

FRONTESPIZIO TESI DI LAUREA QUADRIENNALE E MAGISTRALE



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TITOLO

**The Private Sector and the Sustainable Development Goals
Business engagement for the post-2015 development agenda**

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ABSTRACT

At the end of September, the UN General Assembly will ratify the adoption of the 17 Sustainable Development Goals (SDGs) that will represent the objectives in the field of development of the international community for the next fifteen years. With the Millennium Development Goals (MDGs) expired, and development challenges still a reality, this agenda required changes in the structure and mindset.

The last fifteen years of MDGs implementation, in fact, has mainly seen government-led initiatives, with business involvement limited to an *ad hoc* basis.

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Nevertheless, the private sector, in the form of both external and domestic companies, has significantly increased its impact on the growth of developing countries during the last decade.

Times have changed and, from both sides, awareness concerning the potential role and contribution of the private sector to the addressment of global problems and the achievement of development objectives has significantly evolved.

Indeed, after the Rio+20 United Nations Conference on Sustainable Development, the call for the creation of a framework that would be able to guide and facilitate an enhanced business involvement has grown.

The SDGs adoption has been called to address the private sector matter in a more systematic and comprehensive way than the MDGs. They have come to represent (among others) the opportunity for reshaping the business role and for strategically involving and engaging the private sector for development.

The implications of an enhanced business involvement and engagement are a lot and, in fact, the issue is quite a controversial one.

Being the new development agenda about to enter into force, it is interesting and useful to assess this debate, to verify if ultimately the SDGs provide for a private sector contribution, and, if this is the case, to analyze the way business is expected to support sustainable development.

There remains the need for getting the configuration right in order to appreciate pros and cons and individuate the best practical solutions for an effective engagement.

The work, therefore, tries to understand *if* an enhanced business contribution is necessary, the possible reasons for that and *how* business can drive sustainable development. Broadly speaking, I will attempt to provide an answer to the question regarding the role of the private sector in the post-2015 development framework.

The complexity of the issue is significant. Hence, in order to provide a realistic and credible assessment of the issue it has been necessary to simplify the outline of the situation.

The present work addresses the private sector engagement *for* development, particularly its potential in helping the developing countries and the poor to sustainably improve their conditions through adapted core activities and pursuant to the post-2015 development framework.

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I will attempt to provide an answer to the question regarding the role of the private sector in the post-2015 development framework.

The term private sector comprises a number of entities. This work refers to big companies able to transcend national boundaries and invest in developing countries, but also local enterprises that operate in such a way as to contribute to the addressment of local development problems. It focuses also on initiatives promoted by multilateral or international institutions involving the private sector toward development objectives.

The attempt to assess and sketch processes and mechanisms for a general engagement of companies is complicated by their cross-sectoral and multilevel nature. This is why, in order to showcase the business potential, I opted for the description of two case studies in two different and specific sectors. It is not a comparative analysis of cases, but rather the provision of factual evidence of the business potential in two different sectors.

With regard to the structure of the work, I opted for a tripartite solution. At a first stage, the work introduces the topic and tries to bring its most relevant aspects and implications out. In the second part, the critical dimensions of the issue are deepened going through the most important, interesting and useful reflections and experiences that have been taking place over the last years. Thirdly, the practical implications of the issue are highlighted through the description and analysis of two case studies.

It has to be noted that the SDGs adoption will occur at the end of September 2015 (25th-27th), along with the conclusion of the present work.

The references encompass the documentation produced by the relevant multilateral organizations and international institutions involved in the process, and the related academic literature and journal articles. The starting point of the research was the Open Working Group proposal for the Sustainable Development Goals.

What has emerged from my research for the present work is that, as a matter of fact, the MDGs were mostly focused on social problems, placing the economic dimension on a secondary level, and not considering the private sector as a main actor of the development cooperation system.

Misgivings, lack of interest or of awareness regarding the potentialities and the opportunity of an enhanced and improved engagement of the private sector characterized the relationship between governments and donors on the one hand, and companies on the other, over the last decades.

But, companies have emerged as important contributors to the growth and the development of developing countries. Foreign Direct Investment, for example, have become an important feature of capital formation in developing countries.

