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# **IOE PERSPECTIVES ON SUSTAINABLE DEVELOPMENT GOALS**

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*Updated March 2013*



INTERNATIONAL ORGANISATION OF EMPLOYERS

## EXECUTIVE SUMMARY

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*The key contributions that private enterprises make to sustainable development come from the goods and services they provide for their customers and the technological and innovative solutions they develop to address global challenges. They provide jobs and incomes, supporting workers, families, communities and societies. Through the investments they make, they help economies to grow and wealth and jobs to be created.*

*The business community will contribute to the post-2015 development agenda by uniting its efforts in the areas of productivity improvement, research and innovation, education and skills development and targeted financial support for entrepreneurship and sustainable enterprises. This contribution was overlooked during the development of the current MDGs as the role of the private sector was seen as one of demonstrating philanthropy and corporate social responsibility. In reality, the private sector is, and will be, critical for all countries to realize their economic and social potential.*

*However the recipe for sustainable development will not be the same for each country or region. The ingredients available will have to be intelligently mixed from those on offer, so that geographies can set the framework for action to chart their own path to sustainability.*

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## THE IOE PERSPECTIVE

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### BUSINESS AND THE MILLENNIUM DEVELOPMENT GOALS

The current progress towards achieving the Millennium Development Goals has only been made with the involvement of business. However, achievement of these goals by the 2015 target requires governments and business to renew their focus on creating the climate for entrepreneurship and for enterprises to generate goods, services and jobs that are serving a market demand.

To tackle poverty and human development, the focus has to be on providing the conditions for enterprises to make the investments and initiatives that will create innovative solutions and employment-enhanced, wealth creation. In all countries, the overwhelming majority of new businesses and employment opportunities will be created by private enterprises. They will provide the jobs, incomes, purchasing power and livelihoods, allowing community integration and facilitating greater economic and social equity and political stability.

Whilst development aid and support from all organisations will play a part, it must be targeted at providing long-term, self-sustaining outcomes to address the root causes of the challenges and not just be aimed at providing palliative solutions. This requires a comprehensive and strategic approach that places the private sector as a key partner and stakeholder in the development process of each country. It involves the promotion of win-win public-private partnerships that provide the private sector with an enabling business environment for growth. Development aid should also be used in a sustainable way to finance SMEs and entrepreneurs who lack crucial capital. Hence this will lead to both increasing the productive capacities of countries and alleviating poverty.

### MOVING TOWARDS NEW GOALS FOR POST 2015

The world is experiencing major long term shifts in trading patterns, financial flows, national industrial structures, resource availability and constraints, and economic growth rates, amongst many other trends. All of these will change the environment for entrepreneurship and business development in terms of the availability of resources, drivers for innovation, where businesses are located, which businesses will be created, which will continue and which will change or disappear.

In the last decade there have been significant increases in scientific information, global communications and public awareness. Many nations have developed economically, socially and environmentally, endowing them with new powers, along with which come new roles and responsibilities.

This will be the backdrop to the goals and targets needed to stimulate equitable global development from 2015 and beyond.

To be helpful, meaningful and to stimulate the appropriate action the sustainable development goals must be few, focused and outcome-orientated and recognise the contribution from innovative partnerships. They must be underpinned by clear measures and means to allow stakeholders to monitor and assess the progress to date and enable them to identify and provide solutions for the remaining gaps towards achievement of the goals, and to address new and emerging challenges as they arise.

Policy developments and activities for the three dimensions of sustainable development should be analysed pre and post-implementation for their potential and actual impact on the economy, the environment and social infrastructure. That way stakeholders and actors can follow whether policy developments had their desired impact and make appropriate adjustments to keep them on course to achieve the targets.

### **SGDs must**

- Look to the future and build on the experience of the MDGs.
- Achieve the equilibrium between the three dimensions of sustainability – economic, social and environment
- Recognise the need for flexibility as the future evolves
- Have measures that can be transparently tracked so that actions can be adjusted to achieve targets
- Be multidimensional and universal
- Be few, focused and simple
- Belong to everyone

### **NATIONS WILL NEED TO THINK GLOBAL AND ACT LOCAL**

Each nation or region will need to assess where they are now, where they want to be in the future and how they get there. They will have to learn the lessons of others and of the past and set realistic targets for their own circumstances that will contribute to the global sustainable development goals. Whilst there will be some common factors that stimulate growth, such as good governance, appropriate investment and robust infrastructure, the ingredients and pace for sustainable development will not be the same for each country or region. The components will have to be intelligently applied from those available, so that each country can chart its own path to contribute to sustainability and be responsible for taking its own action to achieve it.

