

# The Role of the Private Sector in Support of Democracy

Final Report by the  
Community of Democracies Working Group  
on Poverty, Development and Democracy



COMMUNITY  
OF DEMOCRACIES

Working Group on  
Poverty, Development  
& Democracy

*Co-Chaired by Chile and Italy*

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# Preface

For more than a year, representatives of Mongolia, El Salvador, Cape Verde, India, and Morocco, under the joint chairmanship of Italy and Chile, met regularly to define the parameters and advance the goals of the Community of Democracies Working Group on Poverty, Development and Democracy. They were joined by civil society representatives from the Council for a Community of Democracies (CCD) and the Center for International Private Enterprise (CIPE) with consultation from the Caux Roundtable. An important partner throughout our discussions has been the Organization of American States (OAS) and its Director of International Affairs, Irene Klinger, and her staff. Cooperation with the OAS culminated in its hosting of the April 18 seminar on “The Role of the Private Sector and Other Actors in Supporting Democracy,” a summary of which is contained in this report.

Often overlooked in the democracy equation is the role that business can play along with other sectors of society in democratic development. In a world that in recent years has become increasingly democratic, it is incumbent on private enterprise and governments to explore ways in which they can work together to consolidate democratic transitions that are mutually beneficial. For this reason, the governments of Italy and Chile, in their capacities as co-chairs, chose to focus the attention of the Working Group on the role of the private sector in supporting democracy. As noted by the Center for International Private Enterprise: “as a key component of civil society business possesses resources, human capital and problem solving capabilities that can benefit society as a whole. A politically engaged private sector can improve policymaking, represent legitimate economic interests and defend democratic rights and institutions” (quoted from: “Helping Build Democracy that Delivers,” CIPE).

In pragmatic terms there are many reasons for business to have a stake in operating within democratic institutions. To begin with, free enterprise itself is a key ingredient of democracy. Authoritarian regimes often restrict or undermine economic freedoms at heavy costs both to themselves and to business. Unleashing the power of the individual entrepreneur in the marketplace to compete freely has been shown to be critical to a successful economy and hence to a healthy society. A successful transition from authoritarian rule to democracy inevitably involves the privatization of media, essential to a free press. It is also beyond doubt that business greatly benefits from rule of law, which checks the human temptation to abuse

power for personal gain, and transparent government and policymaking, essential elements of democracy.

In assessing the role of the private sector in democracy, CIPE stresses the role of business associations as important constituencies for supporting and reinforcing democratic norms and institutions. They do so by holding government accountable for policy decisions and bringing pressure to bear on government to respond to democratic processes.

Steve Young, Executive Director of the Caux Roundtable, who has contributed to the deliberations of the Working Group, has expressed it well in the essay we have appended: “Promoting a Global Civilization under Responsible Government: Opportunities for Global Business,” when he wrote:

With respect to the economy, democracy requires the emergence of middle classes, cities, and wealth to support education, financial institutions for the mobilization of capital, civil society and civic commitment. Business can therefore help itself by promoting these three preconditions for democracy—cultural pluralism, civic society and middle class prosperity.

## Acknowledgements

This project took place under the able direction of Michele Pala, Counselor for Political Affairs of the Embassy of Italy to the United States and Claudio Gantes, his counterpart at the Embassy of Chile. The report was prepared by Robert LaGamma and Daniel Hollingsworth of the Council for a Community of Democracies (CCD), which also co-organized the seminar on the Role of the Private Sector and Other Actors in Supporting Democracy in Latin America. That seminar was organized and hosted by the Organization of American States and its Director for International Affairs, Dr. Irene Klinger. We extend special thanks to OAS Secretary General Jose Miguel Insulza for presiding over the seminar and to the First Lady of El Salvador, Vanda Guiomar Pignato for her participation in it. The Working Group extends its appreciation for the many contributions made by John D. Sullivan, Executive Director of the Center for International Private Enterprise (CIPE) and to his associate, Gregg Willhauck. Steve Young, Executive Director of the Caux Roundtable also contributed his vision based on his long commitment to this field. Connie Phlipot of the Community of Democracies’ Permanent Secretariat in Warsaw worked together with Gregg Willhauck to produce the Concept Paper that guided much of our work.

