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Engaging the private sector in Africa's peaceful development

Jolyon Ford

Recommendations

1 Governments should develop transparent and accountable platforms that will systematically engage business in the design and delivery of national development plans.

2 Governments should work to ensure that small and medium enterprises (or their umbrella groups and, where appropriate, labour groups) are included in these platforms.

3 Civil society and think tanks should, in consultation with their donors, be more pragmatic about corporate partnerships when there are cross-sector developmental issues.

4 Donors should strengthen efforts to link foreign investment projects to local private sector development through inclusive local content and hiring programmes.

5 Donors and civil society should promote the adoption of conflict-sensitive business practices and assist firms with the Guiding Principles on Business and Human Rights.

Summary

The potential is untapped for governments and donors to explore scaling up their engagement with the business community in the pursuit of more peaceful, just and inclusive societies. Recent high-level summitry has given new impetus to engage business in shaping and delivering the development agenda. However, African policy making has only just begun to explore how the high-growth 'Africa rising' phenomenon could be enhanced by leveraging the developmental impact of business activity. Moreover, considerable ambivalence remains among policymakers, donors and corporate strategists. An exploration of what drives greater engagement; what is involved in more explicit cross-sector cooperation in addressing barriers to greater peace and prosperity; and what 'appropriate' relationships would look like, is both necessary and timely.

CROSS-SECTOR DEBATE on Africa at the World Economic Forum (WEF) in May 2014 proceeded on the premise that business shares with government a strong longer-term interest in ensuring that growth is more inclusive, stable and sustainable. From one perspective, this premise is wholly unremarkable, given the private sector's stake in peace and prosperity. Nevertheless, and unlike civil society, business has typically not been treated as an explicit stakeholder in development, although recognition of its shared interest in development holds considerable potential for transforming Africa's development path.

One policy challenge is to identify general and specific shared risks and opportunities through local, national and regional dialogue and cooperation on development-related obstacles and goals.[1] However, business and government have different incentives, constituencies, claims to authority and forms of responsibility. Therefore a parallel challenge is to develop clearer parameters for collaboration, so that policy supports private enterprise while still advancing the public interest.

This paper outlines what is at stake in Africa's economic rise before discussing emerging trends towards more explicit business engagement in the development agenda.

Restless youth and responsible business

The so-called ‘Africa rising’ phenomenon provides an important context for discussing the potential gains that may arise from deliberate enhanced linkages between private sector growth strategies and development goals. This now-familiar narrative observes Africa’s high average economic growth rates; growing confidence and capability among technocratic reformers; greater variation in the geopolitical origin of economic partners; and the potential of Africa’s youthful, urbanising, aspiring and innovative populations.[2] The narrative has both strong investor appeal and considerable objective promise as far as development is concerned. It helps inform the search for innovative strategies, partnerships, products and services that might create new value and resolve bottlenecks to achieve greater levels of prosperity and peace across Africa.

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Yet behind the headline growth rates lies a far more complex variegated picture of the continent’s recent and potential trajectory. This risk-focused, ‘negative’ perspective also yields some alignment between business concerns and those of governments: many threats arise *because* of fast-paced growth, not despite it.

Prosperity and fragility are clearly linked: non-inclusive, unsustainable growth can increase the risk of serious conflict; fragility in turn, inhibits growth and investment. Uneven and jobless growth can exacerbate insecurity, inequality, fragmentation and radicalisation. Growth alone does not deliver more capable, responsive state systems; human capital formation (health, education, productivity); reduced infrastructure deficits (energy, transport and information connectivity); and sustainable management of natural capital (land, water, mineral and biomass resources). Progress on these fronts is vital to African countries’ longer-term development, whether as attractive markets or decent societies.

The context for any cross-sector dialogue is thus complex, with overlapping problem sets at multiple levels and huge diversity in growth experiences between and within Africa’s many countries. At the macro level, this has focused the corporate sector and policymakers’ attention on the *quality* of growth: its diversity of sources; its impact on poverty reduction, income distribution, unemployment, and social cohesion; its vulnerability to external events or perceptions, or to climate change, resource scarcity and demographic shifts; its relationship to state stability and capability, for instance in collecting and using fiscal revenue; and so on.