### **HOW BUSINESS CAN HELP DELIVER THE SOLUTIONS**

Business will be key to providing the solutions to the interlinked challenges of

- meeting the expectations of improved living and working standards for a growing world population and
- at the same time not degrading the economic, environmental and social systems on which they depend

Whilst many businesses may develop from direct inward investment or by becoming part of the supply chain of global businesses, others will have to grow from a spirit of entrepreneurship, self-reliance and resilience that is embedded in the country cultural systems – embracing the political, financial, legal, industrial, agricultural, religious, health and education structures.

However in order to do this in a fair and equitable way, critical long-term policies and decisions about resources and investment must support economic prosperity and growth, job creation and livelihoods. Businesses will work with governments and international governance bodies to help achieve this, considering the following identified priorities that should be reflected in the sustainable development goals.

## SUSTAINABLE DEVELOPMENT GOALS SHOULD REFLECT BUSINESS PRIORITIES

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All forms of private enterprise – domestic markets, foreign investment and international trade – require an operating environment conducive to growth and development, including: peace and stability, the rule of law, good governance with accountability and transparency, the absence of corruption and discrimination, adequate infrastructure, an educated and skilled workforce, clear property rights and enforceable contracts. Creating the right conditions for private enterprise may require strategic reforms to long-standing regulatory practices and may challenge the economic, political and social *status quo* of countries.

### 1. CREATING THE RIGHT REGULATORY ENVIRONMENT FOR BUSINESSES TO THRIVE

Each country needs to commit to promoting growth and opportunity, in order to realise its potential. It must take control of its own development and ensure national ownership of the process as the first step for promoting business confidence.

Sustainable enterprises and entrepreneurial zeal are the foundations of future growth and development. Improving their productivity, capacity to innovate, consolidate, grow, expand and employ will be at the heart of resilience to future economic downturns and achieving sustainable development. International organisations, national and regional governments and businesses themselves must deliver a better and more reliable environment for doing business worldwide, which will build on:

- a stable macroeconomic and regulatory environment, supported by sound fiscal and economic policies.
- reviewing regulation affecting business to ensure it creates an enabling environment for doing business and has a pro-employment impact whilst also meeting its regulatory purpose.
- reforming regulations to redress legal and administrative barriers to formalisation.
- better facilitating and supporting the registration and early stage growth of new businesses (including providing access to credit, financial support, often at the micro level).
- providing sound, open and transparent government, free from corruption and inefficiency, which strives to make investment and partnership opportunities accessible to all but particularly to new, smaller businesses.
- protecting property rights and the rule of law and ensuring efficient law enforcement systems.
- embracing an inclusive and open society with equal opportunities for all.

### 2. DEVELOPING ENTREPRENEURSHIP AND FOSTERING SUSTAINABLE BUSINESSES

Countries need to encourage and enable responsible and sustainable business, entrepreneurship and small and medium-sized enterprises, and ensure a fair, competitive playing field.

The main drivers to stimulate innovation and investment for the growth of entrepreneurship and enterprises are not the same for all countries, as their resources, demographics, cultures, industrialisation levels, service provision, economic and political profiles differ. A careful analysis has to be made of the current position, the desired effect and the likely success of the tools that may help to achieve sustainable enterprise growth.

Small to medium sized enterprises particularly provide the opportunities for the growth the world needs. These enterprises require specific attention and assistance because of the particular challenges they face in terms of lack of access to information, infrastructure and government

services. Properly targeted reforms, including the formalisation of the economy, can unlock the growth potential of this sector as a critical tool of development.

Any specific reforms or assistance must be structured to take these differences into account. In addition, increased regional integration can act as an accelerator for development both regionally and globally.

Enterprises and entrepreneurs need support in improving productivity, innovation and competitiveness. This can come from governments, international organisations and the private sector to

- increase access to technology and foster a culture of innovation.
- promote a culture of productivity and quality, as well as a shared vision among employers, workers and governments of the benefits such a culture brings to society.
- promote opportunities for shared experiences and mutual learning between businesses.
- stimulate productivity which can be enhanced by higher value-added products and diversifying economies.
- planting the seeds of entrepreneurship at an early age, particularly at school

### **3. FACILITATING FOREIGN INVESTMENT AND TRADE**

For most countries – developed and developing – the main source of economic growth and job creation is a competitive domestic market. Nurturing and supporting domestic growth should be central to any development effort. Countries need to set the right framework to encourage domestic savings and investment and limit capital flight. Stable, fair market conditions will support capital market information flows and encourage investment. Efforts to develop domestic markets should be complemented by promoting inward foreign investment, and regional integration may assist in developing larger regional markets thus helping to develop economies of scale for both domestic and foreign direct investment.

