GUEST ESSAYS

CIVIL SOCIETY & THE PRIVATE SECTOR

WHAT ROLE FOR THE PEOPLE IN PUBLIC PRIVATE PARTNERSHIPS?

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INTRODUCTION: THE RISE OF CORPORATE MALPRACTICE

Over the last months multinational corporations have jumped from the 'economy and business' pages of world newspapers to the sections on 'crime and police': Volkswagen was found guilty of programming its cars to cheat on emission tests, enabling it to contaminate the streets way beyond acceptable limits. The sugar industry was exposed as having a long record of fake scientific research aimed at blaming other factors for the health problems that they create. Goldman Sachs helped the Greek government in 2001 to lie about the state of its economy, in order to be admitted into the Eurozone. Between 2012 and 2015 the most powerful banks in the world, including Barclays, Chase Morgan, Citibank, Deutsche Bank, HSBC, Lloyds, Royal Bank of Scotland and others, paid billions of dollars in fines for having manipulated for their own benefit the exchange rates among global currencies and the Libor interest rates that determine the cost of billions of credit operations around the world every day.

Reflecting on the magnitude of these scandals, Naomi Wolf wrote in The Guardian that:

> *"The notion that the entire global financial system is riddled with systemic fraud - and that key players in the gatekeeper roles, both in finance and in government, including regulatory bodies, know it and choose to quietly sustain this reality - is one that would have only recently seemed like the frenzied hypothesis of tin hat-wearers."*

In fact, many banks have been actively helping people in government around the world hide their assets, as widely exposed by the publication of the Panama Papers. More recently in South Korea, Lee Jae-yong, heir of Samsung, was arrested on charges of bribery, embezzlement, hiding of assets overseas and perjury, linked to the process that led to the impeachment of president Park Geun-hye.

The Report of the High Level Panel on Illicit Financial Flows from Africa, known as the Mbeki Report after the Commission's chair, former South African president Thabo Mbeki, concluded in 2015 that US$50 billion leaves the continent illegally every year, double the total Official Development Assistance (ODA) received by Africa. Contrary to public perception, the bulk of these illicit flows does not result from the actions of corrupt government figures, smugglers of arms or diamonds or drug traffic, although all of these obviously exist, but from tax-evading transfers originating from legally-established multinational corporations, particularly, but not exclusively, in the extractive sector.

Technology corporations such as Uber even went beyond operating without authorisation or openly against the law in many cities and developed a software known internally as Greyball to identify law enforcement officers and steer its drivers away from them.

THE PRIVATE SECTOR, THE UN AND DEVELOPMENT

Of course these are just some 'bad apples' and we should not assume that any business entity is guilty of misconduct until otherwise proven. Yet the epidemic proportions of bad-appleness, linked to the fact that when caught, executives largely get away with paying a fine and retiring with hefty pensions, frequently at the expense of their victims, may be one of the factors that is leading frustrated voters around the world to empower those that promise to 'drain the swamp'.

When it comes to the ambitious 2030 Agenda on Sustainable Development, the notoriously underfunded United Nations (UN) system, the multilateral development banks, and the donor countries that fund the UN and own the development banks, want to trust implementation to vague 'partnerships' with multinational corporations. Institutional hopes that business will come to the rescue seem so high that the UN General Assembly granted observer status to the International Chamber of Commerce (ICC) from 1 January 2017. This is the first time that a business organisation has obtained observer status at the UN General Assembly. So far, the list of organisations with observer status was mainly limited to non-UN-member states, such as the Holy See and the State of Palestine, and intergovernmental organisations such as the African Union and the Organisation for Economic Co-operation and Development (OECD). Trade unions and civil society organisations (CSOs) do not have such status.

