# Privatizing the Post-2015 Development Agenda

The increasing influence of corporations over the UN development agenda is already evident: from the redefinition of Official Development Assistance (ODA) that will put more public funds in the hands of corporations, to the lack of accountability in the various agreements between corporations and UN agencies, to the privileged access that big corporate players have gotten in the post 2015 development agenda and may get over international norm-setting.

According to World Bank and Fortune Magazine data, in 2011 of the 175 largest global economic "entities" 110 (over 60%) were corporations. The revenues of Royal Dutch Shell, Exxon Mobil and Wal-Mart were larger than the GDP of a hundred national economies, more than half the world's countries. In that list Royal Dutch Shell is on par with Norway and dwarfed the GDP of Thailand, Denmark or Venezuela.

At the same time, increasing market concentration has put great power in the hands of a small number of these corporations. A study of 43,000 transnational corporations by the Swiss Federal Institute of Technology identified a small group of companies, mainly in the financial industry, with disproportionate power over the global economy. According to the study, "transnational corporations form a giant bow-tie structure and … a large portion of control flows to a small tightly-knit core of financial institutions." At the centre of the bow-tie, a core of 147 companies control 40 percent of the network's wealth, while just 737 control 80 percent.

As they grow larger and more powerful, transnational corporations have become a major actor in global policy debates on poverty eradication, development, the environment and human rights. At a time when governments seem unable or unwilling to resolve pressing challenges in multilateral settings, business is positioning itself as an alternative solution, more flexible, efficient and un-bureaucratic than states. Corporations, governments and various civil society organizations are promoting multi-stakeholder initiatives and public-private partnerships as innovative models to tackle global issues.

## Redesigning the World

The World Economic Forum's report on the future of global governance, "Global Redesign," posits that a globalized world is best managed by a coalition of multinational corporations, nation-states and select civil society organizations. The report argues that states no longer are "the overwhelmingly dominant actors on the world stage" and that "the time has come for a new stakeholder paradigm of international governance." In terms of the environment, for example, it sees an "opportunity to achieve a step change in global environmental governance by focusing not on the traditional agenda (UN structure, new legal frameworks) but on a new agenda to build "practical, often public-private, mechanisms."

The report's vision includes a "public-private" UN, in which certain specialized agencies would operate under joint state and non-state governance systems, such as the Food and Agriculture Organization through a "Global Food, Agriculture and Nutrition Redesign Initiative." This model also assumes that some issues would be taken off the UN agenda to be addressed by "plurilateral, often multi-stakeholder, coalitions of the willing and able."

Similarly, the "Oxford Martin Commission for Future Generations," an initiative designed to "identify ways to overcome today's impasse in key economic, climate, trade, security, and other negotiations" and chaired by former World Trade Organization head Pascal Lamy, proposes to establish a "C20-C30-C40 Coalition" made up of G20 countries, 30 companies, and 40 cities that would work together to "counteract climate change." Although this "coalition of the working," based on "inclusive minilateralism," would report to the UN Framework Convention on Climate Change, it would not rely on binding commitments. ▪

Indeed, one of the most prominent features of the Secretary-General's report on the Post 2015 Agenda is the high degree of trust and hope he puts on new so-called partnerships between state and non-state actors and corporations in particular.

The corporate sector has been active in several processes and initiatives influencing the Post-2015 Agenda, including the High-Level Panel (HLP), the Global Compact, the Sustainable Development Solutions Network (SDSN) and, to a lesser extent, the Open Working Group (OWG) and the High-Level Political Forum (HLPF).

### High Level Panel

The HLP, which the Secretary-General set up in 2012 to advise on the global development framework beyond 2015, includes "leaders from governments, civil society and the private sector, among them Paul Polman, CEO of Unilever, and Betty Maina, CEO of Kenya's Association of Manufacturers. Its 2013 report, "A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development," followed a series of consultations with "stakeholders," including the chief executive officers of 250 companies in 30 countries, with annual revenues exceeding USD 8 trillion.

### Global Compact

The UN Global Compact is a voluntary corporate responsibility initiative designed to "mainstream" a set of ten principles related to human rights, labour, the environment and anti-corruption in corporate activities. It is open to all businesses that commit to respect these principles, and the 7,000 participating companies are required to report on their progress in implementation. In early 2011, the Compact launched the Global Compact LEAD, which currently has 55 members (including Bayer AG, Heineken, Lafarge, Tata, Coca-Cola, and

Vale), committed to implementing the "Global Compact Blueprint for Corporate Sustainability," a roadmap to achieve the ten principles.

