

THE ROLE OF THE PRIVATE SECTOR IN ACHIEVING THE MDGs

SUMMARY REPORT

A. Welcome, Introductions and objectives of the Meeting

ROUNDTABLE
DISCUSSION

Sue Mbaya welcomed all present to this round-table discussion and gave a brief overview of the work of SARPN.

SARPN is a non-profit organisation that promotes debate and knowledge sharing on poverty reduction processes and experiences in Southern Africa. SARPN aims to contribute towards effective reduction of poverty in the countries of SADC through creating platforms for effective pro-poor policy, strategy and practice.

19th October
2005

SARPN aims to achieve these goals through:

- widening participation, bringing people together across the region to exchange ideas,
- disseminating information to deepen understanding of poverty issues in order to improve policy and practice.

The meeting was informed that this Round Table discussion fell within the Economic Dimensions Programme headed by Barbara Kalima-Phiri.

SARPN
Seminar Room
Pretoria

There were 13 participants who ranged from the private, civil society and academic sectors.

Ms Kalima-Phiri outlined the objectives of the meeting as follows:

1. To explore the key challenges that the private sector face in their efforts to fight poverty, specifically how these have inhibited their effective participation in MDGs; and
2. To create an opportunity for both the private sector and NGOs to explore ways and means of developing a relationship that would enhance continuous and sustained dialogue on poverty issues.

Kalima-Phiri added that the outcomes of this round-table were going to be distributed within the SARPN network for their use in programming, lobby work, capacity building and further research.

09.00 -
13.00hrs

The following papers were presented at the meeting:

1. Reflections on the outcome of the MDG Review +5 Summit in New York.
2. Public policy and the promotion of MDGs; and
3. Public-Private Partnerships and their role in enhancing Goal 1 of the MDGs.

B. Paper Presentations and discussion

Paper 1: Reflections on the outcome of the MDG Review +5 Summit - New York
Dr Chris Landsberg: Centre for Policy Studies

Dr Landsberg explained that he was present in New York and was structuring this talk around some key reflections on what had happened.

There were four aspects that were unique about this summit:

1. This was the first time that development issues were given such prominence;
2. There was much debate (as usual) about how to deal with terrorism and security but this happened within the context of poverty;
3. There was clearly an elevation of the status and role of human rights (as was seen by Kofi Annan's Report); and
4. On the question of UN Reform there were clearly two schools of thought - one led by the USA which interpreted this as the search for more effective and efficient UN structures, and the other led by "developing" nations who saw this as an opportunity to address issues of representation.

In terms of the outcomes of the Summit there is a mixed assessment. Although not all demands by the "developing" world and their allies were met, they were able to contain the last ditch efforts by the USA to role-back on the progress made to date. In particular there was a general commitment to strengthening multi-lateralism, but no substantial commitments on trade or global warming. In terms of MDGs, there was recognition that progress is being made and a strong emphasis on the goals related to gender and universal education. However, it was noted that Africa is the one continent that probably will not be able to meet the MDG targets.

Africa was the only continent that received specific reference, which highlights the need to accelerate efforts to meet the MDG targets. The UN agreed on a new programme of action on Africa which was in many ways triggered by the recent Commission for Africa Report. It was recognised that there is a need to bolster the AU peacekeeping capacity, and support was expressed for NEPAD and particularly the APRM. In terms of humanitarian assistance there was talk of creating a central emergency fund.

Aid, Debt and Trade - the recent debt relief measures (which benefited 14 African countries) is a welcome first step, but the process needs to go further. There was constant reference to a monetary consensus which comes close to a global compact on the above. However, what is disappointing was insufficient talk about benchmarks and targets. In terms of the 0,7% there is now a general commitment that this should be met by 2015 and some Northern countries have signed up to the international financing facility. There is still no agreement on trade that has to be finalised by DOA by end next year.

Disaster management - Hurricanes Katrina and Rita as well as the Tsunami disaster enjoyed a lot of attention. However, there was no collective agreement on how to deal with this and in particular the USA is reluctant to deal with protocols related to environmental issues.