At a more micro level, risk-based perspectives draw attention to the significance of inclusive, responsible and conflict-sensitive business practices and supply chains, and their regulation.[3] In particular, close links between natural resources, land, identity and insecurity in many regions increase the significance of the quality of business operations and their governance. Indeed, otherwise legal business activity in the wrong place at

THE SO-CALLED ‘AFRICA RISING’ PHENOMENON PROVIDES AN IMPORTANT CONTEXT FOR DISCUSSING THE POTENTIAL GAINS THAT MAY ARISE FROM DELIBERATE ENHANCED LINKAGES BETWEEN PRIVATE SECTOR GROWTH STRATEGIES AND DEVELOPMENT GOALS the wrong time can exacerbate conflict rather than reduce its severity, duration or likelihood. The policy challenge is thus to attract responsible firms (and funds) and to leverage, in appropriate and consultative ways, their development impact. This increases the relevance of exploring how private sector self interest, capabilities and resources can be harnessed in pursuit of the public good – not just to avoid disruption and decline, but also to unleash social potential and create economic value.

Response and recovery in fragile regions

Fragile areas face a catch-22: they are most in need of revitalisation, yet struggle to attract investment precisely because they are fragile. Policy innovation and flexibility is at a premium here, as these will incentivise good firms to enter.[4]

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Fragile states and regions are too easily dismissed among investors and policymakers interested only in particular resource bases, infrastructure corridors or concentrations of urban consumers. They matter for a variety of reasons:

- For their own sake. The 'Africa rising' narrative lacks credibility if it leaves millions behind in weak, oppressive, stagnant and fragile states.
- Because of perceptions. If Africa cannot stabilise such areas, negative external stereotypes (and related finance costs) will persist, undermining the value attributed to projects, propositions and portfolios.
- Because of contagion. Unbalanced growth risks feed grievances, violence and displacement. These forces can unsettle national politics and undermine the business continuity or the attractiveness of major urban centres that seem unrelated to peripheral, fragile regions.
- Because considerable resource endowments are often found within (or must traverse) areas of fragility.

Finally, 'fragility' is relative. If policymakers and business fail to cooperate on creating strong, inclusive growth, the continent's assets (its young, urbanising, dynamic population) could become serious liabilities.

Lessons from fragile states are thus highly relevant in ostensibly stable countries. They sharpen the focus on what appropriate cross-sector dialogue and cooperation can do to enhance participatory development, distributive policies, job creation, service provision and good governance, and managing expectations in this way.

Roles and responsibilities

The daunting and inevitably highly political nature of the above catalogue of challenges partly explains why business leaders have traditionally seen their developmental role as largely the indirect one of employer and taxpayer, with some relatively low-scale social investment activities.[5]

However, a shift is under way towards more direct, explicit business engagement in, and contribution to, the sustainable development agenda.

Three main factors are driving this. First is the growing recognition among global firms and funds that the longer-term development issues faced by policymakers are identical to those identified during commercial scenario-building on threats and opportunities for market growth and business continuity.[6]

A second driver is commercial interest in being seen by host governments and constituencies as a 'partner of choice' in order to access or retain market share or resource bases. This drives firms to offer various developmental linkages to their core operations.

In Africa, the other main discernible driver is investor impatience with government action. Big business is increasingly engaging in the development agenda. This is partly because it doubts host states' planning and delivery capabilities, and worries about the commercial opportunity costs and negative impacts of development-related bottlenecks.

For their part, governments across Africa increasingly recognise that state action alone cannot meet the needs and expectations of fast-growing populations. These governments also increasingly accept the efficiency gains and 'multiplier effects' that may arise from public-private collaboration. Moreover, expectations that foreign firms engage in local content procurement and hiring reflect the popular pressures on many governments to maximise the tangible developmental impact of extractive industry investment in particular.

Meanwhile, traditional (mainly Western) donors and lending institutions are also driving greater public-private dialogue, cooperation and partnership on development. This new donor pragmatism not only reflects the objective gains discussed above, but also results from aid budget austerity and political directives to reorient aid programming to support strategic commercial objectives. Donors are ramping up conventional local private sector development programmes, while also aiming to align the operations of major corporate investors with local or national development priorities. When idealised, these cross-sector collaborations hold considerable promise for boosting development and long-term conflict prevention.

The deliberate leveraging of core business activities promises a far greater potential developmental impact than standard corporate social investment programmes, while firms get to mitigate socio-political risks, build local suppliers and skills providers and reduce reliance on external supply chains.

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Recognising business as a development actor

Global-level debate on the private sector's developmental role has gathered momentum. United Nations (UN) system statements, for instance, now repeatedly note the fact that the private sector's resources, expertise and reach may often prove critical to achieving UN goals.[7] The April 2014 inaugural high-level summit on Global Partnerships for Effective Development Cooperation exemplified the highest-level of policy recognition of business as a vital development actor.[8] The 2013 UN high-level panel report on the post-2015 development agenda likewise emphasised this.[9]

At the same time, leading agencies and donors have been exploring what it means to engage business in development and what the post-2015 business engagement architecture might comprise.[10] For their part, big business representatives have been increasingly vocal on the urgency of addressing sustainable development challenges and are increasingly mobilising through such platforms as the WEF, the World Business Council on Sustainable Development and Business Action Africa.