The Global Compact feeds directly into the post-2015 process through its report to the Secretary-General and promotes the active participation of its LEAD initiative members in the post-2015 discussions. It is considered one of the official "work streams" of the post-2015 process, which gives member companies a significant channel for influence.

## Sustainable Development Solutions Network

Launched by the Secetary-General in August 2012 as a way to mobilize "scientific and technical expertise from academia, civil society, and the private sector" to support sustainable development problem solving, the Network is another of the official "work streams" in the post-2015 process and the source of one of the four official reports considered in the Secretary-General's MDG/ Post-2015 report in 2013.

The Network has 12 expert Thematic Groups, one of which, led by Peter Bakker of the World Business Council for Sustainable Development and Klaus Leisinger of the Novartis Foundation, focuses on "Redefining the Role of Business for Sustainable Development." With 21 representatives of corporations and business associations in the Leadership Council (including Anglo American, Citigroup, Siemens and Unilever), the Network's findings are heavily shaped by views from the corporate sector.

What is troubling about these two initiatives is that they were both launched by the Secretary-General, outside of the intergovernmental process. The Global Compact began as a policy speech prepared for former Secretary-General Kofi Annan and as such, in the opinion of the UN watchdog, the Joint Inspection Unit, it lacked a "clear and articulated mandate" and moreover, in light of its extra-budgetary funding, it put the UN in a risky situation where "any external group or actor(s) may divert attention from the strategic goals agreed to promote interests which may damage the reputation of the United Nations."

## Open Working Group and High-Level Political Forum

Although the corporate sector has not been prominently involved in the OWG and HLPF until now, business participates in consultations around these processes through the Major Groups format, which has also been used to facilitate interaction between civil society and the OWG. The International Chamber of Commerce, one of the "Organizing Partners" for the Business and Industry Major Group, has spoken several times on behalf of the group. Statements for the Business and Industry Major Group were also delivered by Norwegian fertilizer company Yara International (a member of the Global Compact LEAD group) on behalf of the Farming First Coalition (a multi-stakeholder initiative), and by One Acre Fund, an NGO which takes "a business approach to helping 130,000 smallholder farmers in East Africa increase their incomes and reach household food security."

A significant number of companies involved in the post-2015 agenda process are active in the resource extraction, technology, chemical and pharmaceutical, and food and beverages sectors. Among the Global Compact LEAD group, for example, mining, oil and gas industries are well represented, with companies including Total, Vale and ENI. This is also true in the SDSN Leadership Council and Thematic Groups, which include representatives from Anglo American and AngloGold Ashanti (mining) and BG East Africa (oil and gas). The food and beverages industry is represented by Unilever, Nestlé and Heineken, and the pharmaceutical and chemicals industry by BASF, Bayer, Novartis and others.

Unilever CEO Paul Polman is perhaps the most prominent corporate figure in the post-2015 process, being a member of the HLP, the SDSN Leadership Council and the board of the Global Compact. Gavin Neath, Senior Advisor to Polman, is a member of the SDSN Thematic Group on agriculture. Unilever participates in the Global Compact LEAD group, in the advisory council to UN-Women and led the "private sector outreach for the post-2015 development agenda," the outcome of which fed into the HLP report. In addition, Unilever is a member of both the World Business Council on Sustainable Development (of which Polman is vice-chair) and of the World Economic Forum, both involved in the post-2015 process.

Moreover, other private sector actors, such as "non-profit" business associations and philanthropic foundations may represent the concerns and interests of the corporate world or facilitate their participation in the post 2015 process. Many UN institutions and governments actively promote the increased involvement of business actors in the UN.

In 2008, UNDP launched the "Business call to Action," aimed at engaging business in achieving the MDGs. Partners include companies involved in the post-2015 process through the Global Compact and/or the SDSN, including Anglo American, CitiGroup, Ericsson, Novartis and Yara International. UNDP's Private Sector Division is also leading the "Growing Inclusive Markets" initiative, a "global multi-stakeholder research and advocacy initiative" that seeks to enable and inspire "the development of more inclusive business models around the globe." Other parts of the UN have set up bilateral partnerships with corporate partners, including WFP, UNICEF and most recently UN Women.

## What are the risks of growing corporate influence?

In a vision in which the corporate sector takes a central role in the future of development, the market-led economic system becomes the only way for individuals to relate to the world. Individuals are seen as consumers and entrepreneurs, but more rarely as citizens. In the HLP report, for instance, rural people are framed as workers and consumers, and not as full rights holders. When it mentions individual aspirations, it is by stressing "the potential for individual entrepreneurs to fulfill their dreams" and how government "must give people the assurance of personal safety (and) make it easy for them to follow their dreams and start a business." The report only mentions "dreams" in this entrepreneurship context, suggesting that these are the only "dreams" of value in the new development agenda.

