Making business part of the solution: Private sector partnerships can support sustainable development

In a wrap up to our SDGs series, we take a final look at the outcomes from the UN summit. Oxfam's Takumo Yamada makes the case for a more principled approach to public-private-partnerships and offers Oxfam's Poverty Footprint tool as a means of re-focusing private sector partnerships towards a more rights-based approach.

This post is part of the Africa at LSE, IGC and South Asia at LSE cross-blog series on the Global Goals for Sustainable Development.

There is one thing that must have struck everyone who attended the UN Sustainable Development Summit: the ubiquity of the Private Sector. From the spectacular projection of the Global Goals on the UN building to the UN Private Sector Forum, what we saw that week in New York was an unprecedented openness by leaders of the global business sector to do their part in achieving the Sustainable Development Goals.

The willingness of companies to engage in the global goals process and priorities is most welcome, as is the determination of governments to make such finance work for the less advantaged. Private finance is needed indeed, especially for large-scale infrastructure projects such as roads, railways, power and telecommunications, and the jobs such sectors create.

Photo: Annie Bungeroth/ CAFOD, May 2012

But the zero-poverty goal and the promise to leave no one behind do not go very well with some of the recent cases of private sector involvement in development projects, which have left too many people behind, such as small-scale farmers and patients.

What checks and balances are needed to ensure that business is part of the solution, not the problem, in our collective pursuit for the realisation of sustainable development?

Oxfam's specific contribution to the business sector in answering this question at the summit was the launching of an enhanced Poverty Footprint. The Poverty Footprint is a rights-based, people-centred tool for companies to examine, in partnership with civil society, their impact on poverty through five lenses (livelihoods, health and well-being, diversity and gender equality, empowerment, and security and stability) across their value chains. Oxfam developed it about a decade ago, and has since then executed three comprehensive poverty footprints – with Unilever, The Coca-Cola Company, and IPL/Asda — which yielded extensive learning and concrete recommendations for both Oxfam and the companies.

This tool was made available at the Summit to some 12,000 members of the UN Global Compact. The purpose was to reinforce society's growing expectation that companies understand, communicate about, and address both the positive and negative impacts that their policies and practices have upon people living in poverty around the globe.

In addition to what individual companies can do, governments, business and civil society work together to establish a principled approach to public-private partnerships (PPPs).

First, business and civil society have a shared interest in maintaining a clear delineation between the roles and responsibilities of the public and private sectors. While private finance is an inevitable part of the effort to meet the sustainable development challenge, it should not substitute for public financing to meet basic human needs that market forces simply will not address.

This makes it all the more important to point out that private sector engagement in development, through any form of investment or partnerships, should not and cannot be a substitute for corporate responsibility to pay taxes where they generate economic value. In 2010 alone, Africa lost US$11bn through just one of the techniques used by multinational companies – trade mispricing – to reduce tax bills. This is equivalent to more than six times the amount needed to plug the funding gaps to deliver universal primary healthcare in Africa's four Ebola-affected countries. The recently finalised OECD/G20 measures against Base Erosion and Profit Shifting (BEPS) is a move in the right direction, but they simply will not help address the problems of corporate tax avoidance faced by the majority of developing countries, who have been shut out of the negotiations. A second-generation of reforms is needed that genuinely creates an international tax system which works in the interests of the majority, not the few.

Second, PPPs should be considered only where evidence of effectiveness is abundant and where alternative delivery options are not. Sustainable development criteria for PPPs should be adopted and endorsed by the private sector and by governments. Such criteria should enable the beneficiaries of any partnership pursued in the name of development to enjoy full participation, transparency, and accountability in its design, execution, and evaluation.

Put more simply, genuine public-private*-people* partnerships – what you might call *PPPPs* – make a more meaningful contribution to sustainable development. Anchoring a partnership in that third "P" – "people" – signals respect for the rights of individuals and communities to be agents of their own development. That model is itself more sustainable.

Third, harnessing the full potential of the private sector will require an evolution from partnerships to policies. To help catalyse sustainable development and reduce poverty at scale, a responsible company would develop, implement, and advocate for relevant policies and practices throughout their operations, supply chains, and spheres of influence. For example, if the food and beverage giants in our Behind the Brands scorecard were to commit to corporate policies ensuring a living income for the millions of smallholder farmers in their supply chains, we would see a boost in rural livelihoods and respect for rights much more dramatic than most partnerships could ever achieve.

The extent to, and the speed with, which the "rights-based business case" for sustainable development will be developed and deployed will be one of the critical determinants of whether or not the transformative aspirations of the 2030 Agenda for Sustainable Development will materialise.

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This post forms part of a cross-blog series on the 2030 Agenda for Sustainable Development run by the **Africa at LSE**, **South Asia at LSE,** and **IGC** blogs. View more posts in this series.

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