HIV/AIDS, TB, Malaria and other diseases - again no specific targets but general agreement that they should enjoy greater attention. Also it was agreed that

countries need to meet commitments on the global aids fund but no specific amounts or targets were mentioned.

Terrorism - for the first time all countries condemned terrorism. However, there were two failures. First there is no comprehensive convention on terrorism and secondly there is no common agreement on a universal definition of terrorism. Weapons of Mass Destruction (WMD) were hotly debated but there was no agreement in the end.

Peace - there are no details as yet but it was agreed that a Peacebuilding Commission will be established to assist in the rehabilitation of states coming out of war situations. It is unclear where these funds will come from.

Institutional reform - there is a tension between two groups of states around these issues. India, South Africa and Brazil take this issue to mean the increased representation of the South and thereby a more legitimate set of UN bodies. The USA and others pushed for institutional effectiveness and efficiency - particularly as an outcome of the concern around the oil-for-food scandal. It is safe to say that both sides have a point, and the next few months will be critical. The Security Council special meeting in December will look at these issues, but unless the South can agree on which of the UN expansion models should be supported and which specific countries receive permanent membership we may miss the boat.

Issues not given sufficient attention

- although there is a consensus emerging on the new sovereignty and a move towards the responsibility to protect, there is no clear understanding of how this can be implemented in a fair manner.
- there are a proliferation of new institutions and bodies (e.g. the Human Rights Council) but no details on how they will be constituted or on their specific mandates.
- There was a strong voice for ECOSOC to be strengthened and given greater prominence, but how can it be made more effective and what will its relationship to the general council be?

In conclusion, the next 10 months will be crucial in ensuring that the USA continues to be contained. However, Africa often lacks the follow-up capacity to work between Summits in making the concessions and commitments a reality.

Key Issues Discussed

The following points were raised in response to Dr Landsberg's input:

- The private sector was very successful prior to the G8 Summit in putting their issues of concern on the agenda. There is an emerging concern for the "triple bottom line" and corporate citizenship but the NGO sector needs to be less ambivalent in dealing with the private sector.
- There is a "New Progressive Agenda" emerging in Africa which makes the link between peace, good governance, democracy and economic growth. This requires a compact between states and the private sector.
- It is clear that the role of the media still needs to be strengthened to address emerging issues related to a conducive environment for meeting MDGs
- Business for Africa seems to be doing a lot to put issues on the agenda for Africa. However, there is ambivalence in the private sector towards the

notion of development. This needs to be reframed as business having a commercial and social investment role in Africa and how this can become part of their “core business practice”.

- On the question of TRADE, there is a second opportunity in December when the WTO meets in Hong Kong to get better concessions. To date Britain and the USA are looking in the field of agriculture, but this is not the issue for South Africa.

Paper 2: Public Policy and the Promotion of MDGs

Dr Ralph Hamann: UNISA, Centre for Corporate Citizenship

The recent UN World Summit was a further milestone in the ongoing process of increased business involvement in the global sustainable development debate. This process started in earnest in 1992 at the Rio Earth Summit, coinciding with the launch of the World Business Council for Sustainable Development (WBCSD). Since then there have been a multitude of initiatives by individual companies, business associations, intermediary organisations, as well as civil society and public policy organisations, which have sought to argue that business can and should play a decisive role in sustainable development. Recurring labels of this expectation include corporate citizenship or corporate social responsibility (CSR).

The MDGs also play a crucial role in this discourse. Indeed, goal eight of the MDGs argues that business should contribute to a “global partnership for development”. A report co-published by the UN Development Programme in 2003 suggests that it makes business sense for companies to contribute to the MDGs because it builds a sound business environment with healthy employees, prosperous consumers, and reliable trading systems; it enhances companies’ ability to manage costs and risks associated with social issues, such as HIV/AIDS and conflict; and it provides potentially important business opportunities related to new markets, products, or services. Companies are called on to support the MDGs by means of their core business activities in the workplace, marketplace, and along the supply chain; in their social investment and philanthropic activities; and through an engagement in public policy dialogue and advocacy (Nelson and Prescott, 2003).