# Seminar on the Role of the Private Sector in Latin America

## **The Corporate Democracy Seminar: the Role of the Private Sector and Other Actors in Supporting Democracy**

Convened at the Headquarters of the Organization of American States

April 18, 2011

### **Introduction:**

The Community of Democracies (CD) has launched six Working Groups to identify concrete steps for strengthening democracy worldwide. The Working Group on Poverty, Development and Democracy has identified the role of the private sector in poverty reduction as an important issue to be explored.

The seminar, titled, “Corporate Democracy Seminar: The Role of the Private Sector and Other Actors in Supporting Democracy,” hosted by the Organization of American States (OAS), was organized by the Working Group on Poverty, Development and Democracy of the Community of Democracies, co-chaired by the governments of Chile and Italy, and the Council for a Community of Democracies (CCD). The seminar also had significant contributions from the Center for International Private Enterprise and the Council of the Americas.

The event aimed at highlighting the role of the private sector in supporting democracy and how the private and public sectors can establish strategic alliances to contribute to strengthening democracy and discuss how good governance and the rule of law are important factors to stimulate economic growth, promote private investment, generate employment, poverty reduction and prosperity with social inclusion, improving the living standards of the citizens of our countries.

Government representatives, including those from members of the Working Group, nongovernmental experts on democracy and development, and representatives of corporations each contributed unique perspectives on the potential for enhanced partnership in the promotion and protection of democracy in the Americas.

In an increasingly democratic world, it is imperative that governments of democratic countries and the Community of Democracies’ Permanent Secretariat make

the case to the business community that support for democratic norms, processes and institutions is in the long term interests of business and that major efforts should be undertaken to explore ways to bridge the common interests of business and democratic governments.

The outcomes of this seminar, in the form of this report, will contribute to the development of a permanent Corporate Democracy Forum in the framework of the Community of Democracies, which will provide the private sector a voice along with governments and civil society in shaping the debate and policies of the CD. The results of the meeting will additionally serve as an important input to the OAS Member States and General Secretariat in the framework of the 10<sup>th</sup> Anniversary of the Inter-American Democratic Charter.

### **Opening Session:**

The introductory panel was chaired by OAS Secretary General José Miguel Insulza and included the Ambassadors of Chile and Italy to the United States, Arturo Ferrandois and Giulio Terzi; and the Deputy Chief of Mission of the Embassy of Lithuania, Rolandas Kacinskas.

During his remarks Insulza pointed out that, “Corporate social responsibility is not a philanthropic task, it is not an activity left aside for nonprofit endeavors, but as an investment or reinvestment strategy to facilitate and contribute to improve an environment of social and economic and investment growth, and of defense for democracy, its principles and values.” However, he added that, “it is still necessary to further sensitize all stakeholders involved about the benefits of this concept.” Insulza went on to specify the potential positive effects of a mutually beneficial venture between governments and the private sector now that the economies of Latin America have been performing well.

Italian Ambassador Terzi used Italy as an example of the private sector’s weight in reinforcing democracy and cementing a structurally planned growth. Terzi noted, “The economic boom that characterized the postwar decades in Italy represents just this trend.” Terzi went on to praise the Italian industrial economic model which reinforces such partnership in the planning and execution process of the economic plan, stating, “this social economic model has been pivotal to the industrialization and economic growth of my country.” Furthermore, Terzi noted the potential for

the private sector's importance in building democracies in the Middle East and North Africa.

Chilean Ambassador Fernandois pointed at Chile's historical "intense public-private experiences." In Fernandois' view the "joint public-private efforts have contributed to maximize development and reduce our poverty." The ambassador highlighted that it was close coordination between the private sector and the government that enabled Chile to "repair and modernize in a brief time a great part of the housing, roadside, hospitality, education, port and airport infrastructure after the earthquake of February 27, 2010." Fernandois also pointed out the "intense and close relationship" that Chile has had with the private sector in regard to pensions and healthcare, stating, "the private sector was the enabler of a qualitative leap in providing healthcare services which elevated the living standards of our population." He went on to acknowledge that without the private sector's assistance the government would have "taken decades to tackle the healthcare issue."

