

EMPLOYERS' ORGANISATIONS SHOULD BE FINANCIALLY INDEPENDENT.

DECP Position paper

The Dutch Employers' Cooperation Programme (DECP) started in 2006 as a public-private partnership of the Dutch Ministry of Foreign Affairs and the Dutch employers' organisations (VNO-NCW and others). The partners believe that effective employers' organisations will make an important contribution to sustainable economic development in the developing countries. DECP's aim is to strengthen the position of employers' organisations in developing countries by providing support and various types of professional expertise. Such expertise is available within DECP but it can also be mobilised through a wide variety of outside experts. DECP provides advice and expertise, not budget funding. This fits in with our view that an employers' organisation will be more effective and sustainable if it is independent and self-financing. It should be independent from government, both politically and financially, if it wants to be a credible representative of the business community at large.

In our initial contacts and attempts to establish relations with employers' organisations (EO's), we have noted that complete independence is rather rare. Quite often there are close links between the leadership of the EO's and the political establishment. This is not altogether surprising. Governments in developing countries are facing a dilemma: on the one hand, they recognise the merits of independent EO's as an indispensable ingredient for an efficient market economy, and they are therefore inclined to help the EO's develop through financial support. On the other hand, they realise that such support undermines their independence.

This dilemma is similar to the one faced by external donors, bilateral as well as multilateral. Donors have recognised the vital importance of a healthy business climate in the fight against poverty and, subsequently, the role that EO's should play in that context. Unsurprisingly, donors would therefore look favourably upon requests for funding from EO's from developing countries.

In the view of DECP however, donors should take a careful look at the type of support they will provide. Generally EO's in developing countries have a lot of ambitions, but little money. While the number of their members as such is often limited, the number of members actually paying their contributions is often very small indeed. Budget funding by external donors would thus appear to be the obvious and easy solution.

DECP takes the opposite view. External financing is almost by definition unstable and may induce EO's to undertake activities that are not sustainable in the long run. Most organisations will have to suspend their activities once the external funding stops.

If EO's want to fulfill their primary objective, i.e. defending their members' interests in the longer term, they should enlarge their revenue base by acquiring new members and also by getting more of their present members to pay their membership fees. This route is admittedly a long and difficult one. It requires –inter alia- a higher public profile for the EO, enhanced advocacy of members' interests and more effective communication. A second way of generating supplementary income for the organisation would be to start providing services for which members are prepared to pay. Examples are legal and fiscal advice, counselling on matters of international trade and training in the field of Health, Safety and the Environment (HSE).

The main objective of EO's is to defend the interests of business. In most developing countries this implies first of all trying to strengthen their membership base, increase their long-term sustainable revenue and adjust their priorities to match that income. For donors (including The Netherlands) this implies avoiding unallocated budget-support for EO's and instead providing the kind of expertise that will specifically support those efforts.