

# Balancing Trade & Aid

## Fair, Green and Global Alliance

February 2013

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The Fair, Green and Global Alliance (FGG) consists of six civil society organisations: ActionAid, Both ENDS (lead agent), Milieudefensie (Friends of the Earth Netherlands), Clean Clothes Campaign, SOMO and TNI.

The Fair, Green & Global Alliance focuses on four strategic areas:

- The development, promotion and upscaling up of inspiring practical examples of sustainable development in developing countries.
- The promotion of socially responsible business, particularly by Dutch companies active in developing countries.
- The refocusing of European trade and investment policy, so that future investments benefit local populations in developing countries and their habitat.
- The refocusing of the funding policies of large banks and political institutions such as the World Bank, so that the funding of (infrastructural) projects benefits local populations in developing countries and their habitat.

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**Balancing Trade & Aid**

Fair, Green and Global Alliance, February 2013

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# 1 BALANCE BETWEEN TRADE & AID

One of the primary wishes of the Fair, Green and Global Alliance<sup>1</sup> (FGG) members was recently fulfilled by the Rutte II Cabinet: the trade and global development posts have been brought under a single ministry, the Ministry for Foreign Trade and Development Cooperation. After all, development cooperation can only be successful if it is accompanied by sustainable trade regulations. The recognition of the relationship between these two dossiers will provide an excellent window of opportunity in the coming years to bring back a more balanced approach to trade as it relates to a more sustainable and just world.

Policy coherence in the wealthier nations is the key to sustainable and fair development. In order to allow trade and aid to complement one another, the ministry is going to have to engage in a balancing act in the coming four years with regard to key themes, which will involve crucial roles for the various actors involved.

## 1.1 Growth and distribution

Current political decision making is focused on economic growth – via international trade and growth in GNP, foreign direct investment (FDI) and employment opportunities – as the solution to the current economic crisis. The social aspects of development are increasingly in danger of falling off the agenda and are sometimes even considered an obstacle to development.

The so-called contradiction between “social development” and “economic development” is an artificial and risky one. It has led to a situation where development, human rights, sustainable use of nature and environment, the quality of employment and the fair distribution of wealth are merely addressed in a very piecemeal fashion.

This imbalance must and can only be successfully addressed by a government that assumes not only a facilitating function but also a market management function. This means a government that avoids market failures and creates the right framework within which businesses must operate. This can be facilitated by strengthening local decision-making processes, by making business tax payments in developing countries more transparent, by strengthening and tightening up current procedure principles such as the FPIC<sup>2</sup> and supporting community representatives who are engaged in defending these basic rights.

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1 ActionAid, Both ENDS (secretariat), Clean Clothes Campaign, Milieudefensie/Friends of the Earth International, SOMO, and the Transnational Institute (TNI).

2 Free, Prior and Informed Consent.

## **1.2 Gender-specific policies improve the position of women**

The informal sector, where women play an essential role, represents some 75% of total employment in developing countries. Many small business owners are women. Moreover, trade and growth depend mostly on unpaid labour, which is performed chiefly by women in the form of subsistence agriculture, family care and housework as well as maintenance of their immediate environment. Women create the essential conditions for sustainable and fair development. At the same time, we discover that they are also the ones who are the most directly affected by the results of unfair growth, the destruction and expropriation of their land and damage to water sources.

Women's voices mostly go unheard, even within civil society organisations. Women are seldom directly involved in policy development or in related negotiations, which means that much of the development knowledge remains unutilised. Thus, economic policy that defines the course of trade and investment not only just benefits one part of society, but also degrades the position of women even further. It also increases their work burden and leads to the violation of the human rights of a large segment of the female population.

The Netherlands must take up the recommendations of the Scientific Council for Government Policy (WRR) regarding policy transparency and recognise that economic policy is not gender neutral. In the European context, this approach is equally obvious. A strong trade and aid policy is gender specific and ensures for the reinforcement of the position of women's organisations and that women are involved in policy and negotiation processes, so that their voice will indeed be heard.