Making the "business case" for sustainable development conveys a vision of the world in which everything becomes an instrument to achieve growth and productivity. The reports, for instance, sometimes promote an instrumental view of women's rights, education and health, although their "intrinsic value" is at times reaffirmed. The HLP report suggests that gender discrimination should be abolished so that "women can inherit and own property and run a business." And in a list of what women should have access to, "financial services" come first, before "infrastructure" and "the full range of health services."

Business language permeates the evaluation of progress towards sustainable development, suggesting that progress must be monetarily quantifiable and provide a good "return on investment" to justify efforts. The HLP report, for instance, notes that "every dollar invested in stopping chronic malnutrition returns USD 30 in higher lifetime productivity. Expanded childhood immunization improves health in later life, with benefits worth 20 times the cost. The value of the productive time gained when households have access to safe drinking water in the home is worth three times the cost of providing it." This begs the question of what to do when necessary efforts do not constitute a "good investment."

Particularly worrying is the way in which the reports promote the use of public money. The HLP report notes "the huge potential to use public money to catalyse and scale up private financing for sustainable development," while the Global Compact report promotes "the leveraging of development assistance for private sector development." The use of public resources to leverage private sector investment may be seen as a way to channel funding to innovative sectors of the economy, especially in countries where credit is hard to come by. However, a 2012 report by Eurodad found that, in cases of international funding from the European Investment Bank and the World Bank going to the private sector, almost half of the money spent went to support companies based in OECD countries and tax havens, and only 25 percent of all companies supported were domiciled in low-income countries.

## Letting corporations off the hook, limiting the role of government

The reports' recommendations adopt a business-friendly view of corporate regulation, noting that governments should offer incentives to "encourage" the private sector to move towards sustainability rather than legally binding regulations. They promote a soft approach to corporate accountability, relying on the willingness of large corporations to report on their impact and the voluntary commitments they have made. As ACORD International points out in its review of the HLP report, "the report argues that many of the goals and targets can be met by the actions and efforts of the private sector, but has very little on how the private sector will be genuinely accountable to those living in poverty."

The HLP report states that "accountability must be exercised at the right level: governments to their own citizens, local governments to their communities, corporations to their shareholders, civil society to the constituencies they represent." It maintains that shareholders can disinvest if firms do not adhere to industry standards and worker safety issues. This is a limited form of accountability based on the assumption that market forces will favour companies committed to sustainability over those which are not.

Governments' role is limited in the report to building "enabling environments" in which business can thrive, with no recognition of the important role that governments play in holding corporations accountable. The Global Compact report similarly states that companies must pay attention to any negative impacts their operations may have on human rights, without mentioning that governments also have a responsibility to exert due diligence to prevent and provide remedy for human rights abuses. The soft approach to corporate responsibility does not only let corporations, but also governments, off the hook.

## The UN Partnership Facility

How development is financed will shape the way that it takes place. Recognizing this, Brazilian Ambassador Guilherme Patriota deplored the "outsourcing of development responsibilities" in his statement to the General Assembly in February 2014 and announced his country opposition to the UN Partnership Facility (UNPF) proposed by Secretary-General Ban Ki-moon.

The new facility is intended to "scale up UN capacity to engage in transformative multistakeholder partnerships with the private sector, civil society, philanthropists and academia across a broader range of issue areas." But as financing for the new institution will come from donors rather than from the regular UN budget (which is scrutinized by UN member countries), there are serious questions regarding its accountability and oversight.

Negotiations on a "new development agenda" to replace the MDGs are scheduled to begin in September 2014, allowing time for countries to study the issue. These will culminate in a Development Summit in 2015 attended by heads of state and government. But the creation of a "partnership facility," which is one of the key proposals in the new agenda, was included in the budget proposed for 2014 back in September 2013. The new facility would have a budget of USD 1.5 million a year, 90 percent of which would pay five senior officials, led by an under-secretary-general. "Extra-budgetary resources" (donations) are estimated to provide more than USD12 million a year. The proposed office is mandated to coordinate 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.

At a time when many developed countries suffer recession and have cut their ODA budgets, the idea of using private philanthropy funds seems obvious and reasonable. However, an alliance of civil society networks has issued a policy statement warning diplomats 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.*"

The official press releases are very optimistic. "Every Woman, Every Child" has purportedly "delivered" USD10 billion and "Sustainable Energy for All," an initiative launched just a year ago, "has seen pledges" of USD 50 billion. These amounts are impressive, considering that the total ODA of the richest countries is about USD100 billion a year and is falling. However, what these numbers actually mean is not easy to figure out. "Education First," chaired by former British Prime Minister Gordon Brown announced with great fanfare "commitments" worth USD 1.5 billion a year ago. Of these, USD 1 billion would be provided by Western Union, a corporation specializing in channeling remittances from migrants, and USD 500 million by the credit card issuer MasterCard.