Significantly, the whole discourse around the role of private sector is not solely centered on financing and investment. It is increasingly recognized that in order to tackle global, multilevel and cross-sectoral problems, the resources and the expertise of all the stakeholders are needed.

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Recently, experts, business organizations, prime ministers and representatives of multilateral institutions have increasingly expressed the necessity of reshaping the companies role in the context of the post-2015 development agenda.

Nonetheless, worries regarding the possibility that business takes advantage of the relationship with the UN system and the development area to gain public legitimacy or exploits it as a vehicle to influence developmental policies are real.

I recognize that global agreements are inherently complicated and cannot adequately address specific issues. Nevertheless, it is not to be denied or underestimated the practical relevance that official and written provisions can have in such a field. In the end, the SDGs declaration has been expected to be (among others) the context where countries and business could agree to a set of rules and values for an enhanced cooperation system.

In this respect, a quick reading of the Open Working Group Proposal for the Millennium Development Goals, which is the basis of the document that is going to be ratified soon, reveals that when the SDGs address sectors which are clearly within the business arena and where companies can provide a significant contribution, they distinguish between three highly interrelated dimensions:

- Inclusiveness
- Sustainability
- Partnering

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Goals 8, 9 and 12, which deal with economic growth, employment, industrialization, innovation, and production and consumption patterns underline the importance of inclusive and sustainable approaches, encouraging their application.

Inclusiveness means that business can directly benefit the poor through their core activities, addressing them and the problems they face in the different contexts. Companies can involve local poor in business processes as producers, consumers and even owners, offering, for example, income opportunities or providing necessary goods and services. Beyond benefitting local communities, it is demonstrated that such an approach also makes business sense.

Furthermore, during the past decade, companies have been increasingly encouraged to place responsible practices and sustainability objectives at the heart of their strategies in order to better align their efforts with the broad global development agenda. Central to a more effective engagement of the private sector is a new orientation articulated in the concept of ‘corporate sustainability’ and defined as “a values- and principles-based management and operational approach to corporate management, strategy and culture”. In

particular, transparency and accountability are considered as crucial principles for the improvement of business performance.

This is business re-tooled for being up to the challenges of the 21st century, requiring the realization of a number of changes not only internal, but also systemic.

A crucial means for supporting change, but also an end in itself is cooperation. The last goal of the SDGs provides for the revitalization of “the global partnership for sustainable development”, recognizing that complex challenges require integrated responses, picking resources and know-how from all the stakeholders.

The two case studies, the first regarding a private-community partnership for the creation of a value-chain for the production of biodiesel, and the second concerning the access to energy for poor rural communities, both taking place in Mali, proved the efficacy of certain approaches and perspectives inspired by the abovementioned dimensions. Moreover, they demonstrated that the business potential contribution varies according to the sector concerned.

It is realized that the biggest implications and challenges for a positive business and development relationship regard the implementation phase of the new development agenda, rather than its drafting. Implementation requires five resources to make progress: money, expertise, organizational capacity, legitimacy, leadership.

No single actor can guarantee all of them. So, it is increasingly necessary to bring all the actors together for integrated and comprehensive responses to global challenges.

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Governments and multilateral international institutions have to take the initiative to convene all the stakeholders and favor dialogue and alignment. The private sector cannot be expected to take the initiative. But a favourable environment is likely to facilitate this process with the aim of scaling impacts and eventually reaching a systemic change.

In my opinion, it has to be paid attention on and reinforced the so-called co-benefit dimension, the recognition that the addressment of global challenges can, for different reasons and in different ways, be in every stakeholder's interest and offer different opportunities to everyone. Focusing companies attention on the benefits that they will get by investing in action facilitating sustainable development can be an effective strategy for the improvement of cooperation.

The companies' internal reasons are inherently and inevitably profit-oriented, but regardless to that, the simple fact of companies consciously investing and contributing to the addressment of developmental problems can

be enough.

Governments and companies have different but complementary responsibilities, and at the same time efforts have to be made from both sides.

***Business can become real
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In conclusion, it is clear that global challenges require global efforts. The SDGs have opened new opportunities for businesses to shift in the achievement of development goals. They also offer a unique opportunity for development actors to be strategic about their collaboration with the private sector and to demand everything that they expect from the private sector. If done properly, in particular in the implementation phase, businesses can become real levers of change, while also maintaining their profitability.

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