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SESSION 7 : Financing for a Post-2015 Development Agenda

Private sector and private financing in a new development agenda

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Empowered lives.
Resilient nations.

Outline

- Why private sector matters
- The question of financing
- Government revenues
- Development banks
- Tapping private savings
- Sovereign wealth finds
- Voluntary private financing

Why private sector?

- **The for-profit private sector is a major or dominant investor, producer of goods and services and provider of jobs and means of livelihood**. It is involved in extracting and using natural resources and generates a range of emissions and effluents.
- **Issues**
  - Adherence to principles on which development goals are framed
  - Fall out of developments following deregulation
  - Financial constraints in the state budget
- **Private sector contribution**
  - Redesigning developmental intervention
  - Harnessing technology for the 2015 agenda
  - Mobilising financial resources for advancing development goals

Why private absence?

- Millennium Declaration centred on the United Nations
- Level, direction and form of private investment have been driven by near- or medium-term profitability considerations
- "Efficiency" of the private sector attributed to competition or rivalry
- Adoption of less labour-using technologies even in low cost locations has reduced the responsiveness of employment to increases in output
- Turn to more liberal, market-friendly development strategies
- Some combination influenced the international community

What could motivate the private sector

- Demands for greater social responsibility
- Government regulation
- Media exposure and social scrutiny
- Reputational benefits
- Shareholder pressure and consumer mobilisation
- Governmental requests, demands and impositions
- Commercial dividends

Voluntary private contribution

- Impact that a firm's actions can have when it just pursues its own interests and adheres to principles prescribed by the law
- A firm generating negative external effects (pollution, for example), even to an extent permitted under the law, may still choose to invest in decreasing or reducing those effects
- A firm for public relations or reputational reasons may voluntarily choose to support local schools, hospitals and the like
- A firm may see itself as being, besides a profit-seeking entity, an agent contributing to socially just and sustainable development.

Being a development partner

- "Actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams and Siegel).
- "A responsible business is one that has built-in to its purpose and strategy a commitment to deliver sustainable value to society at large, as well as to shareholders, and has open and transparent business practices that are based on ethical values and respect for employees, communities, and the environment."
- True development partnership can be realised only when purely profit-seeking behaviour is voluntarily circumscribed by an ethical frame of this kind.

The Asia-Pacific advantage

- Asian continent accounts for 28 per cent of global GDP and three largest economies—PRC, Japan and India—account for 28 per cent of the global PPP GDP.
- Over $7 trillion in foreign exchange reserves, more than $2.5 trillion in sovereign wealth funds and about $7.4 trillion as private savings.
- The top three recipients of the $414 billion of migrant remittances in 2013 were India ($71 billion), China ($60 billion) and the Philippines ($26 billion), with 40%.