The shift from a socially inspired development policy to one that is economics oriented, with the private sector playing an important role, can have negative consequences for the position of women in society. Besides the risk that their access to crucial basic services such as education and health care will decrease, it can also endanger their position in the job market. Analysing the effects of this type of policy on the position of both men and women is an essential step toward addressing the issue of gender inequality. Moreover, trade and aid policies should also always make explicit precisely how the private sector is going to contribute to equal pay, employment, access to credit and markets as well as increased food security for women.

## **1.3 Public and private interests**

Dutch foreign policy is increasingly directed toward facilitating the role of the international business world, convinced somehow that this same business world, via trade and investments, will bring sustainability and fair development components in its wake.

The everyday reality, however, reveals that the international business community is also the cause of many of the problems that exist in the areas of sustainability and fair development. Despite numerous initiatives in the area of transparency and socially responsible enterprise, that same business community is, in large parts of the world, still not held accountable for the negative impact of its trade policies on the people and the environment. The relatively invisible efforts of lobbyists in Brussels, for instance, are often directed toward undermining policies that aim to support sustainability efforts.

It is unrealistic to assume that all internationally operating companies are progressive and aim to serve public interests. Some companies are interested in the issues and have the potential to help create a better world, provided that they fulfil the fundamental requirements of transparency and accountability. To achieve this, the Dutch government should play more than just a mere facilitating role; it must also establish the very requirements that will lead to a better balance between public and private interests.

#### **1.4 Local and global**

Global Public Goods have attracted a great deal of attention worldwide. However, this attention threatens to further weaken the participation of local actors in the many high-level mechanisms that make decisions on how GPGs should be managed. A recent example of this is the UN High Level Panel for the post-2015 development agenda, which fails to include any local actors and civil society representatives.

A similar process currently involves the Green Economy that, in theory, deals with the maintenance of the fundamentals on which our lives and general welfare depend, including forests, water and land, human rights and social justice. The Green Economy is a concept developed by people working from office buildings in urban areas located far from the realities of local sustainable development. The Green Economy assumption that natural resources can be conserved by simply putting a price tag on them exemplifies this. While market mechanisms may look very attractive on paper, arrangements that are based on the monetization of nature are already leading to expropriation of forests, fishing grounds and land in so-called Green Grabs.

In our global economy it is very important that we don't become distracted by a paper reality; we have to keep the everyday realities of our current economic system in sight. For this reason, local actors should be active participants in all decision-making processes. If feedback on the actual effects of international trade and production processes on the local reality reach us in a timely manner, we can be better prepared to help prevent environmental destruction and violations of human rights or, at least, set them aright again. Moreover, the

contributions of local experts are urgently needed in efforts to come up with innovative solutions for a more sustainable, inclusive and fair economic system.

### **1.5 A balance between competition and stability**

The current globalisation process has created various corporate and global governance gaps. Over the past few decades there has been a one-sided emphasis on systems predicated on the notion of competition, while regulatory and social systems received less and less attention.

The Dutch government is responsible for establishing systems that foster stability as a counter-balance to companies competing for tax revenues, investments and natural resources. In order to effectively close this gap, democratisation and the influence of local people on their own circumstances, natural resources, land, employment and incomes is of essential importance. This requires new instruments geared toward precautionary, protective and restorative measures as applied to global production, trade and consumption.

## 2 CIVIL SOCIETY: EXPOSE, PROPOSE, PRACTICE

Civil society organisations worldwide are working hard toward the reestablishment of a healthy balance between growth and development by giving a voice to those who feel the direct impact of our globalising economy. They do this in a fairly hostile climate, tenaciously maintaining their agenda of justice, human rights, sustainability, and democratisation. Unions, women's organisations, environmental groups and local communities all know that the paper reality of international actors often does not reflect the actual realities found around the world. These organisations serve as watchdogs or as a countervailing force as they continue to demand attention for human rights, social impacts and environmental consequences whenever these are at stake.

