

## **Take action on UK aid policy (World Development Movement)**

December 2012

Thank you for your email about the World Development Movement's campaign for an International Development Committee inquiry into UK aid used to attract private sector investment to developing countries.

The Department for International Development (DFID) works with a broad definition of the private sector, including small-holder farmers and small, informal enterprises, as well as larger companies. In poorer countries, many – indeed, most – of these enterprises are run by or employ poor people; and their success is crucial to livelihoods. As well as creating 90% of jobs, private enterprises make just about all of the goods that poor people buy and drive innovation that can have transformational impacts on people's lives.

Fostering pro-poor private sector development is an important area of my Department's work, and I welcome the opportunity that the International Development Committee inquiry into the future of UK development cooperation provides to explore this issue in depth.

The UK Government puts a high priority on the rights and conditions of workers in developing countries, including in export processing zones (EPZs). For example, in the EPZs in Bangladesh, DFID is working with the World Bank and International Finance Corporation (IFC) to support a network of 60 labour counsellors who have helped to increase compliance with labour laws in the country's 8 EPZs, from 30-40% to 92% of companies. In 2012, 99% of grievances were resolved. These labour counsellors have also helped to set up Worker Welfare Associations in EPZ factories. More than half of companies operating in the EPZs now have Worker Welfare Associations. The minimum wage inside the EPZs is 33% higher than outside, and the labour counsellors are reporting a 95% compliance with the payment of this minimum wage.

Through the IFC, DFID has also supported the drafting of a new Economic Zones Act which was passed in 2010. The Act enshrines in law all of the gains for labour in the current EPZs, and seeks to expand worker rights. Firms who locate their business in special economic zones are expected to comply with local labour laws.

Further details of our approach to supporting pro-poor private sector development can be found in "[The Engine of Development – The Private Sector and Prosperity for Poor People](#)".

**Justine Greening**  
**Secretary of State**