General Assembly
“Informal Interactive Hearing with the Business Sector on Financing for Development”

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New York, 8 April 2015

When I first received an invitation to participate in this hearing of the UN General Assembly with the business sector my initial reaction was to return it and say “hey, the hearing with civil society is tomorrow, you sent me the wrong form”. But since the intention has been precisely to have a civil society speaker in the opening of the hearings today, and there will be symmetrically a business speaker in the opening of tomorrow hearings with civil society, I accepted the challenge and went on to prepare my remarks, starting with the definition of business.

Peter Drucker, who wrote so many books on management, provides the shortest quote: “Business, that's easily defined – it's other people's money.”

That made me feel better, because civil society organizations are not for profit but we are always asking other people -including business- for money. So we know a little about that. And, coming to think of it, governments are also about other people's money, only they call it taxes.

The UN brought together governments, business and civil society to discuss for two days precisely how to use other people's money for sustainable development.

Business is a key actor in sustainable development. But not all business have the same role. A recent World Bank study[3] concluded that “small firms employ a large share of workers and create most jobs in developing economies” while “in countries that have had net job losses in the economy as a whole, it is only the small firms that have net job gains”. Small businesspeople also care more about community and the environment, because the community and the environment in which SMEs operate is also the one in which they live and raise their children.

But in spite of the many advantages of SMEs in sustainable development, the rules of the global economy -and often the lack of rules- work in favour of concentration. Out of the largest 100 economies in the world, 51 are corporations[4]. The Top 200 corporations' combined sales are bigger than the combined economies of all countries minus the biggest 9; that is they surpass the combined economies of 182 countries. This is a result and a cause of the enormous inequalities within and among countries that the SDGs attempt to correct.

In 2013 Margaret Chan, the Director-General of the World Health Organization, delivered a remarkable speech, in which she stated: “Efforts to prevent noncommunicable diseases go against the business interests of powerful economic operators. In my view, this is one of the biggest challenges facing health promotion. (…) it is not just Big Tobacco anymore. Public health must also contend with Big Food, Big Soda and Big Alcohol. All of these industries fear regulation, and protect themselves by using the same tactics. (...) Market power readily translates into political power. Few governments prioritize health over big business.”[5]

The benefits expected from a market economy derive from competition. For the game to be fair we need a level playing field and rules that apply equally to all. This is why, for example, we expect

1 ITeM is a non-profit research and advocacy organization in special consultative status with ECOSOC, based in Montevideo, Uruguay. See: www.item.org.uy

2 Social Watch is a network of citizen coalitions in eighty countries that monitor their governments' implementation of international commitments on poverty eradication and gender justice. See www.socialwatch.org

3 Sahar Nasr and Ahmed Rostom, SME Contributions to Employment, Job Creation, and Growth in the Arab World, Policy Research Working Paper 6682, World Bank, October 2013

4 Sarah Anderson and John Cavanagh, Top 200: The Rise of Global Corporate Power, Corporate Watch, 2015. Available at: https://www.globalpolicy.org/component/content/article/221/47211.html

5 Chan, Margaret (2013): WHO Director-General addresses health promotion conference. Helsinki. www.who.int/dg/speeches/2013/health_promotion_20130610/en/

FfD3 to address the issue of the unfair impact over competition of bilateral investment treaties that give big TNCs access to Investor-State Dispute Settlement Mechanisms, allowing them to sue governments at special arbitration panels while SME only have access to national courts. This system has not resulted in increased investment and has been abused so much that it is high time to revise it. The network of over 3,000 bilateral and plurilateral agreements has become so complex that it can only be disentangled through an investment framework negotiated at the UN.

Second, while domestic companies have to pay their taxes (and often do), many TNCs use tax evasion and tax avoidance schemes, as we read daily in the news. Strengthened international tax cooperation is in the interest of SMEs and might even help TNCs repair a tarnished image.

Many people still think that “finances for development” is about “aid”, or “official development assistance” or ODA. It isn't. A high level panel chaired by former South African president Mbeki has demonstrated that 50 billion dollars flow out of Africa illegally every year. This is double the total ODA received by Africa. And this is not just “blood diamonds” or arms and drugs. The activities of TNCs account for 60% of this. And it is not counting legal tax exemptions! Tax cooperation is the best value for money you can get today.

Domestic resources is high in the agenda of FfD3, but expanding the domestic tax base without having ensured international tax cooperation can only mean heavier taxes on consumption (which is not good for business) and on the SME and the micro-enterpreneurs of the informal sector, a majority of which are women.

I am sure that “partnerships” will be much discussed today and tomorrow. The proclaimed benefits of multistakeholder partnerships go beyond the traditional concepts of philanthropy and corporate social responsibility. It is argued that by bringing corporations into the implementation of a new development agenda, they will reduce the participation gap in international politics, and in so doing contribute to the democratisation of global governance. But existing partnerships between international organisations and individual companies are generally exclusive. These collaboration can disadvantage the corporations' competitors. These sort of partnerships provide the corporations involved with an image advantage, and also support those involved in opening up markets helping them gain access to governments to the detriment of local firms.

Even more dangerous, so called PPPs, private-public partnerships are being promoted as the major channel for business involvement in the new agenda, particularly but not exclusively in infrastructure. The OECD defines PPPs as a form of government procurement. But it is a form of procurement that is usually shrouded in secrecy, not open to public bidding and, by proposing a “buy now pay later” solution to budget constraints it usually promotes irresponsible spending and, ultimately, hidden indebtness. It is not surprising that PPPs appear again and again closely linked to corruption both in developed and developing countries. The UN should think twice, or better three times, before putting its reputation at stake associating itself with this formulas.

The UN has started a process to define a legally binding instrument on the human rights oblugations of corporations. This is in the best long term interest of SMEs and of the functioning of the economies and we hope that business welcomes this process.

Mister Chairman, Peter Drucker also said that “Management by objective works - if you know the objectives”. Drucker's punchline was that “Ninety percent of the time you don't.” But here we have the advantage that we do know the objectives. They are called Sustainable Development Goals and they comprise 17 Goals and 169 targets.

Some have argued that this is more than double the number of the Millennium Development Goals that were just eight. But this comparison is unfair. The MDGs were essentially about reducing poverty in the poorest countries. The SDGs are universal, they apply to all countries, they aim at eradicating poverty everywhere and at the same time at reducing inequalities, achieving gender justice and ensuring universal social protection and access to essential services (water, sanitation, power, education and health) for all while respecting planetary boundaries.

This is achievable, but it requires fundamental changes in prevailing unsustainable consumption and production patterns. Ultimately it requires a major change in paradigms. Including on how we do business.

Thank you.