These organisations provide an irreplaceable contribution to fundamental innovations for the step-by-step recuperation of a proper balance between mankind and the environment and the elimination of injustice. The analytical and informational aspects of these organisations and their ability to engage in negotiations to arrive at solutions must be recognised in global policy discussions concerning natural resource scarcity, the management of natural resources, climate change, the distribution of wealth, poverty reduction and ensuring the stability of current financial systems.

Southern organisations that work on issues concerning sustainable and just development consider the Netherlands a key player in the global debate and in the realisation of the sustainable development agenda. Many global networks such as labour, women's, environmental and solidarity organisations are located in the Netherlands, which means the Netherlands has access to the international negotiation arena.

Broad networks such as the FGG Alliance are very valuable when it comes to the balancing act between trade and aid. Without these types of organisations there would be no fundamental motivating force for change at either the local or global level. Meanwhile, precisely local organisations that do politically sensitive work all over the world are currently under extreme pressure. The Netherlands serves as their crucial partner and financier. Therefore, it is important that the ministry recognises its potential influence, that it utilises its full capacity in the transition to a sustainable and just global economy, and that it continues to serve as a reliable supporter of these organisations.

### 3 A COMMITMENT TO TRADE AND AID

Together with our Southern partners, we recognise various concrete opportunities for the ministry to optimally gear its combined portfolio towards support of sustainable and fair global development and poverty reduction:

- Innovation as the basis for sustainable and fair economies (3.1)
- Business, CSR and human rights (3.2)
- International trade and investment (3.3)
- Biofuels and policy incoherence (3.4)
- Tax treaties (3.5)
- Regulating financial markets (3.6)
- More sustainable investment policies (3.7)

#### 3.1 Innovation as the basis for sustainable and fair economies

A key challenge for the Dutch government involves finding answers to the climate, financial and food crises. These crises have made us realise that business as usual is no longer an option. And yet, established businesses, NGOs, international organisations and governments never get beyond some basic tinkering with existing practices. If we truly want to transcend the dominant business-as-usual mentality, we have to find innovations that can be applied to the trade and aid sectors that go far beyond mere adjustments. That can only happen if other actors such as Southern civil society organisations, entrepreneurs and communities take the lead.

In reaction to the negative impacts of the crisis, Southern civil society organisations have been coming up with innovative initiatives that ingeniously combine inclusive socio-economic development with the sustainable utilisation of nature. Some of the characteristics of these initiatives include:

- Local actors serve as the initiating parties;
- The starting point is local, sustainable and just development;
- Planning, decision making, implementation and monitoring are participatory;
- Decentralisation, multi-stakeholder platforms, clear agreements regarding transparency and information provision ensure equal power relations between the various actors;
- Initiators search and find links to local, regional, national and international policy-making processes.

These initiatives have the potential to engender green and just economies.

*To ensure that these local Southern initiatives have the room to develop, the following FGG Alliance's experience-based activities are deemed essential:*

1. Active support for governments in the implementation of existing laws and regulations in the area of participation and decentralisation.
2. Research into the possibilities of applying existing initiatives by “not the usual suspects” and into the economic and social contexts that will foster upscaling.
3. Small-scale financing opportunities for innovations that are accessible to local actors in the South and offer room for long-term development.
4. Strategic support for the expansion of the scope of existing initiatives.<sup>3</sup>
5. Area-oriented, multi-stakeholder approaches, in which local innovations receive the full attention of policymakers.
6. Coherent infrastructural, investment, and trade policies that focus on innovative initiatives.