The government of France justified this resolution on the grounds that:

> *"The private sector can bring key resources to the fore - knowledge, expertise, access and reach - that are often critical in order to advance United Nations Goals."*

While money is not mentioned as a resource to be contributed, it is clear that the expectation is there: in 2014, when the new development agenda of the UN was still being discussed, the then UN Secretary-General Ban Ki-moon proposed the creation of a:

> *"...partnership facility to coordinate (and officialize) existing partnerships with the private sector (corporations, private foundations and civil*

society organizations) and encourage new ones" to "significantly increase existing resources and expand the effectiveness of their use," globally and in developing countries.[1]

The initiatives to be formalised included Education First, Every Woman, Every Child and Sustainable Energy for All, and several more. The official press releases are very optimistic. Every Woman, Every Child has purportedly 'delivered' US$10 billion, and Sustainable Energy for All saw pledges of US$50 billion in 2013, its first year. These amounts are impressive, considering that the total ODA of the richest countries is about US$100 billion dollars a year, and is falling.

However, what these numbers actually mean is not easy to figure out, as they only add up 'commitments' that in most cases extend over several years, sometimes decades into the future. These grants, and often also loans, are not received or controlled by any UN agency or developing country governments. There is no demonstrated additionality to ODA and other financial commitments made in inter-governmental fora. Nor is there any proof that those monies add to what those involved would have disbursed independent of any new initiatives. Ultimately the proposal was withdrawn by Ban Ki-moon, when it became clear that it was not supported by key governments from the global north and south that demanded more transparency and oversight.

Those partnerships are not a new idea. In 1998 the UN Development Programme (UNDP) launched a Global Sustainable Development Facility, which aimed to:[2]

"…create sustainable economic growth and allow the private sector to prosper through the inclusion of two billion new people in the global economy."

Then UNDP Administrator Gus Speth used to describe the partnership with the formula 2B4M:2020 - two billion people for the market by 2020. Fifteen multinationals paid US$50,000 each to be listed as co-sponsors. In response, more than a hundred CSOs signed a public letter to Speth and then Secretary-General Kofi Annan arguing that:[3]

"The growing concentration of wealth and power in the hands of fundamentally undemocratic global corporations and other institutions of globalisation clashes with the overriding purpose of the United Nations to enhance human dignity and the capacity for self-governance."

Mark Malloch-Brown, who succeeded Gus Speth in 1999 in the middle of this debate, immediately dropped the initiative and appointed many of the signatories of the letter to serve in the first Civil Society Advisory Committee to the UNDP Administrator.[4]

[1]The proposal by Ban Ki-moon to create a "partnership facility" was included in page 66 of the 'Proposed programme budget for the biennium 2014-2015', a UN General Assembly Document.

[2]'The Global Sustainable Development Facility: 2B2M', internal document, UN Development Programme, New York, July 1998, quoted by Joshua Karliner, 'Co-opting the UN', The Ecologist, Vol. 29, No. 5, August-September 1999.

[3]Ibid.

[4]The author was a member of the committee.

Now, at a time when many global north countries have suffered recession and have cut their ODA budgets, the idea of a UN-related facility based on corporate contributions has resurfaced. It may seem obvious and reasonable to use private philanthropy funds to complement declining ODA. However, an alliance of civil society networks warned in 2013 about the possibility of precisely the opposite effect:

> *"Contrary to the perception that leveraging actually draws in private resources to available public funds, increasingly it is about using public money (ODA) to cover the risks of private investment. Losses will be socialized while profits continue to be private - and too often untaxed. Recent experience in many countries shows that these 'innovative' mechanisms are often ineffective, poorly regulated, and can lead to corruption in borrowing and lending countries."*

By joining these initiatives, corporations may be winning direct access to ODA monies, with the argument of 'leveraging' them, and indirectly benefit from access to the procurement budgets in ODA recipient countries, to the detriment of local small and medium enterprises. Similarly, the agency of local civil society actors might suffer as only large, global CSOs specialising in service delivery may have access to these initiatives.

Several governments questioned the transparency and usefulness of the proposed partnership facility and it was never approved.

