



**International Chamber of Commerce**

*The world business organization*

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## Joint views of the International Organisation of Employers (IOE) and the International Chamber of Commerce (ICC) to the ECOSOC High-Level Segment, 3-5 July 2006, Geneva

### **The central role of the private sector in enterprise and employment creation**

The fundamental role of business in society is wealth creation and enterprise development, which constitute the main sources of employment generation. But the private sector has not only a central role to play but also an enormous stake in the creation and fostering of prosperous stable societies. As the principal engine of job creation, business thrives when its workers and customers thrive. As economic actors and as human beings, it works best and most effectively in well functioning communities. In simple terms, business is a key contributor to economic and social development.

The significance of this contribution to job creation and poverty reduction is now broadly recognized by the international community. Indeed, this was a central component of the 2004 UNDP Report *'Unleashing entrepreneurship: making business work for the Poor'*. Mostly recently, this central role of the private sector was strongly endorsed in the 'Outcome Document' adopted by the UN General Assembly at its 2005 Summit, where governments acknowledged the vital role the private sector can play in generating new investments, employment and financing for development and resolved to put in place the policies and investments to drive sustained economic growth, promote small and medium sized enterprises, promote employment generation and stimulate the private sector.<sup>1</sup>

As UN Secretary-General Kofi Annan emphasized, *"It is the absence of broad-based business activity, not its presence, which condemns much of humanity to suffering. Indeed, what is utopian is the notion that poverty can be overcome without the active engagement of business."* This has always been manifest to business, and IOE and ICC are very much encouraged by the fact that this is becoming increasingly evident to the international community.

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<sup>1</sup> Outcomes document paragraph 24 section (a) and (d)



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### ***The contribution of the private sector to raising living standards***

The right policy mix, enabling the market economy to function effectively and the private sector to thrive, underpinned by open access to global markets has produced extraordinary results.

Global living standards have risen dramatically over the last decades. Millions have left behind the yoke of poverty and despair. Working poverty at the US\$1-a-day level declined in most regions of the world last year. Infant mortality rates have fallen. On average, life expectancy has risen. According to the World Bank between 1981 and 2001, the number of poor people fell to 1.1 billion from 1.5 billion or to 21 percent from 40 percent of the global population. However, there is undoubtedly still much progress to be made and wide disparities persist.

### ***Policies that support job creation***

Creating an enabling environment for enterprises of all sizes and sectors to develop, create jobs and pursue technological innovation, coupled with sound governance and policies to reduce barriers to international trade and foreign direct investment, opens a significant route to job creation and poverty alleviation. While the main responsibility for creating such a policy environment lies with governments, this will require a concerted effort and partnership by all actors in society, including business, trade unions and other stakeholders at both the local and international levels.

Governments need to put in place and implement the appropriate national and international policies to create an environment conducive to economic growth and job creation. These essential elements have often been pointed to in international discussions and many are incorporated into UN resolutions.

In particular, ICC and IOE attach great importance to the completion by the end of 2006 of the Doha Round of multilateral trade negotiations under the aegis of the World Trade Organization (WTO). Governments must undertake every effort to achieve an ambitious, comprehensive and balanced result that can play a vital role in raising global living standards. Greater global economic integration fosters trade and investment relationships, economic growth and job creation, and can also increase political stability.

### ***The role of representative business organizations***

Representative business organizations can play a crucial role in the creation of an enabling economic environment.

Ultimately, the reforms needed to create such an environment must take place through national political processes that require national actors. National representative business organizations are such actors, with distinct roles, respected in their communities with clear and definable values and objectives.

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Such organisations can provide useful guidance to governments in a policy reform process. They can give advice, based on the views and experience of their members on the key challenges and constraints facing business as well as on their members needs and priorities. *This is a vital developmental role.*

IOE and ICC, as global representative organizations of large and small business in all parts of world, are playing their role at the international level by working with intergovernmental organizations to mobilize business collectively around these policy challenges. ICC and the IOE take this opportunity to strongly underline their commitment to working with governments, intergovernmental organizations and other stakeholders, in this respect.

### ***Framework for action***

The private sector is the principal engine in job creation, but job creation is a shared responsibility that requires collective action. The private sector cannot work in isolation. It needs the active involvement and collaboration of other key stakeholders across all sectors. Partnerships can and have yielded substantial progress on a wide range of issues. But partnerships have to deliver outcomes that have an impact on people’s lives.

Governments in the first instance need to deliver on the commitments they undertook in the UN General Assembly Summit Outcome Document in terms of creating an enabling environment for the private sector to create wealth and jobs. They need to channel private capabilities and resources into stimulating the private sector in developing countries through actions in the public, public/private and private spheres to create an enabling environment for partnership and innovation that contributes to accelerated economic development and hunger and poverty eradication.

Societies can only develop with good governance at all levels. The local level needs to be empowered in terms of economic and social development.

Business works most effectively within a market economy and regulatory system based on: individual responsibility and choice, sound science and risk management; competition; respect for the law and property rights, including intellectual property, respect for the individual, transparency, integrity, human dignity, equality, and individual freedom. Ultimately, success in maximizing the private sector’s contribution to economic growth and job creation will depend on the willingness and capacity of local and national governments to create and implement the appropriate policy frameworks, and to pursue joint efforts with business and other stakeholder groups. In turn, these efforts will need to be supported by the international community.

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