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Promoting transparency and accountability in the Post-2015 and Financing for Development processes

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Are FfD3 and Post-2015 striking the right public-private balance?

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Getting the right balance between public and private sector roles and responsibilities in the Financing for Development and Post-2015 process will be fundamental to prospects for sustainable, inclusive development. Yet early evidence suggests this balance is already awry, skewed far in favour of private interests. Are we seeing a process of outsourcing the international agenda?

There's no question that businesses around the world are sources of growth and employment. But they are also the source of the most serious threats to sustainable development—from pollution to illicit financial flows that undermine prospects for public resources.

Can we have a transformative development agenda without the transformation of business? Is it time for a new model of business fully grounded in sustainability and inclusion as inherent, not optional, operating principles?

Just more business as usual?

At the FfD3 hearings with businesses last week, the theme, albeit unstated, seemed to be business as usual—let's just do more of it. Sessions covered how to increase public-private partnerships and how to cultivate more small and medium enterprises, seemingly on the assumption that more is better. Is it? All of this could happen under the current growth model and be completely unsustainable and deepen already serious marginalization, yet that did not appear to be a prominent concern.

What was discussed instead? One speaker stressed that risks are not as great in many developing countries as many investors think, and that in fact more money can be made there than in rich countries. A representative from the fertilizer industry made multiple interventions, without anyone pointing out the huge environmental and social costs from these products—or that even mainstream commercial farmers have started to see the merits of fertilizer-free approaches to managing the soil.

What's the zero draft of FfD3 got to say about it?

With the zero draft of the FfD3 outcome finally on the table, a speaker at the business hearings described it as having a lot of language that is positive for business, and called for it to encourage businesses and financial industry to get involved and feel they are part of the solution, not the problem. The draft itself refers to businesses playing a "critical role," and calling on them to engage as "partners in the development process."

But what track record do businesses really have in being part of the solution where that is not a mandated and enforced requirement? Especially on the systemic, broad scale required for sustainable development? What's the incentive for the world's 200 largest corporations, whose combined sales now exceed the size of the economies of 182 countries, to exert their enormous power and influence in any way beyond maintaining the status quo, which has delivered so many benefits to them?

The zero draft avoids any strong references to one area where the private sector could be encouraged in many developing countries. That involves the kind of industrialization that provides decent, well-paying jobs, while respecting human rights and environmental limits. This process restructures and diversifies economies, so countries rise above dependence on relatively low-return, volatile activities such as agricultural commodities. Many of today's rich countries pursued industrial policies that allowed them to take this path. But these are nearly impossible under the current trade and investment regimes, which are dominated by already wealthy countries and corporations.

Poorer countries in particular have little chance of entering the global economy in a way that propels domestic industries—and decent jobs.

Medicines for whom?

The zero draft includes the same reference to "essential" medicines that appears in the post-2015 talks. Global Policy Watch has already reported on the pressure there to downgrade agreed international language around access to medicines, with some countries lobbying hard for the more restrictive definition of only "essential" medicines. Who benefits from this? The gargantuan pharmaceutical industry, intent on protecting profits? Governments that now are increasingly elected on the back of private election finance? Probably not all people…much less the planet, given the copious amounts of medicine ending up in the water supply.

Whose incentives?

At the FfD3 hearings with businesses, there was a lot of talk about how public sector actors need to be better prepared to work with the private sector. Governments need to increase their project preparation skills, for instance, and understand how to develop proposals attractive to private partners. As one speaker pointed out, "Capital likes predictable, risk-adjusted returns." As do probably most people—but without the power to insist that their needs be taken care of above all else.

Does all this imply that the incentive structure only operates in one direction? Is there an assumption that we should have less confidence in the aptitude of the public sector, so therefore it must do more to operate on business terms? Even when those might be the same terms that have led to the current highly inequitable, unsustainable patterns of development?

Why is it appropriate to insist on targets for public financing in the form of Southern development assistance, as has happened during the first round of formal FfD3 negotiations this week, but claim that using targets to control remittance costs for people mostly at the low end of the employment chain will unnecessarily interfere with market mechanisms?

We can talk, as speakers at the business hearings did, about "piercing" the sovereign credit rating (set by private agencies) with well-structured projects (by public institutions making themselves attractive to private investors) and that will attract investments (back to the private sector). Since public and private incentives are currently so poorly aligned, it is hard to imagine how public entities operating more and more along private lines will keep up with their primary public responsibilities, including as the main duty bearers for protecting sustainability, inclusiveness and human rights. But at what point should projects vital to human and environmental well-being happen regardless of a business take on the issue?

Who's social contract?

It is true that huge sums now lie in private hands. Yet instead of focusing mainly on siphoning off some for sustainable development, deeper questions need to be asked about business models that are mostly not sustainable or inclusive. These must be transformed—or the high ambition of sustainable development called into question.

Sustainable development is a concept that recognizes relationships, between people and planet; among economic, social and environment; across different countries with their full spectrum of different capacities and responsibilities. It is, in a sense, a kind of social contract, grounded in indivisible human rights, that delivers for everyone alive today, with full consideration for generations to come.

Yet many businesses, encouraged by years of deregulation, think of themselves as existing outside this social contract. Or as able to select the parts useful to them—such as through deliberate strategies to reduce tax bills even as they are underpaying workers who then have to rely on social protection schemes paid for by taxation.

As a privileged group, they are able to set their own norms, mostly related to their own survival and profitability, and expect the public sector not to stand in the way. Large transnationals have pushed this approach so far that some governments at the United Nations have called for a legally binding framework to regulate them and provide appropriate protection, justice and remedy to victims of human rights abuses.

A social contract with gaping exemptions or exclusions is bound to collapse. Many businesses might agree that a contract is binding, not optional. It must be upheld and enforced, and there can be no picking and choosing—no exceptions.

What's Happening Next

Post–2015 negotiations

24 April: Means of implementation and global partnership for sustainable development

22 May: Follow–up and review

25 June: Intergovernmental negotiations on the outcome document

July: High-level Political Forum, "Strengthening integration, implementation and review—the HLPF after 2015"

0 July ECOSOC High-level Segment, "Managing the transition from the Millennium Development Goals to the sustainable development goals: What will it take?"

24 July, 27-31 July: Intergovernmental negotiations on the outcome document

27 September: UN Summit: "Delivering on and Implementing a Transformative Post-2015 Development Agenda"

FfD3 negotiations

19 June: Intergovernmental negotiations on the outcome document

16 July: 3rd Conference on Financing for Development

To Find Out More

—UN Sustainable Development Knowledge Platform

—Proposals for the SDGs

—Financing for Development III: official website

—Statistics Commission

—ECOSOC Integration Segment

—Goals for the Rich

—Reflection Group

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