### **3.2 Business, CSR and human rights**

The business community increasingly obtains a large role to play in combating poverty and addressing environmental issues. Meanwhile, the contribution of multinationals and the financial sector to the current financial, climate, biodiversity and food crises is largely being overlooked. In practice, corporations are barely being held accountable on any level for their contribution to these crises. Without transparency and regulations that will hold these companies accountable for the detrimental effects their business practices have, and without ambitious binding social and ecological standards, the positive contribution of the business community to sustainable development is tenuous at best.

*The FGG Alliance considers the following steps absolutely necessary:*

1. Support and reinforce EU proposals that oblige companies to provide reports regarding the social, environmental and human rights risks and consequences of their activities and business relationships. Stimulate EU proposals to make due diligence mandatory so that companies will take the necessary steps to minimise negative impacts and provide adequate compensation for damage resulting from their activities.
2. Ensure that companies in Europe are held legally liable for damage they cause outside the EU and, furthermore, remove legal, financial and other barriers toward this end. Present an accessible, independent and binding complaint

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<sup>3</sup> One example of this is public-private cooperation in the area of drinking water provision. These are now mainly supported through the EU-ACP Fund and the UN-HABITAT Global Water Operators Alternative, but that is not enough to realise the full range current ambitions. The Revolving Fund can, in this case, serve as a significant contribution here.

mechanism in the Netherlands for the victims of corporate malfeasance. Set up a fund to support both the complaint and judicial processes.

3. Abide by current EU regulations and draft regulations to prevent conflicts of interest and revolving door practices between political and business leaders in the Netherlands.
4. The Netherlands must hold companies accountable based on their CSR conduct within a framework of norms such as those established by the ILO, which includes a gender component. Ensure that companies become more conscious of the effects that their CSR policies have on both men and women. Including gender equality in their policies and monitoring these policies based on gender will contribute to increased equality in the workplace.
5. Gender-specific indicators must be integrated into existing research on the consequences of CSR policies, trade liberalisation, investment agreements and other promotions of trade and investment by the Netherlands.
6. Only allow those companies to receive state aid in the form of subsidies, loans, insurance and trade that can properly prove that their activities make a noticeable and measurable contribution to sustainable development and serve the public interest. Some basic conditions include observing strict standards in the areas of the environment, transparency, consultation (free prior and informed consent) and employment. Furthermore, they shall not be involved in human rights or environmental violations and shall not engage in tax avoidance.<sup>4</sup> The government itself must be transparent and must actively monitor compliance, as well as stimulate the participation of civil society representatives.
7. Moreover, there must be a level playing field with regards to eligibility for financing from ODA funds for companies and civil society organisations alike, in the area of monitoring and evaluation as well as remuneration standards, among others. This applies to, among others, the Revolving Funds where Southern companies should receive priority.
8. Establish an Accountability Fund to safeguard the reporting and watchdog functions of civil society organisations. It is only through sufficient checks and balances that policies can be implemented in a reliable and effective manner, which could, in turn, help avoid the conflicts of interest and inconsistencies associated with government money funding questionable projects by companies in developing countries where human rights are being violated. Essential Southern civil society organisations, like Dutch civil society organisations,

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4 From the report "The private sector's contribution to development is not guaranteed" (Bijdrage private sector aan ontwikkeling niet gegarandeerd," ActionAid, Somo, Both ENDS 2012) <[http://somo.nl/publications-nl/Publication\\_3874-nl](http://somo.nl/publications-nl/Publication_3874-nl)> it seems evident that within the current business tools, despite a number of important improvements, the impact of development and active due diligence are not sufficiently guaranteed to prevent negative impacts.

currently do not have sufficient means to properly perform their reporting and watchdog functions effectively.

### **3.3 International trade and investment**

The current free trade model undermines the likelihood of international cooperation and the establishment and monitoring of social safety nets, wages, labour standards and job security, environmental regulations and consumer protection.

The FGG Alliance advocates an alternative model, which includes ensuring that policy decisions are not made behind closed doors, and are instead part of a transparent and democratic process. Key elements of this model include human rights, environmental protection and the promotion of social equality within and between nations. Our model focuses on the regionalisation of production and consumption as an alternative for the current trade regime that contributes large amounts of CO2 emissions as a result of the transport of products worldwide.