Rhetoric, reality and reticence

The wave of recent rhetoric on public-private development cooperation belies the reality. Many examples of innovative cross-sector partnerships exist across Africa, but few countries have undertaken such collaboration systematically and at scale. Few have established any explicit standing platform for regularly engaging business in the design and execution of national development plans.

The problems go beyond organisational capacity to institutional inclination, both by business and government. Considerable shifts in mind-set and trust building will be needed to ensure greater regular public-private development cooperation.[11] Many business people are hesitant, seeing 'partnership' with government as connoting delays, bureaucracy, avoidance or rent seeking. Many bureaucrats and development practitioners are blind to business ideas and input, or fear business partners will distort or subvert public policy aims.

Enhanced engagement under a 'development alignment' rubric could deepen risks of corruption, or mask the preferential treatment of some firms. In southern Africa in particular, some governments can appear ambivalent about the private sector's overall role in society.

Finally, firms can have unrealistic expectations, while governments might evade their responsibilities.

IN SOUTHERN AFRICA IN PARTICULAR, SOME GOVERNMENTS CAN APPEAR AMBIVALENT ABOUT THE PRIVATE SECTOR'S OVERALL ROLE IN SOCIETY

Recent enthusiasm for more direct development engagement by business is seldom reconciled with fundamental questions around appropriate taxation, revenue allocation, and governments' responsibility to finance development.[12]

Redefining 'the private sector'

Three further observations are necessary. First, 'the private sector', of course, comprises myriad sectors.[13] Current debates pay insufficient attention to the fact that these hold very different potential developmental linkages; some inherently hold far more risk of having a negative environmental, social or governance (ESG) impact than others.

Second, corporate leaders on the WEF and other platforms are not necessarily representative of 'the private sector'. Smaller operators may hold greater net developmental significance, yet will often struggle to influence national (let alone global) public-private dialogue and action.

Third, the debate often assumes Western notions of corporate form and business-government relations.[14] This third tendency insufficiently characterises the map of African business and investment. For instance, it overlooks the relative significance of state-owned enterprises having 'private-sector' characteristics, or the growing commercial involvement in Africa of non-state actors from China and elsewhere.

National origin and corporate form can affect a firm's amenability to engage with development issues and/or susceptibility to regulation on ESG issues. Yet it is arguably irrelevant for Africa whether the investors are Chinese or Canadian, Australian or Angolan. What is relevant is investors' openness to dialogue and cooperation on how to create and share value within host societies with beneficial developmental and ESG impacts.

Ramping up engagement

Significant barriers of ideology, institutional culture and incapacity will continue to hamper the evident scope for public-private development collaboration. The reality of often-poor business-government relations and development linkages cannot be denied, nor can questions of transparency or who speaks for business. Convergence on developmental tasks also risks blurring the state's proper responsibilities.

Yet the scale of challengers and the efficiency and effectiveness gains from appropriate strategic alignment easily outweigh these policy risks. This creates an imperative for practical, inclusive, transparent, systematic and innovative ways to manage shared problems.

Scaling up the developmental impact of business requires governments to develop transparent and accountable dialogue platforms that will systematically engage business in the design and delivery of national development plans. Such platforms would usually require cabinet-level coordination and links to donors and institutional lenders. They can be replicated at local government level.

However, the process also requires concrete initiatives that go beyond dialogue.[15] In particular, donors, governments and firms have hardly exhausted all the options for innovative public-private financing models that share risks, while maximising financial returns alongside having a positive development impact. Such initiatives will require taking some policy risks to build the required trust and modalities, but do not necessarily mean that authorities or donors are 'picking winners' or favouring some firms over others. Civil society bodies working on development and security should avoid default distrust of corporate outreach and relationships, instead thinking strategically about where mutual alignments may exist and how they can advance civic ends without compromising organisational integrity.

Africa's security is inextricably linked to its development path, and vice versa. Instability hampers development progress, while under-development undermines longer-term stability. Efforts to reduce vulnerability and fragility in Africa are ultimately inseparable from efforts to foster more inclusive economies, better public governance and responsible business activities. This increases the relevance of greater cross-sector interaction and of seeing businesses as 'institutions' capable (by virtue of resources, expertise, and inclination) of furthering public aims.