In a special video message, US Secretary of State Hillary Clinton urged conference participants to work to build a stronger partnership between civil society, governments and the private sector, key components of a democracy that she refers to as "three legs of a stool." She further added, "In vibrant democracies throughout the region, businesses and civil society groups are spurring growth and expanding opportunities. And many governments are playing their part as well by committing to policies that encourage innovation and spark a new culture of corporate social responsibility."

### **Plenary Session 1: Ten Years of the Inter-American Democratic Charter: Good Governance and its Impact on Business and Economic Development**

The panel which was moderated by the OAS Secretary for Political Affairs, Víctor Rico, also included the First Lady of El Salvador and Secretary of Social Inclusion, Vanda Guiomar Pignato, and the Vice President of the Council of the Americas, Eric Farnsworth.

The First Lady of El Salvador assessed that, "if democracy and economic growth are interdependent, this requires a clear understanding and continuous dialogue between the State and the private sector." In Guiomar's view the role of the private sector in supporting democratic sustainability is "the promotion of investment and

the active citizen participation in the definition and response to the model of society required, for the present as much as the future.”

Eric Farnsworth centered his address on how governments can work with the private sector to improve the investment climate. He started his remarks by saying that the, “role of the private sector is not understood or discussed,” even though it is a primary issue that is in need of attention. Farnsworth went on to state that governments should provide “well established rules” so that the “conditions under which investments are being made and why they are made and how they are being made,” are transparent. Farnsworth also noted the dominant role that job creation has in the advancement of democracy since in his view, “interest in the system is awakened” when people have secure incomes and a stable social net.

With that caveat Farnsworth highlighted the private sector’s major role as a tax contributor which is “critically important for the growth of society.” In that sense, he affirmed that governments should simplify the tax code process in order to insure compliance and “reduce arbitrages.” He argued for governmental transparency to reduce “corporatism” and minimize “inefficiency and clientelism.” Farnsworth went on to press the importance of jurisdictional security since “this establishes the rules of the game.” To conclude he argued that the private sector should be “mindful of their contributions which should be geared to institutions not governments.” Furthermore he added that corporate social responsibility should have a stake in the development of social democracy based on mutual long-term convergence of interests.

## **Plenary Session 2: Governments, Businesses, and Civil Society: Partnership for Strengthening Democracy**

The panel’s moderator, John D. Sullivan, Executive Director of the Center for International Private Enterprise (CIPE), began the discussion with a call to reassess the perception of what constitutes the private sector. “When people say private sector they are really thinking multinational corporations, but I will point out that much of the work in building democracy, especially in Latin America, will probably be done by the domestic private sector, which includes local firms, family businesses and the informal sector,” Sullivan stated.

Federico Riggio, Head of International Affairs of the Italian oil and gas multinational Eni, reflected on the spearheading role that companies like his can play to

start planting the seed of democracy in places where it hasn't flourished. "Because of the nature of our business, when you live in a country and you work with those people for forty years, you have created an enormous supply chain because when you come first to a country, you need everything, from water to food, to tools, technology, people well trained, and by doing so you create in these countries, a class, executives, government people than can, if well supported from the outside, create a democratic pattern for their own lives and culture," Riggio stated. He also argued that multinational corporations like Eni invest large sums of money in corporate social responsibility projects because besides the social component it also "creates an added value to the supply chain that is aligned to the long term production of dividends."

Next, Michael Hershman, President and CEO of the Fairfax Group and co-founder of Transparency International, explained that from his experience "one of the most important lessons learned is that transformation of government is more difficult than transformation of business." He went on to declare that his organization had spent a lot more time dealing with "business conduct." Hershman clarified that the ever-changing nature of democracy, with successions of power, makes the process of "educating" governments longer and costlier. He stated that when, "we did make progress in helping transform governments, we've often overcome many obstacles only to be confronted by a new government coming in, which changed the nature and face of what we were doing." Hershman concluded that while businesses are not active in the political arena they have an impact in the country where they are present. He went on to state that, "companies have a multiplying effect, when they show high standards of conduct and codes of ethics they are telling the people through vendors contractors that transparency and accountability are a profitable way to proceed." This process in his organization's view leads to more democracy prone state of mind in society and ultimately helps develop democratic principles.