Fair multilateral, regional and bilateral trade and investment relations deserve a central place on the agenda of the new ministry that fits within the integral vision of globalisation, demonstrates a broader view of inclusive prosperity and well-being and establishes the necessity of internalising social and ecological costs.<sup>5</sup>

*De FGG Alliance attaches great importance to the following measures:*

1. Democratisation: Civil society in the Netherlands and the EU should be well represented during any negotiations of agreements. The ministry should follow the protocol established by the Directorate-General for Trade (DG Trade) and create open and transparent stakeholder consultations (civil society dialogues) regarding international trade issues.
2. Dutch investment treaties: The Netherlands needs to review its own investment protection agreements (Bilateral Investment Treaties, BITs) based on the insights that the current, legally broadly formulated, BITs carry large risks. At the very least, for the agreements should include obligations that companies need to adopt, such as those outlined in the OECD Guidelines.
3. Environmental and social clauses included in European Investment Agreements and the EU's Free Trade Agreements (FTAs): The Cabinet should promote binding integration of social, human rights and environmental aspects in EU trade

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<sup>5</sup> For more information in Dutch, see: Aanbevelingen voor een duurzamer, evenwichtiger en ontwikkelingsvriendelijker handelsbeleid: SOMO, TNI, Both ENDS, as members of the FGG Alliance, February 2013 <[http://somo.nl/publications-nl/Publication\\_3934-nl](http://somo.nl/publications-nl/Publication_3934-nl)>.

and investment treaties. It is only then that trade and human rights can actually begin to reinforce one another.

4. In the design of the EU's new common investment policy, the Netherlands, in contrast to current policy, should not advocate implementation of comprehensive safeguards for investors as is the case in current generation of European Investment Agreements, but should include a broader range of sustainability considerations. Based on current trade agreements, the ability of companies to bring countries that adopt new sustainability policies before a tribunal should be limited.
5. The right to food and food sovereignty: The Netherlands needs to strongly advocate for the right to food and food sovereignty in the UN, FAO and the WTO, including in relation to biofuels (see below). Regarding European agricultural policy, the Netherlands should actively advocate that more attention be paid to the position of small farmers and cooperatives in the production of food for local and regional markets as well as international supply chains.

### **3.4 Biofuels and policy incoherence**

The "promise" of biofuels has actually been the cause of tremendous problems in developing countries leading, in particular, to land grabs, food insecurity and environmental problems. European biofuel companies, encouraged by the EU Renewable Energy Directive and national fuel blend requirements, are very involved in such practices on a large scale. The recent EU proposal calling for a ceiling on the most dangerous biofuels is one effort to limit the damage, but not sufficient to prevent the aversion of the damage of our quest for energy onto the poorest.

Both the EU and the Netherlands have the responsibility, and right now the opportunity, to effectively address these problems. The Ministry for Foreign Trade and Development Cooperation can potentially play an active role in this case.

*The FGG Alliance offers the following recommendations:*

1. Tighten up the EU ILUC proposal with a 0% fuel blend requirement for biofuels as the chief goal. In conjunction with the State Secretary for the Environment and the Minister for Economic Affairs, use the EU ILUC proposal as an instrument to reduce the use of biofuels produced from agricultural crops <sup>6</sup> and demand the introduction of social criteria and transparency for all biofuels.

