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RESEARCH

From Philanthropy to Investment: Considering the New Role of the Private Sector in Global Development

Caitlin Lambert
Virginia Tech, US
caitlinl@vt.edu

Global development, as a subject of academic research, is a broad concept that has historically been concerned with notions of economic development. More recently, however, the term 'development' has come to include a more holistic and multi-disciplinary sense of human development – a combination of economic growth, alleviating poverty, and improving living conditions, particularly within previously colonized or 'developing' countries. This paper analyzes the success and capabilities of private sector investment in addressing development issues – particularly with regard to the Sustainable Development Goals, which act as a set of codified development aims established by the United Nations and ratified by all of its 193 member states.

Keywords: Social Entrepreneurship; Private Sector-Led Development; Sustainable Development Goals (SDGS); Creating Shared Value; Corporate Social Responsibility

Introduction

Global development, as a subject of academic research, is a broad concept that has historically been concerned with notions of economic development. More recently, however, the term 'development' has come to include a more holistic and multi-disciplinary sense of human development – a combination of economic growth, alleviating poverty, and improving living conditions, particularly within previously colonized, or 'developing' countries. This paper analyzes the success and capabilities of private sector investment in addressing development issues – particularly with regard to the Sustainable Development Goals, which act as a set of codified development aims established by the United Nations and ratified by all of its 193 member states. Traditionally, the agenda of global development has not only been the goal but also the responsibility of the public sector – namely state governments, international organizations and other non-governmental organizations like the United Nations and the World Bank. However, there has been a significant change in global business attitudes over the last 25 years.

For the first time, there is a noticeable and increasing trend of efforts made for global development from within the *private* sector. Today, over $2 trillion in business investment is benchmarked to the Sustainable Development Goals (SDGs).[1] All Fortune 500 firms have Corporate Social Responsibility departments, and over half of them directly engage with the SDG goals as a part of their social community policy.[2] This paper will evaluate the potential for significant global development impacts of the private sector shift toward traditionally public sector roles.

Background

In September 2015, the Sustainable Development Goals (SDGs) were adopted at the United Nations (UN) Development Summit to serve as a 15-year plan of action for all countries and people. The SDGs include 17 specific goals and 169 associated targets that set out quantitative objectives across the "social, economic, and environmental dimensions" of sustainable development, all to be achieved by 2030.[3] 'No Poverty', 'Good Health and Well-being', 'Affordable and Clean Energy', 'Gender Equality', and 'Decent Work and Economic Growth' are just a few examples amongst the collection of goals, each with its own list of targets that are measured with indicators.[4] The achievement of these goals would have immense implications for global development. As the UN itself explains, they are "the blueprint to achieve a better and more sustainable future for all."[5] While each of the 17 goals focuses

1 Dan Banik and Jason Miklian, "New Business: The Private Sector as a New Global Development Player", *Global Policy Journal*, Global Policy Journal, 24 Nov. 2017.
2 *Ibid.*
3 Sustainable Development Goals Knowledge Platform, "Transforming Our World: the 2030 Agenda for Sustainable Development", *United Nations*, United Nations, 2015.
4 *Ibid.*
5 *Ibid.*

on a different aspect of global development, all are interconnected. A discussion of how to achieve them by 2030 is not complete without fully considering the role of the private sector, along with the public, in addressing the challenges that they face.

The interest of the private sector in becoming such a partner in international development is growing, reinforced by "new and evolving official programs, financing, partnerships and narratives."[6] This trend is supported by a large body of academic work including, but not limited to, the Price Waterhouse Coopers Sustainable Development Goal Engagement Survey (PwC SDG Engagement Survey) – which generated 986 business responses and 2,015 consumer responses. Highlights from the report are as follows: 71% of businesses say they are already planning how they will engage with the goals; 41% of businesses say they will embed Sustainable Development Goals into strategy and the way they do business; 90% of citizens say it's important for business to sign up to the SDGs; and, 78% of citizens say they are more likely to buy the goods and services of a company that have sign up to achieve the SDGs.[7]

Businesses as a New Global Development Actor

Not only have businesses and investors expressed an interest in supporting fulfillment of the Sustainable Development Goals, but there is also an increasing volume of actors actively pursuing specific ventures that will do so. As Jenny Vaugh, Human Rights Director of Business for Social Responsibility, explained:

> Development assistance from official donors was $153 billion in 2018. That pales in comparison with the value of private sector investment, which was more than seven times that amount during the same period.[8]

The private sector is becoming an increasingly present – and dynamic – actor on the global development stage. In 2018, the Global Sustainable Development Goal Awards were created to recognize specific companies that have developed new products and services and are uniquely positioned for global growth and impact; the winners act as case studies in SDG leadership. Such winners include:

> Such winners include Azuri, which has created a pay-as-you-go solar home system with integrated AI technology that has allowed over 100,000 households gain access to lighting and media services, acting as an affordable and eco-friendly alternative for African customers in energy poverty.