This theme is taken further in a report published by the WBCSD for the occasion of the recent UN MDG+5 Summit, in which it is argued that “Business is good for development and development is good for business”. The report provides a list of examples of how business is contributing to the MDGs. In southern Africa, these examples include efforts by Vodafone to provide banking services via cell-phones and Eskom’s support for emerging small businesses in the supply chain.

However, there are some important criticisms of this corporate citizenship movement. Most fundamentally, there is a concern that corporate citizenship efforts remain a side-show next to the dominance of business as usual, and that the overall impacts remain too small in comparison to the scale of the problems. There is still an emphasis on philanthropic initiatives by business, without the necessary integration of corporate citizenship values in core business. Even in the WBCSD report for the UN Summit, many of the examples refer mostly to philanthropic initiatives. Most poignantly, the report lauds BP’s efforts in supporting suppliers in Azerbaijan, without considering the broader detrimental social and environmental impacts of the associated project, the notorious Baku-Tbilisi-Ceyhan pipeline.

A further concern is that corporate citizenship is part and parcel of a quest for a pro-business macro-economic framework, which is not necessarily beneficial for the poor or for development. For instance, the above mentioned WBCSD report calls for "supportive investment climates in developing countries" to enable business to make greater contributions to development. Again, the broader context of corporate citizenship discourse needs to be considered.

Importantly, the so-called business case for sustainable development - that is, contributing to sustainable development is good for company profit, at least in the medium to long term - is highly variable and depends on a company's institutional framework. Furthermore, there are limits to what individual companies can do to contribute to sustainable development.

Two implications will be highlighted here. First, collective action and cross-sector partnerships play a potentially important role both for enhancing the business case and for making corporate citizenship efforts more effective. For example, mining companies around the town of Rustenburg in South Africa are beginning to realise that the significant socio-economic challenges in the area, many of which have direct, negative impacts on core business (e.g. through HIV/AIDS and crime), can only be dealt with effectively if the companies collaborate not only with each other, but also with local communities, the traditional authority, and local government. In this vein, much scope remains for systematically increasing the participation of business in local economic development and Integrated Development Planning (IDP) processes.

Second, public policy has a potentially important role to play in incentivising and facilitating a more committed and effective contribution by business to development. Already, the South African government is relatively direct and forceful in circumscribing a role for business in transformation through its Black Economic Empowerment (BEE) policies. However, the BEE debate remains quite separate from the sustainable development debate, with potentially negative consequences both for the implementation of BEE and its image amongst foreign investors.

Over and above BEE, the South African government could play a more proactive role, for instance, in promoting corporate citizenship amongst South African companies doing business in other African countries. Options for this include a set of guidelines modelled on the OECD Guidelines for Multinational Enterprises (which also include an institutional promotion mechanism), mandatory reporting requirements, or a simple endorsement and promotion campaign for the UN Global Compact, which specifies ten principles for responsible business conduct.

Key Issues Discussed

The following points were raised in response to Dr Hamann's input:

- The business case for corporate citizenship is a multifaceted debate. In particular the relationship between social and financial return needs to be tangible and is often long term - where they are looking at quarterly financial indicators. In South Africa the triple bottom line is not as popular - less interest and awareness of these issues by SA investors. What could be helpful is the World Bank framework that outlines 4 ways that the public sector can contribute to development
 - mandating - e.g. BEE requirements
 - facilitating - policy frameworks, stakeholder dialogue

- partnering - with clear commitments of which PPP's are small subset
- endorsing - e.g. UN Global Compact
- The private sector remains nervous about getting involved in "development" issues, which goes back to how these initiatives are framed. For example being able to explain to the private sector that the poor are a new market where the return on this investment includes a social return.
- The South African government is not the only without a proactive approach to this. For example there are 150 or more laws or guidelines in the USA - but no coherent framework for monitoring and implementing. Even where things are happening there is not enough awareness about these initiatives and the space to partner.