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<sup>6</sup> More specifically: Support and strengthen the EU proposal regarding Indirect Land Use Change (ILUC) and strive for a European a maximum 5% ceiling on conventional biofuels and a roadmap leading to its total phase out by 2020. Focus on the introduction of a binding ILUC factor. Introduce a 3% ceiling for current Dutch use. See, among others: [http://www.actionaid.org/sites/files/actionaid/positie\\_biobrandstoffen\\_actionaid\\_dec2012.pdf](http://www.actionaid.org/sites/files/actionaid/positie_biobrandstoffen_actionaid_dec2012.pdf); and

2. Make the planned deployment of policy coherence in the area of biofuels more concrete by increasing the effectiveness of interventions in the area of food security and land rights. Make use of upcoming EU studies that investigate the consequences of EU biofuel policy on developing countries to provide an impetus for policy coherence.<sup>7,8</sup>
3. Avoid investing public money in harmful biofuels and critically re-evaluate earlier biomass programs and projects.<sup>9</sup>

### 3.5 Tax treaties

Dutch fiscal policies and its current investment climate have made the Netherlands a favourable place to do business for multinationals. The Netherlands is used as a “transfer country,” which allows companies to avoid paying many billions of euros of taxes annually. This, in turn, means that the governments of other countries, especially developing countries, miss out on tax revenues. These are necessary for financing basic services like education, infrastructure and health care.

The Dutch government can and must, certainly within the framework of policy coherence for development, take the effects of its fiscal policies and the tax treaties it maintains with developing countries into account. As the co-chair of the OECD Tax & Development project it is also important that the Netherlands plays a progressive role and sheds its reputation as a tax haven once and for all. There should be an increased effort to expand the current levels of transparency of tax treaties and related fiscal policies. The Netherlands must also advocate regulated and systematic testing as well as the revision of current tax rules.

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on the position of NGO's:

[http://www.actionaid.org/sites/files/actionaid/121207\\_210\\_brf\\_vaste\\_cie\\_im\\_ao\\_18\\_dec\\_biobranddstof\\_fen\\_rwi\\_def.pdf](http://www.actionaid.org/sites/files/actionaid/121207_210_brf_vaste_cie_im_ao_18_dec_biobranddstof_fen_rwi_def.pdf).

7 This concerns the DG Energy's report “Impacts of EU biofuels policy: Food security, land rights and broader development issues” and a second DG DevCo study on “Beleidscoherentie voor Ontwikkeling en Biobrandstoffen” (Policy Coherence for Development and Biofuels).

8 This concerns the DG Energy's report “Impacts of EU biofuels policy: Food security, land rights and broader development issues” and a second DG DevCo study on “Beleidscoherentie voor Ontwikkeling en Biobrandstoffen” (Policy Coherence for Development and Biofuels).

9 Such as Biomassa Mondiaal (Global Biomass), Import Duurzame Biomassa (Sustainable Biomass Imports) and FMO and PSI investments.

*The FGG Alliance recommends the following:*

1. Dutch tax treaties with developing countries should be reviewed for their negative impact. The government should take proactive and concerted action in case it becomes obvious that the tax treaties are indeed having a negative impact on developing countries.
2. Multilateral tax treaties should receive priority over bilateral agreements.
3. The government should make public with which companies it has signed a tax ruling.
4. The actual economic activities a company engages in within the Netherlands should be included as part of the so-called “substance” requirements demanded of companies that want to establish their business in the Netherlands.
5. Information about the eventual beneficial owner(s) of companies established in the Netherlands should be made available to the public.
6. The Netherlands must pursue progressive ways of addressing the worldwide problems surrounding tax avoidance and tax evasion by, for instance, implementing unitary taxation.

### **3.6 Regulating financial markets**

The financial crisis has shown that the liberalisation of financial markets without proper regulations and monitoring can also have a very negative effect on developing countries. For instance, liberalisation may lead to the creation of speculative bubbles, which may place basic services to small farmers and poor clients at risk, while tax paradises are allowed to survive.

European banks and other financial service providers are able, via trade treaties and the World Trade Organisation (WTO), to increase their investment and trade activities in financial services in developing countries; in some countries this is leading to a situation where international players are taking over the entire financial sector. Actually, there are no legally binding agreements that can sufficiently guarantee (international) regulation and controls. Moreover, foreign banks are often not interested in serving poor clients, small farmers in rural areas and the local small and medium sized businesses (SMEs), which ultimately undermines poverty reduction and economic development.