Please note that there are abundant example cases for each of the 17 goals – more of which can be found on the Global SDG 2018 Award Winners website – but for the sake of brevity, the above business has been highlighted to showcase specific efforts with quantitative impacts.[9]

Economic Considerations

With this trend of companies and investors becoming increasingly engaged in development problems and the private sector gaining experience with development issues, there is now a noticeable shift toward development efforts that create both business value and social good – a phenomenon that Michael Porter has termed "Shared Value", in that it generates business and economic value while also addressing key environmental and social issues.[10] The concept of Creating Shared Value (CSV) can be defined as

> [p]olicies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates.[11]

By better aligning business initiatives with sustainable development goals, the private sector opens itself up to many ways to serve new needs, gain efficiency, create differentiation, and expand market opportunities.[12] The business case for aligning business goals with social-improvement initiatives has been bolstered by new research on how SDG-specific compliance can create market opportunities and grow profits. For example, the non-profit Business and Sustainable Development Commission claims that the fulfillment of four key objectives alone – food and agriculture, cities, energy and materials, and health and well-being – will create $12 trillion in business revenue by 2030.[13] Mark Malloch-Brown, Chair of the Business and

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[6] Cheryl McEwan et al., "Enrolling the Private Sector in Community Development: Magic Bullet or Sleight of Hand?", *Development and Change*, vol. 48, no. 1, 2017, p. 29., doi:10.1111/dech.12283.

[7] Price Waterhouse Coopers (PwC), "SDG Engagement Survey – New Global Goals: Are They Business Critical?", *PwC Global*, PwC Network, 2015.

[8] Jenny Vaughan,"How Business Can Affect Human Rights: 4 Lessons from Peacebuilding and Development", GreenBiz, GreenBiz Group Inc., 3 Sept. 2019.

[9] The Global SDG Awards, "2018 Award Winners", *Global SDG Awards*, 2018.

[10] Michael E. Porter and Mark R. Kramer, "Creating Shared Value", *Harvard Business Review* 89, nos. 1–2, January–February 2011, p. 62.

[11] *Ibid.* p. 66.

[12] *Ibid.* p. 67.

[13] "Better Business, Better World", *The Report of the Business & Sustainable Development Commission*, Business and Sustainable Development Commission, Jan. 2017, p. 12.

Sustainable Development Commission, said the biggest "prize" for the private sector that engages in sustainable development is a much bigger global economy, an increase of 10–30%, which would represent a "quantum leap" in making "today's poor tomorrow's consumers and workers."[14] This return in investment is viewed by Paul Polman, CEO of Unilever, as one of the key benefits, as he explains: "we have seen this on climate action, which influence 13 of the 17 SDGs, where businesses that actively take into account this issue enjoy 18% higher returns on investment."[15] Unilever and its Sustainable Living brands, which mirror the goals of the SDGs, grow 30% faster on average than the rest of the company.[16]

Overall, economic gains from achieving the goals could add substantially to the total return on investment expected for the private sector's involvement in such development. For example, as the Sustainable Development Commission explains:

> Better health and education will increase labor productivity. Reduced social inequality and environmental stress will reduce political uncertainty, lowering business risks and multiplying returns on investment.[17]

In this way, SDG compliance offers a compelling growth strategy for individual businesses and the global private sector industry as a whole.

