratic and inclusive intergovernmental settings – where all countries have an equal seat at the table – and with the meaningful participation of civil society. The FfD Follow-up Forum would thus be the most suitable locus for this process to legitimately take place.

What guidelines should be developed for publicly-supported private finance, including blended finance and public-private partnerships (PPPs), in order to promote sustainable development impacts, based on Agenda 2030's three indivisible pillars of economy, society and environment? What company and investor reporting data would be needed to have a better picture of the accountability of private sector actors in mobilising resources for financing development? What role does human rights due diligence have and to what topics and themes should they be used to understand the human rights impact of companies?

This side event will specifically follow up on parts of the AAAA that focus on private sector responsibility, accountability and guidelines for greater alignment with sustainable development principles and human rights frameworks:

- Paragraph 37 concerning **business accountability with key international treaties**, including “[...] protecting labour rights and environmental and health standards in accordance with relevant international standards and agreements, such as the Guiding Principles on Business and Human Rights and the labour standards of ILO, the Convention on the Rights of the Child and key multilateral environmental agreements, for parties to these agreements [...]We will promote sustainable corporate practices, including integrating environmental, social and governance factors into company reporting as appropriate, with countries deciding on the appropriate balance of voluntary and mandatory rules.”
- Paragraph 38 concerning **sustainable capital markets**: “We will work to ensure that our policy and regulatory environment supports financial market stability and promotes financial inclusion in a balanced manner and with appropriate consumer protection. We will endeavour to design policies, including capital market regulations where appropriate, that promote incentives along the investment chain that are aligned with long-term performance and sustainability indicators and that reduce excess volatility.”
- Paragraph 48 concerning **PPPs and blended finance**: “For harnessing the potential of blended finance instruments for sustainable development, careful consideration should be given to the appropriate structure and use of blended finance instruments. Projects involving blended finance, including public-private partnerships, should share risks and reward fairly, include clear accountability mechanisms and meet social and environmental standards. We will therefore build capacity to enter into public-private partnerships, including with regard to planning, contract negotiation, management, accounting and budgeting for contingent liabilities. We also commit to hold inclusive, open and transparent discussion when developing and adopting guidelines and documentation for the use of public-private partnerships and to build a knowledge base and share lessons learned through regional and global forums.”

Participants will discuss:

- Initiatives for ensuring that private sector accountability and its human rights impact are central in national strategies, tools and instruments for the implementation of the 2030 Agenda for Sustainable Development;
- The role of investors in advocating for an increasing number of companies reporting ESG as well as integrated reporting formats;
- Recent developments in guidelines and standards for PPPs being discussed at the United Nations Economic Commission for Europe (UNECE) and the World Bank Group, among other forums, although neither of these efforts meet commitments included in the AAAA.
- Potential challenges and the way forward at the global, regional and national levels in strengthening the connection between private sector accountability and human rights due diligence processes, to ensure the comprehensive and equitable participation of the private sector in the implementation, follow-up and review of the 2030 Agenda.
- Updates on the important process in the HRC on elaborating an international legally binding instrument to regulate, in international human rights law, the activities of transnational corporations and other business enterprises.
- The gender equality and women's rights impacts of lacking corporate accountability and why women's economic empowerment and access to finance and assets alone is not enough.