Paper 3: Public-Private Partnerships (PPP's) and their role in enhancing Goal 1 of the MDGs
Barry Jackson: Development Bank of South Africa

This talk will be confined to rollout of infrastructure in that this specifically has the potential to create jobs and stimulate the economy. On this front South Africa is a latecomer, which means that they have been able to learn from the experiences of others since the 1990's. The World Bank did a review of the success of these initiatives and found in almost all instances where the private sector was brought into infrastructure there was a significant increase in coverage and efficiency and it was mostly the poor who benefited. The key to success and failure was the extent to which government had its act together.

In SA PPP's began with a few toll-roads in the mid1990's and the establishment of the Municipal Infrastructure Investment Unit and the National Treasury PPP Unit. The latter has a range of projects (e.g. selling off loss making enterprises) in all 35 projects out of 300 project starts. Some examples of these are the solid waste management projects, upgrading of Albert Luthuli Hospital in KZN and various water contracts. The water concessions in particular have gotten bad press. Local people are happy with what has been achieved but bad information in the press has in general been driven by ideology rather than merits of the case.

In summary what has made PPP's successful in South Africa are that competitive procurement has achieved a good price and companies have not had to deal with foreign exchange risks. However, although there is an in principle support at national level, at local government level there is still deep suspicion of the private sector which needs to be addressed. What is true is that if PPP's can be done correctly in meeting the needs of the poor, it will make a big difference.

Key Issues Discussed

The following points were raised in response to Barry Jackson's input:

- On the issue of PPP's there is much ideological debate, but what is needed is clearer information and research on the positives and negatives of this model.
- Are Public-Private partnerships the only option? What about public-public or private-private partnerships?

- What are some of the distortions that are created in society by the provision of free basic services? There is a strong body of evidence to suggest that the main danger of this is the temptation to sacrifice quality when working to supply and sustain the large volumes required. However, if there is a provision of free basic services to the poor this can also free up portions of their income to move beyond where they are.

C. Key debates arising from discussions

The meeting identified the following key issues raised by this round-table:

- ❑ The relationship between NGO's and the Private Sector - what opportunities exist?
- ❑ What is the rationale for PPP's - are they economic or social?
- ❑ How can MDGs be financed?
- ❑ What is the relationship between the MDG framework and shareholder/profit interests?
- ❑ What is the nature of partnerships? Are these public-public, private-public or private-private?
- ❑ Can there be synergy between the development agenda and private participation?
- ❑ How do we achieve the enabling environment that the private sector is looking for to participate in the MDGs
- ❑ What is the role of government in setting private sector standards/ incentives/ legislation for MDG attainment?
- ❑ How can we further the interaction between CSO's and the private sector in summits and negotiations?
- ❑ The private sector is very diverse, are there particular portions that are more open to pushing the development agenda?
- ❑ How do we work between summits to push forward any gains made?

D. Recommendations

- ✓ Government should convene a multi-stakeholder process to engage on the question of MDG attainment. This can provide an opportunity for honest debate, coming to understand each others interests and strengths and a forum to share what is already happening.
- ✓ We need to define the private sector more carefully and target those sections that will make a difference to MDG attainment.
- ✓ When approaching the private sector on their role, it is important to frame this in a way that represents their language. This can then become a starting point to shifting their paradigm of business practice.
- ✓ NGO's and government can use the Johannesburg Stock Exchange's Social Responsibility Index to monitor and measure the role business is playing in the attainment of MDGs.
- ✓ There is a need to relate MDGs to BEE because this is more relevant to business practice in South Africa. Within this there are key players like BUSA and National Business Initiative to speak with.

- ✓ We need to move from a philanthropic model to integrating MDGs into core business practice and the model of the social entrepreneurship
- ✓ PPP's need to bring on board and benefit a larger segment of people rather than being a way to create an elite class of private sector.
- ✓ We need to continue to increase dialogue between different stakeholders. Media has a large role to play in this and can be encouraged to take more interest in the MDGs.

E. Way forward

The outcome of the Round Table will provide SARPN's partners, across the SADC region, an opportunity to influence their respective governments' policies on poverty reduction vis-à-vis private sector involvement in the achievement of MDGs.