To wrap up the panel the Director of Global Trade Policy for Proctor & Gamble, Scott Miller, praised the achievements in democracy in Latin America in the last few years attained with the support of the private sector, and glimpsed a promising future for the region, especially in standards of quality of life. According to Miller, "Over the past fifteen years, many of the big economies in Latin America had really gotten their macroeconomic house in order and also many economies had made a major step towards opening themselves to foreign trade and investment which has made a huge difference and has improved citizens' lives." To conclude, Miller stated that the business integration process that Latin America is going through is

a “virtuous cycle,” however the lack of transparency in the tax process holds back productivity growth which in turn hampers the development of a “sustainable” middle class.

### **Closing Session:**

Closing remarks and conclusions were offered by the Deputy Chief of Mission of the Embassy of Mongolia to the United States, Davaasuren Damdinsuren, by Chairman of the Board of the Council for a Community of Democracies, Ambassador Robert Hunter (ret.), and by the President of CCD, Robert LaGamma. Mr. Damdinsuren reiterated the leading role the private sector plays in a democracy’s economy by noting that the private sector occupies 80% of the economy of Mongolia.

LaGamma stated the importance of developing commonalities between governments and the private sector. “The corporate world cannot be assumed to accept our easy assumptions about the virtues of democracy. This is a very hard-headed community and they need to experience the value of democracy to their own businesses and their own economic futures,” LaGamma said.

## **Principal Recommendations from the Seminar on the Role of the Private Sector in Supporting Democracy, to be presented to the Vilnius Ministerial Meeting**

1. The governments of the Community of Democracies should encourage the facilitation of starting small and medium businesses, as the role of private enterprise is key to building democracy.
2. The CD should focus its attention on economic inequality and strengthen efforts to combat this problem by working more with the private sector and civil society. To curb high rates of economic inequality, CD governments should promote institutional, legal, and economic reforms to encourage the informal sector to become part of the market economy. Also needed is a focus on entrepreneurship through microfinance projects and access to capital markets.
3. CD governments should commit to anti-corruption efforts ensuring that a strong business climate exists without bribery, extortion or other means of corruption.
4. CD governments should encourage business associations to promote ethical codes and standards to their members in order to promote good corporate citizenship.
5. The CD should support Transparency International's efforts by encouraging CD governments to incorporate Integrity Pacts<sup>1</sup> for all contracts over a certain agreed-upon threshold.
6. The CD should encourage the participation of women in business because it strengthens their role in developing democracy in a society.
7. The CD should also encourage corporate social responsibility projects.
8. CD governments should encourage companies to participate in the Corporate Democracy Forum of the CD that will be launched on the occasion of the Vilnius Ministerial Meeting on July 1, 2011.

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<sup>1</sup> "Developed by Transparency International (TI) during the 1990s, the integrity pact is a tool aimed at preventing corruption in public contracting. The pact is essentially an agreement between a government or government department (at the national, sub-national or local level) and all bidders for a public contract. It stipulates rights and obligations to the effect that neither side will: pay, offer, demand or accept bribes; collude with competitors to obtain the contract; or engage in such abuses while executing the contract. In most cases, monitors are members of civil society or experts appointed by (and reporting to) the TI Chapter and its civil society partners. The independent monitoring system aims to ensure that the pact is implemented and the obligations of the parties are fulfilled." [http://www.transparency.org/global\\_priorities/public\\_contracting/integrity\\_pacts](http://www.transparency.org/global_priorities/public_contracting/integrity_pacts)

# Appendices

## I. Working Group Membership and Terms of Reference

Statement Submitted to the Convening Group for Presentation at the Plenary Session of the High Level Democracy Meeting

Kraków, July 2, 2010

In the framework of the activities carried out by the Community of Democracies, Italy and Chile have decided to co-chair a Working Group (WG) on Poverty, Development and Democracy (PDD).

Three meetings of the Working Group took place so far: in Washington, D.C. on May 20 and June 16, 2010 and in Krakow on July 2.

The Group welcomes and encourages the participation of all countries, which are members of the Community of Democracies, as well as representatives of non governmental organizations, academic communities, and the private sector who are willing to contribute to its activities.

At this stage, membership is as follows: Cape Verde, Chile (co-chair), El Salvador, India (observer), the International Steering Committee, Japan, Italy (co-chair), Mongolia, Morocco.

The Working Group members agreed upon the following methodology and spirit:

The WG approaches the issues related to Democracy and Development in a pragmatic way. It examines how to improve sustainable human development by encouraging local solutions, which will also improve democracy.