A consequence of the current lack of effective regulation means that foreign financial speculators can manipulate import and export prices of food and other natural resources or destabilise prices, which may make food too expensive for poor consumers and may lead small farmers to make poor land-use decisions.

*The FGG Alliance's concrete recommendations:*

1. In the negotiations involving the International Service Agreement (ISA) and free trade agreements with developing countries, such as those with India, the emphasis should be on cooperation rather than the current focus on increased market access for European banks and financial service providers. The Netherlands should strive for a cooperation agreement to promote improved legislation.
2. Dutch development cooperation should also focus on universal access to basic financial services, preferably by local financial service providers under proper supervision.
3. The Netherlands should demand that financial speculation on futures markets for food and natural resources be curtailed significantly in the current EU legislative MiFID-II/MiFIR process.
4. The Netherlands must support the regulation of futures markets and other price guarantee systems involving food and natural resources in developing countries.

### **3.7 More sustainable investment policies**

Governments have become important players in the stimulation of investment in developing countries via multilateral financial institutions such as the World Bank and the European Investment Bank (EIB) as well as via bilateral institutions such as the Entrepreneurial Development Bank (FMO) and Atradius Dutch State Business (DSB). According to these same governments, sustainable and climate-friendly investments are hereby prioritised that live up to the best standards in terms of the environment, social impact and human rights. But alas, this has only in small part been realised.

A leaked evaluation from early 2013 shows how US\$4.1 billion of the World Bank's investments over the past 10 years in the forestry sector has not led to a decrease in poverty levels and has actually been funding industrial logging ventures instead. An evaluation of the IFC's investments via financial intermediaries reveals that this subsidiary of the World Bank has no effective overview process in place to evaluate the consequences of its investments. The increase in IFC loans in the form of private equity funds via intermediary banks – now comprising some 50% of its portfolio – in combination with its reliance on government land policies, remains highly problematic.

On the national level, it has become apparent that the FMO scores much lower than the World Bank in the area of transparency and accountability. It also appears that the FMO's environmental and social criteria are not always implemented satisfactorily. Atradius DSB's CSR policy on paper is a far cry from its actual implementation. Furthermore, both institutions

offer local communities only very limited access to the relevant project figures and effective complaint mechanisms are not in place at either institution.

*The FGG Alliance recommends that the Netherlands, in its relations with government-sponsored financial institutions, insist on the necessity of:*

1. strong social and environmental safeguards (this is currently relevant with regard to the World Bank),
2. rigorous implementation,
3. increased transparency and accountability.

## 4 THE FGG ALLIANCE'S CONTRIBUTION

The FGG Alliance's members have years of experience with international policy processes and are pioneers in the area of analysing trade and aid. The Alliance unites organisations with a set of attributes and capacities that are highly relevant in the creation of the necessary balance between trade and aid.

The Dutch members of the FGG Alliance and its Southern partner organisations are committed to the *empowerment* of Southern communities, grassroots organisations and women's organisations, so that they can directly participate in policy and negotiation processes.

The FGG Alliance members are all part of a broad range of networks that contribute to Dutch, European and international policy discussions regarding trade and financial flows. The FGG Alliance is able to involve local organisations in discussions relating to trade and development cooperation via these networks. Together we introduce our innovations into the political debates and bring new perspectives to the table. The FGG Alliance is also in a good position to perform a *watchdog* role and flag in a timely fashion the human rights violations, social abuses and the destruction of nature that result from corporate trade and investment activities.

Alliance members and their partners are well equipped to produce reliable analyses of the crucial processes and essential actors operating in the global economy. Based on these analyses, we are able to provide the public with information that raises awareness, and to go beyond signaling abuses to also provide advice on concrete strategies to achieve necessary improvements.

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## Balancing Trade & Aid

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