Partnerships with the Private Sector for Development

The private sector as a driving force for development: what are we talking about?

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While the private sector is championed as a partner in development, mounting concerns about increasing disparities between and within countries are being voiced. How does this renewed focus on economic operators address the issue of inequitable growth? What would be the conditions for a successful partnership with the private sector? And how can aid agencies and governments contribute to it?

What are partnerships with the private sector for development?

Engaging the private sector in development is about partnerships between a public party (a donor, aid agency or a public administration) and a private party (a private sector company or an investor) for the purpose of achieving specific development objectives (1). There are various forms of partnerships where the role of the public party can range from donor, creditor, shareholder, customer or insurance, and the type of contractual relationship will determine the "*extent to which the public party has influence, if not effective control or at least stewardship over the project*" (2).

Dangerous assumptions about partnerships with the private sector

All private sector actors are the same: the private sector encompasses a variety of economic operators from developed and developing countries, transnational corporations, micro, small and medium-sized enterprises, and belonging to the formal and informal sector. Clear distinctions and appropriate strategies are necessary to avoid exacerbating already existing unfair competition.

An apolitical cooperation: multi-stakeholder processes don't guarantee "equality" of all participants and don't always lead to "multiple-win" situations, because the participants do not share the equal "stake" and do not have the same bargaining power.

Public-private partnerships always bring positive outcomes: little is said about the risks profit-oriented activities entail for the rights of vulnerable groups living in countries with weak legislation, poor governance, democratic deficit and corruption, and where labour rights abuses; natural resource and land grabs; water and soil contamination; illegal logging and environmental degradation are more likely to happen through corporate activities and less likely to be addressed properly.

Leverage private funding: Official development assistance (ODA) from the OECD Development Co-operation Directorate (OECD-DAC) members is declining in real terms and public budgets are being squeezed, hence justifying harnessing of private sector's means to achieve "cost effectiveness" and "value for money". However, there is little evidence on how public funding leads to private sector investment: is donor subsidy additional or replacing the latter? For donors, commercial viability and expected development impacts seem more important than input additionality (2).

Imbalance of power

In many developing countries, people suffering from the negative consequences of environmental destruction, loss of access to natural resources, disrupted livelihoods, and exploitative working conditions are often voiceless, put under pressure and threat, or even repressed if claiming their rights, because perceived as opposing to development policies or governmental projects. And those who support them (e.g. trade union, human rights defenders, etc.) or simply facilitate access to information and spaces for dialogues are often perceived as trouble-makers or accused of instigating resistance. Imbalance of power is also reflected at the global level where powerful corporations have secured their position in the process of shaping the development agenda (3). With the appointment of Unilever CEO Paul Polman as a member of the UN High Level Panel of Eminent Persons, the private sector is represented at the highest level in the discussions on the post-2015 development framework.

In partnerships with the private sector for development, donor country companies are often favoured. Besides financial flows, those companies receive other benefits, such as opportunities for procurement, and access to domestic markets and to decision makers. This creates distorting effects, in particular when development partners support transnational corporations, like in Tanzania where the Department for International Development (DFID) co-invests in UK companies' business projects, including Unilever. The UK Secretary of State, Justine Greening, made it clear that it "*is in Tanzania's interests – and it's also Britain's best interests [...]. I want to see far more British businesses joining the development push and working collaboratively with DFID*" (4). Favouring one's own companies is part of the game, but is it always in the best interest of developing countries, their private sector and their population?

Democratic ownership and human rights

Pierre Habbard, Trade Union Advocacy Committee (TUAC) Senior Policy Advisor, says that in the inclusive business agenda: "*the poor themselves are depicted as consumers and sometimes as entrepreneurs or as 'producers', but rarely as workers or as employees – never as citizens*" (1). This is echoed by the CSO Partnership for Development Effectiveness (CPDE) that is part of the post-Busan process on Effective Development Cooperation, which recommends that private sector engagement also aligns on country's development priorities, ensures citizens' engagement and involves multi-stakeholder processes, including with trade unions. CPDE also recalls that the provision of basic public services fulfilling citizen's human rights constitutes governments' primary responsibility and cannot be left to the private sector alone (2). For the private sector to be effective and benefit the people, "it needs to be framed within a normative approach to development – one that guarantees rights – and a vision of governments that maintain its developmental leadership role" (1).

In relation to poor corporate practices, most donors promote voluntary solutions instead of supporting stronger legal framework. Donors and governments should also seriously address the enforcement gap in international and domestic legislation aimed at protecting basic rights. IBON International recommends that the Human Rights Council and the UN Working Group on Business and Human Rights re-examine the possibility of binding instruments for human rights protection in the context of business operations (5). While compulsory international systems might be unrealistic, at least existing voluntary guidelines and standards should be embedded into the core business of companies receiving aid, and compliance to such norms should serve as eligibility criteria for donors to engage with private sector actors.

Similarly to Civil Society Organizations (CSOs) and aid recipient's governments which are subject to tight monitoring and assessments, private sector should be made accountable on the extent to which it truly contributes to development results, beyond income and rate of growth, but looking at social, economic and environmental aspects.

Conclusion

If the private sector is to be fully incorporated into the development process, then the priority should be given to private sector actors from developing countries, and enterprises that provide jobs to disadvantaged and marginalized groups. If the private sector is to truly be considered as a development partner, then aid effectiveness principles should apply to partnerships with private sector actors. And if the Global Partnership for Effective Development Cooperation (GPEDC) is to be an inclusive platform, it should seek to balance the power relationship of its Steering Committee by providing a full seat to labour unions (who currently share a seat with CSOs, while the private sector has one seat). The upcoming High-Level Meeting of the GPEDC in Mexico will focus on how governments and businesses can partner to achieve better development outcomes. We need to ask, who will benefit from these better development outcomes?

References

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