To this purpose, the WG has a particular focus on:

PDD and the private sector: how businesses can contribute, in times of crises, to the reduction of poverty and to promoting development. The group will thus focus on the role of the private sector in promoting a sound business environment and open societies in fragile democracies.

PDD and international aid: new trends, focuses and players. There is no standard strategy for poverty reduction or standard model for development. There are autonomous processes rooted in specific realities that must be encouraged and on which the group should focus. As well, development cannot be a formula adapted to all circumstances. The approach should be to proceed on a case by case and region by region basis.

PDD as a virtuous circle: how we can help new democratic regimes to deliver in terms of development, poverty reduction and the rule of law. The Working Group (WG) will approach the issues related to Democracy and Development in a pragmatic way. Also, it will examine how to improve sustainable human development by encouraging local solutions, which will also improve democracy.

The WG has already begun to share and examine current projects of cooperation that have proven to be successful and compare different policies and instruments. The main objective is to help identify a range of policy options and actions to promote development in countries with vulnerable democracies.

The sharing of information and best practices will allow the Group to highlight, under the form of guidelines, the different approaches and tailor them to different realities.

Future activities may include the involvement of the WG in the Summit on the Millennium Development Goals, at the United Nations in New York, where an informal Ministerial Meeting of the Community of Democracies may be held and a possible contribution of the WG may be foreseen.

In addition, the co-chair, in cooperation with the International Steering Committee, will verify the opportunity to held seminars in 2011, preliminary to the Ministerial Meeting of the Community of Democracies in Lithuania, to address the topics of the Working Group.

## **II. Statement to the September 2010 United Nations Democracy Caucus**

**The Community of Democracies has agreed on the following issues:**

Ministers of Foreign Affairs gathered at the Fourth Ministerial Conference of the Community of Democracies held in Bamako on November, 2007 reaffirmed the United Nations Millennium Declaration, in which every member State of the United Nations committed to strengthen its capacity to implement the principles and practices of democracy, and to achieve all internationally agreed development goals, including the Millennium Development Goals (MDGs), and reduce poverty by half before 2015.

At the heart of the Millennium Development Goals is the understanding that fighting poverty is a collective undertaking and that all countries have a stake in the results. Primary responsibility to achieve the Goals rests with individual countries, but international support is critical. In an interdependent world economy, open avenues for trade, international financial stability and the spread of technology are needed to enable developing countries to seize opportunities for sustained development.

The principle of democracy is universally recognised. The right of all people to freely choose their Government, enshrined in Article 21 of the Universal Declaration of Human Rights, is not peculiar to any culture. One of the main challenges to humankind in the new century is to make the practice of democracy equally universal. Nations of well established democracy ought to exchange experiences and deeper knowledge with those where democracy is still emerging.

Development is a key issue for democracy but it cannot be a formula adapted to all circumstances. There is the need to proceed on a case-by-case basis and encourage autonomous processes rooted in specific realities. Partnership with local authorities is important in order to engender local leadership and ownership.

While each country is responsible for its own economic and social development strategies, it is agreed that economic freedom, market transparency, equal opportunities and democratic governance are important elements in generating broad-based prosperity that benefits all citizens.

The private sector can play a direct role in poverty reduction. It can participate in physical and social infrastructure, including provision of basic services. For the private sector to contribute more effectively to the delivery of such services, an enabling environment must be established and the financial sector developed.

The United Nations Millennium Declaration affirms that the equal rights and opportunities of men and women must be assured and calls for, inter alia, the promotion of gender equality and the empowerment of women as being effective and essential to eradicating poverty and hunger, in combating diseases and in stimulating sustainable development.

Underdevelopment and extreme poverty renders countries vulnerable to the escalation of transnational organized crime including illegal trafficking in persons, especially women and children, and illegal trafficking in drugs and firearms. Also, persistent inequality and poverty lead to low public trust in political institutions and vulnerability to undemocratic practices, both of which are threats to democracy. The Community of Democracies considers that unemployment is one of the main causes of poverty. In order to contribute to alleviating poverty, the government of participating countries in the Community of Democracies should promote the exchange of ideas, experiences and insights on the roots of poverty and on effective policies to reduce it.