However, the MasterCard Foundation has a total grant making capacity for all its programmes of USD 100 million a year and the Western Union Foundation website reports grants of only USD 71 million since 2001. The small print of the "Education First" website says that MasterCard will provide scholarships for 15,000 African university students over ten years, while Western Union will "provide up to USD 10,000 per day in non-governmental organization grant funding." At that pace, it will take 274 years to reach one billion dollars!

In either case neither the UN itself nor developing country governments receive any grant monies or in any way control or supervise them. 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 the foundations would have disbursed anyhow. Neither is there any clear link with the official objective of "Education First", which is to accelerate progress in primary education in the poorest countries.

On the other hand, big corporations do benefit in public image terms from the use of the blue UN flag, as well as improved access to privileged information and high-level contacts. In some African countries, for example, the alliance of big pharmaceutical companies with the UN has allowed them to win lucrative contracts with the state, to the detriment of local small and medium enterprises.

The UN Partnership Facility deserves careful discussion before it is approved in order to clarify who benefits from what. For a start, the following questions must be addressed:

- Growing influence of the corporate sector in political discourse and agenda-setting: Do partnership initiatives allow corporations and their interest groups undue and unsupervised influence over agenda setting and political decision-making by governments?
- Undermining accountable and transparent multilateralism: Will the proliferation of partnerships contribute to the continued institutional weakening of the UN system and hinder comprehensive development strategies?
- Weakening democratic public institutions: If partnerships create the equivalence of equal rights among stakeholders, do they undermine the political and legal position occupied legitimately by accountable public bodies (governments and parliaments)? Given the inequality amongst participating actors, how can conflicts of interest be avoided and checks and balances amongst the participating actors be ensured?
- Unstable financing – a threat to the sufficient provision of public goods: Will the funding of the Post-2015 Agenda become increasingly privatized, dependent on voluntary and unpredictable channels of financing through benevolent individuals or private philanthropic foundations? Are the financial resources committed in the existing partnership initiatives effectively increasing available resources? Do the financial commitments of governments constitute new and additional funding?
- Lack of monitoring and accountability mechanisms: What instruments are in place to guarantee that partnerships as well as the proposed UN Partnership Facility will be open, transparent, and accountable?

At a minimum, the UN should take steps to make business participation in UN processes and UN-business partnerships more transparent and accountable. If the ill-defined "multi-stakeholder partnerships" are to be at the centre of the post-2015 agenda, as the Secretary-General is calling for, governments have to adopt much more stringent criteria and rules for those who will enter these partnerships and how these actors will be held accountable. Basically, participants in all UN multi-stakeholder initiatives should be subjected to screening and monitoring by the UN and member states. ■

## Smuggling corporations in

A popular story has it that a customs officer was obsessed with finding out what the old man was hiding, as he crossed the border every day with a donkey loaded with hay. Never able to discover anything unusual in the forage, one day he announced:

- I have just retired and I have no authority any more, but I will not die in peace if I do not get to know what your business really is.

- It's easy, -replies the old man- I smuggle donkeys.

With a similar zeal, diplomats, international bureaucrats and NGO activists—meeting in a 30 country working group commissioned by heads of state and government are scrutinizing every line of the draft that summarizes months of preparatory "conversations" about how to define the Sustainable Development Goals to be achieved in the next 15 years. As negotiations continue it is important that they not, like the customs officer, lose sight of the essential: the great innovation proposed is not in the goals but on who bears the task of achieving them.

The SDGs could become the smuggler in legitimizing the irruption of corporations in global decision-making, implementation and monitoring. These "partnerships" dilute and weaken the responsibility of the states, which are no longer in the centre of the action, and reinforce power asymmetries. Corporations have already acquired through bilateral investment agreements the right to sue states in supranational tribunals (and not through the constitutional justice) and are now candidates to receive official development assistance and sit in the forums where rules are negotiated, at the expense of national (and popular) sovereignty, democracy and human rights.

In the MDGs, the eighth goal, A Global Partnership for Development, clearly described the responsibility of developed countries to contribute with aid, fairer trade rules, technologies, and a solution to the external debt problems. These promises were not dated and are far from being fulfilled, but at least they made clear what to claim and from whom. Now, with the systematic addition of a plural and obviating the capital letter this Global Partnership is transformed into multiple "partnerships" and they are not any more between rich and poor nations but between governments, multilateral agencies and large multinational corporations. ■