A range of measures can support delivery of essential finance and investment, including:

- investment promotion, including foreign direct investment, sound economic management, and good governance.
- the development of the financial sector and its institutions, building their capacity and enhancing their lending resources to finance investment, growth, and provide venture capital.
- appropriate mechanisms, including guarantee funds to increase the investment resources available for enterprises, especially SMEs, and which can assume a level of commercial risk to encourage lending.
- greater transparency, innovation and flexibility on lending criteria and an increased range of financing options.
- introducing investment and tax incentives to attract investment.
- keeping interest rates as low as possible consistent with a stable macroeconomic environment.
- minimising tariff and other distortionary barriers to trade

### **4. PROVIDING ROBUST COMMUNICATIONS AND INFRASTRUCTURE**

All countries need to ensure that they have the right physical conditions for businesses to operate. Some will have to develop these, whilst others will have to repair or renew unserviceable facilities. Investing in basic infrastructure (potentially financed through public-private partnerships), including road and rail infrastructure; electricity generation and supply, including renewable energy; information and communication technologies, water and waste resources will be key to providing the basics for enterprise development.

Railroads, highways, and information and communications technology – the basic tools of transportation and communication – are essential links between regional and international markets, supply chains, and value chains. Improved coordination between public and private investment in infrastructure can have a multiplier effect on development assistance.

## **5. RECOGNISING EDUCATION, SKILLS AND TRAINING AS A KEY TO FUTURE SUSTAINABLE ADVANCEMENT**

In order to operationalise sustainable development society needs to build competencies for resilience and entrepreneurship to enable enterprises to have access to the right skills for the jobs of the future. Human capital, job content, and generational shifts also need to be addressed. Economic policies need to be aligned with labour policies to create new job opportunities, identify skills for the future and equip employees with these new skills. An examination is needed, on a regional basis, of the demographics, state of current and potential economic development and the major skills requirements needed to move that region from where it is now to a sustainable economy for the future.

Competitive economies require access to well-educated workforces with advanced skills, training, and differentiated expertise. In order to provide these resources, many countries will need to particularly build up their science, technology, engineering, and mathematics educational resources and vocational skills training capabilities.

Government, employers, education and training providers and individuals must make mutually reinforcing efforts to deliver real improvements in basic education, as well as vocational and technical training and lifelong learning.

Basic education should provide core literacy, numeracy and employability skills to all. Education systems should also develop entrepreneurship and management skills, as well as recognize the role of enterprises in the economy.

Governments must

- more actively work with business to understand the educational and training outcomes that employers need for job creation.
- establish clear measurement systems and consultation structures to engage with employers on policy formulation and the training needs of industry.
- promote public/private partnerships, integration and information-sharing across training and education systems.
- develop targeted and integrated cooperative programmes and policies to address the loss of skills to other economies. Social factors, including demographics and health status present particular challenges for education, training and productivity.

Businesses should

- through its representative employers' organisations, provide governments with up-to-date relevant information on labour market and skills needs to support effective decision making.
- cooperate with government and other services to provide career advice, information and guidance to support school leavers entering into relevant, rewarding, sustainable careers which contribute to their communities and the development of their economies.
- work with training and employment services to enhance the employability of job seekers and their capacity to re-enter the labour market.
- contribute to the improvement of business management education to better equip business leaders to lead enterprises in increasingly globalised markets.
- create the right conditions to integrate vulnerable groups and the informal economy into the mainstream of economic activities.
- promote lifelong learning, skills building and employability.

## 6. WORKING IN PARTNERSHIP TO DELIVER GROWTH

Effective partnerships between and among governments, the private sector and civil society are essential to address complex and inter-related challenges. Such partnerships have proven vital in areas where no single actor can successfully address an issue on its own. The private sector recognizes the power of partnerships and is increasingly taking the lead to initiate them.

Governments must work together with business, through their representative organisations of employers, as fundamental partners in addressing the development challenges and implementing the priority solutions required for economies to grow, entrepreneurs and enterprises to develop and job opportunities to be created.

Business must work closely with governments, financial institutions and others, through mechanisms including public-private partnerships, to secure the finance, investment know-how and resources essential to expand, create jobs and contribute to the growth of their economies. The role of multi-stakeholder partnerships to develop a shared vision on economic and social progress for the country should also be enhanced. Business should be a major stakeholder given its contribution to growth and development.

*The IOE is the largest network of the private sector in the world. It is the only recognized organisation representing the interests of employers in social and labour matters at the international level. Today, the IOE represents 151 national business organisations in 144 countries. Business and its representative organisations stand ready to play their part in the recovery from the global financial and economic crisis and assume their proper role in global sustainable development.*

***The IOE recognises that this debate will evolve over time and will make further inputs to the discussions.***