**To advance the Community of Democracies' fight against poverty and to promote development and democracy, the Working Group on Poverty, Development and Democracy recommends:**

a) All the States participating in the Community of Democracies should engage in the exchange of experiences and information on sustainable development and economic growth. To create an enabling environment for democracy and development, we promote building partnerships between governments, the private sector and civil society. An inclusive approach ought to be pursued, based on dialogue with emerging democracies and aimed at creating an equal partnership.

b) The Community of Democracies, with the active participation of the Permanent Secretariat, the Corporate Democracy Forum, the Parliamentary Forum and the civil society organizations, should work in a coordinated manner to identify public and private sources of funding to support the establishment of a network for the exchange of information and experiences among governments, civil society orga-

nizations, political parties and the private sector to foster equitable development and poverty reduction.

c) The Community of Democracies should foster the cooperation among regional organizations themselves and between them and the United Nations on development issues and the reduction of poverty. In this regard, we stress the importance of concluding successfully the World Trade Organization Doha Development Round.

d) To increase the support of activities that foster poverty reduction and capacity development, including through the United Nations Democracy Fund.

### III. Concept Paper for the Corporate Democracy Forum

*Encourage the active engagement of the private sector at national, regional and international levels in strategies and policies to promote democracy, development and respect for human rights. Consider creating within the Community of Democracies a forum for private sector representatives to take a more active role in informing the actions of the Community of Democracies.*

(Bamako Declaration November 2007)

#### Introduction

Since its establishment in the year 2000 the Community of Democracies has been striving to promote democracy and to strengthen democratic norms and institutions in all regions of the world through partnerships between governments and civil society. As the Community of Democracies approaches its 10th anniversary, it is time to expand this approach to include an essential 3rd pillar in the development of democratic society: the private business sector. Indeed, no sustainable democracy has been realized without the active participation of private business and the creation of a market economy. A democracy must implement rule of law (including the sanctity of contracts), create strong regulatory institutions, enforce competition, and provide equal access to the market and freedom of association; all of which are also vital for successful development of business. These values are mutually reinforcing; a successful market economy also demands checks and balances against cronyism and corruption. Only democracies have proven consistently capable of delivering these. Democracy and market capitalism are to a great extent inseparable. The democratizing function of the private sector is performed most powerfully by local businesses in their own countries and communities. However, transnational companies, operating globally and locally, have a special responsibility to contribute to democratic development and consolidation across borders.

We propose the Corporate Democracy Forum (CDF) to complete the Community of Democracies by providing a channel for the democratic contributions of the private sector. By launching the CDF at the High Level Democracy Meeting in Kraków, we aim for this initiative to be publicly endorsed by leading Polish businesses, representatives of business associations and prominent international companies.

## **Added-value of the Corporate Democratic Forum**

1. Advise the CoD on issues and activities that promote democracy from a business perspective;
2. Facilitate partnerships between businesses and business associations in new, struggling and established democracies with a particular emphasis on women and young entrepreneurs;
3. Provide expertise on rule of law, contracts, corporate governance, accountability, competition policy, etc.
4. Provide a clearinghouse of projects and ideas to enhance collaboration and promote synergies.

The benefit for the companies which sign on is, above all, to improve the business and investment climate in their own and foreign markets. Participation in the forum could also assist business expansion by helping locate partners for new markets and facilitate entry to those markets. The CDF could be a source of fresh new business ideas and talent.

Individual examples of partnerships and cooperative activities among business, governments and NGOs to support democratic and economic development abound as do networks of businesses and civil society. The CDF is not unique in recognizing the powerful force that cooperation among the sectors of societies brings. What the CDF seeks to add to these endeavors is a global link at the highest levels with democratic governments in pursuit of our mutual democratization goals.

## IV. Global Democracy Work Plan of the Community of Democracies

### *18 Recommendations by the Working Groups of the Community of Democracies Community of Democracies under the Lithuanian Presidency*

Presented at the High Level Democracy Meeting, Kraków 2010

The Global Democracy Work Plan is a compilation of recommendations of the Working Groups of the Community of Democracies. In accordance with their continued and strengthened commitment to democracy, and in an effort to assume more responsibility and undertake more valuable actions, the Community of Democracies countries plan to undertake these 18 actions aimed at furthering and strengthening democracy worldwide.

