Big Business Capturing UN SDG Agenda?[1]

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Over the last two decades since the Global Compact, the United Nations has increasingly embraced the corporate sector, most recently to raise finance needed to achieve the Sustainable Development Goals (SDGs), i.e., for Agenda 2030. But growing big business influence has also compromised analyses, recommendations, policies and programme implementation, undermining the SDGs.

Changing financing arrangements

Inadequate funding of the UN and its mandates by member States has required this search for additional finance, initially with philanthropy and 'corporate social responsibility' efforts by private business, but increasingly, by viewing profit-seeking investments as somehow contributing to achieve the SDGs.

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[1] First published on Interpress Service, on 11 December 2018 http://www.ipsnews.net/2018/12/big-business-capturing-un-sdg-agenda/.

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While the global economy grew 47 fold from $1.35 trillion in 1960 to $63 trillion in 2010, the UN organization's regular core budget fell to 0.0037 per cent of global income. Meanwhile, 'core' un-earmarked resources fell from nearly half of all UN financial resources in 1997 to less than a quarter today. A recent UN Secretary-General's report estimated that over 90 per cent of all UN development system activities in 2015 were funded with non-core, earmarked project resources.

An earlier report found total non-core resources for UN-related activities increased 182 per cent in real terms between 1999 and 2014, mostly going through a growing number of UN 'vertical' trust funds, beyond Member States' control, while core resources increased only 14 per cent.

Such 'siloed' trust funds – with funding rising three-fold over the last decade – enable both donor governments and corporate interests to determine UN funding, bypassing established decision-making processes. Thus, UN development financing increasingly serves donor priorities.

New development finance discourse

Influential quarters claim that in order to achieve Agenda 2030, financing needs have to rise "from billions to trillions" of US dollars, and that this can only be done by engaging the corporate sector.

According to a 2015 World Bank report, while the Millennium Development Goals (MDGs) needed billions in official development assistance, the SDGs require trillions in investments.

Although most development spending involves national public resources, most Organization for Economic Cooperation and Development (OECD) governments opposed international tax cooperation at the 2015 Addis Ababa third UN Financing for Development conference.

Thus, instead of helping boost national revenue enhancing capacities and capabilities, the Addis Ababa Action Agenda (AAAA) claimed that private capital had "the potential for scaling up to achieve the demands of the Sustainable Development Goals".

Corporate funding for sustainable development?

The three major multilateral agreements of 2015 – the AAAA, the Agenda 2030 for SDGs and the Paris climate agreement – were all premised on private financing while the Agenda 2030 Reflection Group stressed the need to mobilize funding from private business, finance and investment.

Multi-stakeholder partnerships have long been advocated by many OECD governments, UN agencies and former UN Secretary-General Ban Ki-moon. This envisaged big business working with governments in public-private partnerships (PPPs), blended finance and various other novel financing arrangements.

A 2015 UN Environment Programme (UNEP) report emphasized the need to "access private capital at scale, with banking alone managing financial assets of almost US$140 trillion and institutional investors, notably pension funds, managing over US$100 trillion, and capital markets, including bond and equities, exceeding US$100 trillion and US$73 trillion respectively.”

Public-private partnerships

The AAAA promoted PPPs and blended finance arrangements, while the Global Infrastructure Forum was set up at Addis to close the ‘infrastructure gap’ in developing countries, estimated by the outcome document at between “$1 trillion to $1.5 trillion” annually.

Thus far, PPPs have been more significant in developed and upper middle-income countries, as low-income countries are rarely able to attract large private investors. Warnings that PPPs and other such modalities, already problematic in OECD member countries, are even less likely to succeed in developing countries, where cost recovery is more difficult, have been largely ignored.

Instead, PPPs have often worsened national budgetary positions in the long-run due to the contingent liabilities governments are required to take on. Consequently, in most cases, governments bear the most risk, subsidize ventures and guarantee revenues to the private partner.

While PPPs have clearly contributed to national financial difficulties, such problems were largely ignored until recently. With changing international relations, they are now being highlighted as leading to national ‘debt bondage’ to China and other non-traditional sources of finance.

Meanwhile, the US and other developed countries have announced major new infrastructure financing initiatives of their own, to draw developing countries from financial reliance on China. This unexpected political rivalry will have mixed consequences for borrowing developing countries.

PPPs involve many unpredictable risks, primarily borne by governments, as well as side and spill-over effects, with the private partners typically setting most terms. Moreover, PPPs in social sectors, such as health and water, are less inclusive, disadvantaging the poor and the less accessible.

Meanwhile concerns have been raised, even by *The Economist*, about enthusiasm for blended finance as ‘aid’, which typically favours private partners from the donor country. Such aid diversion — from budgetary support, social programmes and essential services — prioritizes private profits, rather than the public interest.

Checks and balances?

The UN Global Compact’s 10 principles from the turn of the century remain the main intergovernmental framework governing non-state partnerships, but remains ill-equipped for meaningful accountability, especially as it pre-dates the SDGs, and hence, are inadequate now.

Promoted and often required by OECD governments, PPPs and blended finance have not received enough critical scrutiny in terms of compatibility with UN mandates, while their extra-budgetary funding status has exempted them from rigorous audit, review and impact assessment.

With financing gap concerns accepted as the rationale for multi-stakeholder partnerships, the private sector is increasingly calling the shots, with occasional lip service to civil society engagement merely providing legitimacy, rather than adequate checks and balances.

To know more:

- Sundaram, J.K. and A. Chowdhury, Blending Finance Not SDG Financing Silver Bullet, Inter Press Service, 2018.
- J. Martens, Reclaiming the public (policy) space for the SDGs - Privatization, partnerships, corporate capture and the implementation of the 2030 Agenda, Reflection Group on the 2030 Agenda for Sustainable Development, 2017.
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- World Bank/IMF, From Billions to Trillions: Transforming Development Finance Post-2015 Financing for Development: Multilateral Development Finance, 2015.
- Mahbubani, K., Why We – Especially the West – Need the UN Development System, Future United Nations Development System, 2013.

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- Privatisation of development assistance: integrating further agriculture into the world market, 2018.
- How tax evasion reinforces financial power, weakens public institutions and policies and perpetuates dependence, 2017.
- Ocampo, J.A., and J.K. Sundaram. UN Analytical Leadership in Addressing Global Economic Challenges 2017.
- How “philanthropic” is global philanthropy? 2016.
- Strengths and weaknesses of the agreement reached at the Addis Ababa Conference on Financing for Development, 2015.