WHO DO PARTNERSHIPS SERVE?

In a pioneering study, 'Fit for Whose Purpose? Private funding and corporate influence at the United Nations', Barbara Adams and Jens Martens looked at the proliferation of 'partnerships' and concluded that:

> *"They risk giving the UN stamp of approval and legitimacy to many initiatives not framed and shaped by UN values and standards of inclusiveness. These trends will not only continue to weaken global (economic) governance, they will endorse the replacement of a UN value-based framework for governance with a voluntary one, characterized by a hotchpotch of ad hoc deals that favour brand and image management over durable programmes that advance human rights and promote economic development founded on a true understanding of ecological sustainability."*

The official documents of the 2030 Agenda talk about "a revitalised Global Partnership for Sustainable Development." The term is in singular because it remits to the Monterrey Declaration of 2002, where as an outcome of the first UN conference on Financing for Development, states concluded that:

> *"…achieving the internationally agreed development goals, including those contained in the Millennium Declaration, demands a new partnership between developed and developing countries."*

Goal 17 of the SDGs, which deals with implementing the other 16, wants to:

> *"...enhance" the partnership, "complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources."*

While the diplomats in New York were agreeing on different stakeholders "complementing" public efforts, the multilateral development banks, in April 2015, issued a joint document titled 'From Billions to Trillions: Transforming Development Finance', where they argue that "the best possible use" of the US$135 billion in official grants for development is to leverage "the largest potential from private sector business, finance and investment," mainly into infrastructure, in a "trajectory from billions to trillions."[5]

That promise to multiply grant money by hundreds of thousands comes with the standard neoliberal macro policy advice to provide guarantees and subsidies for private investment, plus a change in the use and nature of public development grants, which now become public-private partnerships (PPPs). This offers a moral hazard, as losses and failures will be 'socialised' and covered with taxpayers' monies from donor and recipient countries, while the profits will only be in the hands of the investor.

PPPs are a 'buy now-pay later' form of procurement that usually cost more than any alternative, but are preferred by decision-makers because they conceal the generation of debt. They have frequently been associated with high-level corruption and inefficiency, and numerous studies quote PPPs as causing the financial crisis in Portugal and to some extent in Spain.

An expert group of the development directorate of the OECD specialised in investment recently concluded that:

> *"Private participation in infrastructure can be complex, time consuming and subject to frequent renegotiation and restructuring. If certain modalities are hugely unsuccessful in OECD countries, they are unlikely to succeed in less developed countries where cost recovery is more difficult."*

Yet, with the support of the G20, the International Monetary Fund (IMF) and the multilateral development banks, PPPs have become more and more frequent and laws and constitutions in more then 150 countries have been changed or are being changed to make PPPs possible. Those changes include, in the case of international development agencies, changes in their information disclosure policy to defend the commercial interests of the private partners.

Some developed donors have started to 'leverage' their donations by channelling them to private investments, usually

[5] Prepared jointly as a discussion note for the Development Committee by the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, International Monetary Fund and World Bank Group.

by corporations from the donor country, and others have conditioned their support to CSOs to the beneficiaries receiving a substantial proportion of their income from corporations.

But just adding another 'p' to the formula and making them public-private-people partnerships by including some CSOs in the mix would sound like mere window-dressing, and might create serious reputational risks for the CSOs involved.

In the triangle formed by the state, the market and civil society, many forms of interaction, collaboration and partnership between different actors will always be explored, and that dynamic is healthy. But civil society entities should never forget that the source of their legitimacy is not the votes of citizens but the respect for their integrity, and the measure of their impact is not the money they administer but their contribution towards checking the power of the state and market.

SOCIETY ENTITIES SHOULD NEVER FORGET THAT THE SOURCE OF THEIR LEGITIMACY IS NOT THE VOTES OF CITIZENS BUT THE RESPECT FOR THEIR INTEGRITY