3 recommendations of concrete actions to be undertaken by CoD governments in the field of **enabling and protecting civil society**:

1. Develop a statement endorsing (existing) principles/guidelines on enabling and protecting civil society to be adopted by CoD governments at the 2011 Ministerial in Vilnius. Such a statement would send a strong message of support to civil society and strengthen states' normative commitment to building environments that allow civil society to flourish.
2. Encourage CoD governments to respond more effectively to regulatory threats against civil society by, for example: a) creating an international multi-stakeholder contact group of CoD member state representatives and civil society organizations focused on the issue; b) strengthening an alert system to inform and activate the contact group to restrictive legal frameworks; c) producing and disseminating tools for the diplomatic and development community to identify and respond to regulatory threats; and d) establishing a joint-action protocol to encourage more effective collaboration between states on specific cases.
3. In collaboration with the United Nations Development Programme, civil society actors and relevant multilateral bodies, develop a CoD mechanism that would coordinate the provision of technical assistance to member states in the

process of drafting legislation that affects the space in which civil society operates.

3 recommendations of concrete actions to be undertaken by CoD governments in the field of **gender equality and women's rights**:

1. Set up a password-protected website that will facilitate additional communication and idea exchanges between CD Working Group conference and program participants around women's political and economic empowerment.
2. Engage in a mapping exercise to identify websites that already catalogue national best practices and enabling laws, and post these findings to the CD Working Group website.
3. Support additional training opportunities for female political and economic leaders via exchange programs and on-the-ground training, in conjunction with civil society and private sector partners.

3 recommendations of concrete actions to be undertaken by CoD governments in the field of **poverty, development and democracy**:

1. CoD Governments are invited to identify a range of policy options and actions tailored to different realities in order to counter the effects of world economic crisis on the most vulnerable democracies.
2. CoD Governments are invited to create partnerships with local social groups, the private sector and civil society, on the base of a strong commitment to rooting out corruption.
3. CoD Governments are invited to take concrete actions in order to contribute to empowerment of women in democracies in transition as a precondition of development and democracy.

3 recommendations of concrete actions to be undertaken by CoD governments in the field of **promoting democracy and responding to national and transnational threats to democracy**:

1. Launch a pilot project of connecting democracy activists from all over the world with each other and some relevant national (US) and international in-

stitutions (US) in order to create a clearing house for (and later, hopefully, organize) exchange programs of countries aimed at supporting and training democracy activists.

2. Set up a mechanism (initially of NGOs) to monitor the emergence (even over the horizon) of national and transnational threats to democracy and make the Community of Democracies aware of such threats, including recommending action, like sending CoD missions to the country/ies concerned, reporting to the Convening Group, etc.
3. Set up a group of experts to monitor restrictions and even threats to internet security by governments, private companies, etc., including even self-imposed ones and make recommendations how to avoid and eventually combat them.

3 recommendations of concrete actions to be undertaken by CoD governments in the field of **regional cooperation**:

1. Examining the possibilities for setting up interregional platforms for exchange of good practices and experience in the area of democracy support;
2. Encourage and facilitate the setting up of regional registers of expertise on electoral reform, constitutional law, democratic governance, human rights law;
3. Encourage regional organizations to consider establishing training and awareness raising programmes on the essential mechanisms of democracy building and their potential, that facilitate access and understanding for the population and the voters, including at local community level.

3 recommendations of concrete actions to be undertaken by CoD governments in the field of **working methods of Community of Democracies and its Convening Group**:

1. Analyze the possibility to develop shared approaches to issues of common concern for democratic states in their foreign policy such as:
  - Repressive states: engagement or sanctions?
  - Democratic elections that risk leading to undemocratic outcomes or endanger human rights

- Non-democratic representative systems
  - Failed democratic processes
2. Analyze the possibility of developing dialogue fora within the CoD to discuss long term democratic development and to discuss acute events and recent global developments concerning democracy.
  3. Analyze the possibilities to make procedures in the Community of Democracies including the Convening Group more transparent, inclusive and representative.

## V. Promoting a Global Civilization under Responsible Government: Opportunities for Global Business

By Steve Young, Global Executive Director of the Caux Round Table

Civilization brings humanity closer to its highest aspirations of justice, prosperity, beauty, and truth. There can be no civilization without codes and practices of just and responsible governance. The wall between the barbaric and the civilized is grounded on Law, maintained by prosperity, and crowned with justice.