From human rights to combating organised crime, public policy in Africa should look out for appropriate ways to harness the private sector's self interests and strengths in supplementing and complementing public sector efforts. As the Carnegie Commission wrote:

> 'The prevention of deadly conflict is, over the long term, too hard – intellectually, technically and politically – to be the responsibility of any single institution ... *Strengths must be pooled, burdens shared, and labour divided among actors*.'[16]

Governments have special legitimacy claims and duties, but are not the only actors interested in promoting sustainable peace and shared prosperity. This truism points towards a more open-minded approach on the part of governments, donors and civil society towards engaging business as stakeholders in Africa's peaceable development.

Notes

1 See 'Unleashing the power of business: a practical roadmap to systematically scale-up the engagement of business as a partner in development' (The Partnering Initiative, 2014); www.bpdroadmap.org/.

2 In general, reference to 'Africa' here is to the whole continent unless sub-Saharan Africa is expressly indicated.

3 For a recent overview, see Anette Hoffman, 'From 'business as usual' to 'business for peace': unpacking the conflict-sensitivity narrative', 6 March 2014, www.clingendael.nl. More generally in regulatory terms, see John Ruggie, *Just Business: Multinational Corporations and Human Rights*, New York: Norton, 2013.

4 Reference to the extensive scope of literature on business in fragile situations is beyond this paper's scope. Principle XI of the *Charter on Public-Private Dialogue in Development*, Paris, 2006, is devoted to emphasising the particular value of cross-sector engagement and cooperation in post-conflict and crisis environments. Meanwhile the UN's *Guiding Principles on Business and Human Rights* devotes particular attention to the responsibilities of home and host states for business conduct in fragile and conflict-affected areas: A/HRC/17/31, 21 March 2011, Part IB, [7]; endorsed UNHRC Resolution 17/4 of 16 June 2011.

5 Current debate on shifting trends can tend to exaggerate the novelty of social investment, overlooking that extractive and agribusiness firms in particular have a long history of investing in infrastructure and services.

6 An important driver of engagement by particular corporate leaders is their individual motivations, including engagement for personal and legacy-building reasons. However, this factor cannot itself lead to systematic engagement.

7 In relation to peace and conflict issues, in 2012 the UN secretary-general's annual peace-building report for the first time expressly encouraged engaging the private sector in post-conflict peace building: see A/67/499-S/2012/746, 8 October 2012, [16], [21], [36], [39]; and S/2014/5, 6 January 2014, [50](a)(v).

8 UN, *Final Consensus Statement of the Global Partnership for Effective Development Cooperation*, Mexico City, 16 April 2014, [16], [31]-[34]. In 2013 the UN secretary-general announced work towards creating a UN partnership facility to scale up engagement of this sort.

9 UN, 'A New Global Partnership', New York, May 2013, [5], 22. See for example UN Global Compact, 'Innovating for a brighter future: the role of business in achieving the MDGs', New York, 2010. See too Declaration of the Fourth High-Level Forum, Busan, 30 November 2011, [7], [8], [10], [14], [32]. More generally in the UN system, see for example Wade Hoxtell, Dominica Preysing and Julia Streets, 'Coming of Age: UN-private sector collaboration since 2000', New York: UN Global Compact, 2010; Tagi Sagafi-Nejad and John Dunning, *The UN and Transnational Corporations: from Code of Conduct to Global Compact*, Bloomington: Indiana University Press, 2008.

10 See for example UN, 'Architects of a Better World: building the post-2015 business engagement architecture', New York: UN Global Compact, 2013, and Shannon Kindornay and Fraser Reilly-King, 'Investing in the Business of Development', Ottawa: NSI/CCIC, 2013.

11 See generally Jolyon Ford, *Regulating Business for Peace*, Cambridge: Cambridge University Press, forthcoming, Part II.

12 Oxford Analytica, 'Ambivalence marks Africa's public-private ties', Oxford Analytica Daily Brief, 30 April 2014.

13 Moreover, 'investors' may be those operating enterprises in the real economy, or portfolio investors. Such distinctions are highly material to strategies (for example) for promoting responsible business practices.

14 While Organisation for Economic Co-operation and Development country donors agonise over whether and how to engage 'their' firms on development goals, BRICS-plus donors (Brazil, Russia, India, China and South Africa) are unlikely to perceive significant policy constraints to close engagement with companies.

15 See generally The Partnering Initiative 2014, endnote 1 above.

16 Carnegie Commission, 'Preventing Deadly Conflict', New York: Carnegie Commission, 1997, xiv (emphasis added).

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