After centuries of institutional evolution, humanity has come to recognize that democracy best aligns law with justice. Rule *by* law is common to tyrannies and other versions of despotism and authoritarianism. The Rule *of* Law, however, checks the ever present human temptation to abuse power for personal gain. Public office is a public trust. Government of the people, by the people, and for the peoples provides sustainable Rule of Law through times both hard and good.

To keep government responsible to the law it is necessary first to keep it responsible to the people.

Private enterprise thrives in proportion to the degree of civilization achieved. Barbarism has never sustained prosperity or free enterprise. Civilization cultivates the creative and nourishes the accumulation of wealth. Markets don't develop under barbarism and small markets in uncivilized communities can't sustain profitable enterprises. Civilization permits the formation of capital and its investment in enterprise. Civilization enhances tastes and fosters robust demand for goods and services; civilization nourishes the intellect and invention, sustaining scientific inquiry and philosophy and drawing forth more productive labor and more expert coordination of talents.

Thus, business has a stake in promoting civilization. Successful business depends on the triumph of civilization. Business will always do better the more civilized its cultural, social, and political environment. Out of enlightened self-interest, as well as from a concern for human dignity, business should promote civilization.

Without law, promises are illusory; reliance on future returns is foolish; and the devil takes the hindmost. The law of the jungle is harsh and destructive of both labor and investment. The cost of capital is prohibitive. Establishing the Rule of Law is fundamental for the success of enterprise.

Second, without trust there can be no cooperation, no reciprocity, no sustainable exchange and trade, no systematic forms of high value added production. The cost of capital is again prohibitive where mistrust sets the moral norms of exploitation and opportunism and submission to the whims of power.

Proper democratic governance – without mob rule, demagogues, or other tyrannies of the majority on one side or the tyranny of a despot or a minority on the other – is not the natural state of human communities. Building democracy is part of the process of building better civilizations. The institutions of democracy evolve through time. They reflect underlying cultural, social, and economic preferences and priorities. Democracy lies at the end, not at the beginning, of political development.

With respect to culture, democracy requires a prior achievement of tolerance, pluralism, separation of religion from the police power, self-confident individualism, virtuous character, and trust in institutions.

With respect to society, democracy requires middling orders. Democracy finds it hard to survive among only peasants and aristocrats. Aristocratic, theocratic, and elitist social hierarchies do not welcome democratic government for all. Democracy also requires civil society with its mediating structures of activity and loyalty, along with some degree of literacy and active civic commitment. Civil society, in its turn, reflects the needs and habits of upwardly mobile middle class urbanity.

With respect to the economy, democracy requires the emergence of middle classes, cities, and wealth to support education, financial institutions for the mobilization of capital, civil society, and civic commitment.

Business can therefore help itself by promoting these three preconditions for democracy – cultural pluralism, civic society, and middle class prosperity.

Each set of conditions in turn emerges step-by-step, one step building on the success of prior efforts. Business therefore can help build civilization by financing the steps necessary for the growth of democratic institutions that will become strong and secure.

This is the responsibility of business, part of its philanthropic mandate to contribute back to society by assisting in the accumulation of higher quality social capital.

Key sectors where step by step achievements can be assisted by business leadership are:

### **Institutions of the Rule of Law**

- Courts and judges
- Lawyers and law schools
- Policing

### **Transparency**

- Accounting
- Corporate governance
- Laws and regulations
- Education and literacy
- Funding of political parties

### **Anti Corruption**

- Ethical standards for government
- Non-cooperation in public sector rent extraction
- Funding of independent media

### **Management of national financial institutions**

- Access to credit
- Rising wages
- Suitable infrastructure for trade and commerce

### **Principles for Business Engagement**

- Access to credit
- Build respect for the Rule of Law
- Promote Transparency
- Oppose Corruption
- Lobby for high standards of fiscal intermediation
- Promote education for all

*Steve Young is Global Executive Director of The Caux Round Table (CRT), an international network of principled business leaders working to promote a moral capitalism. The CRT advocates implementation of the CRT Principles for Business through which principled capitalism can flourish and sustainable and socially responsible prosperity can become the foundation for a fair, free and transparent global society.*