While the business case for sustainable development is strong, there is debate as to how equal the engagement by companies and investors will be in regard to all 17 goals. Data collected from the PwC SDG Engagement Survey shows that corporate efforts dedicated to SDG engagement is not evenly dispersed across all 17 goals; overall, when you look at the objectives that companies are prioritizing investment in, it is clear that they are identifying specific areas where they expect their business itself to excel and grow (See **Figure 1**). This effect of taking a shared-value approach to sustainable business practices has garnered some criticism due to the demarcation of self-interested initiatives as a driving factor for increased

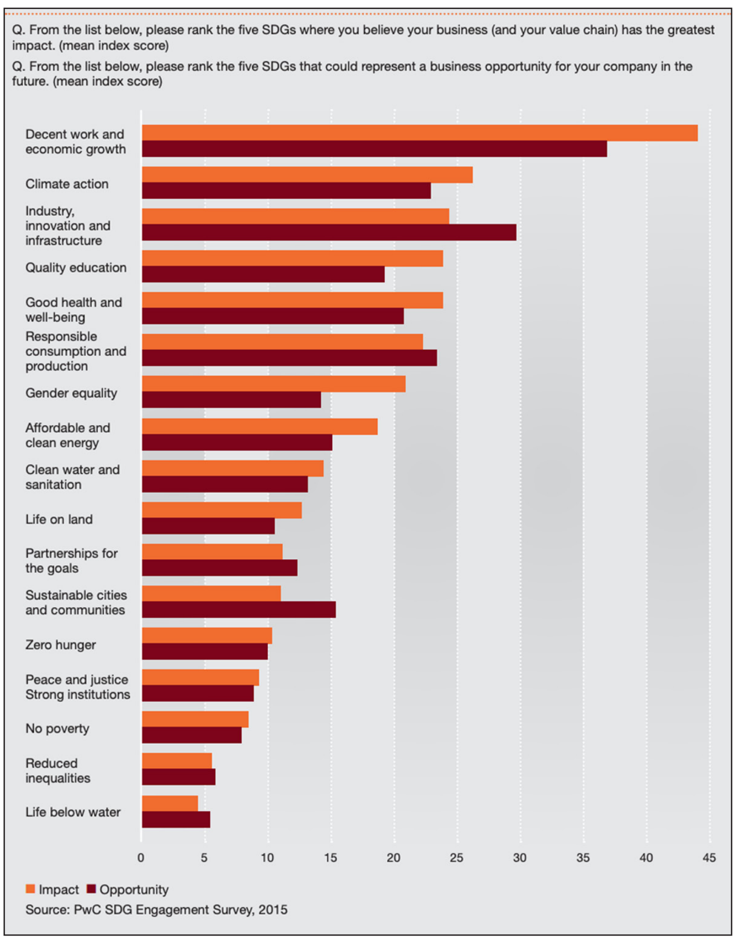

Figure 1: Business Impact on the SDGs and Potential Opportunities.[18]

[14] *Ibid.* p. 14.
[15] Paul Polman, "Why Sustainable Development Makes Good Business Sense", *Business & Sustainable Development Commission*, BSDC, 2015.
[16] *Ibid.*
[17] *Ibid.*
[18] PwC SDG Engagement Survey, p. 10.

private-sector involvement with global development strategies. Taking this factor into consideration – namely that business is seemingly set to focus on a portion of total SDGs that do offer proportionate benefits to the expected costs of such engagement – the question arises of how to show the private sector that all 17 of the goals are relevant to business itself.

Addressing Criticisms from an Economic Point-of-View

The PwC SDG Engagement survey points to a "fear of the unknown and the inability to measure and evaluate how SDGs will impact a company" as primary reasons for this hesitation to engage with all 17 of the goals.[19] This is understandable, given that both the establishment of the SDGs and the role of the private sector as a global development actor are both relatively new developments. When making business decisions, a company must consider a number of factors including time, money, risks, and benefits. How to assess impact will be fundamental to valuing the positive and negative contributions a business makes toward the SDGs – or as one suggestion from the survey explains: "A standardized tool for gap analysis, monitoring, reporting and measurement would be most relevant for industry benchmarking, or best practices sharing."[20]

PwC has formulated one such tool – its Total Impact Measurement and Management (TIMM) framework – for informing the development of business policy in coherence to the goals while also offering a holistic view of what businesses need to understand in terms of risk, identifying opportunities, and maintaining a positive impact on society. The PwC website offers a number of case studies where this framework has already been implemented. For example, consider their Food & Beverage Scenario – a real-world business case that addresses the question: should barley be imported or should an alternative, locally grown crop be grown for the brewery?[21] (See **Figures 2a** and **2b**). In this case, the TIMM perspective allows the private-sector actor to develop a clearer long-term strategy for the business and help engage with stakeholders on the basis of "a more credible analysis of the impacts of business decisions."[22] This framework is invaluable, because it quantifies the seemingly qualitative effects of aligning a business model with the SDGs. The ability to trace SDG engagement to specific deliverables is essential to making sustainable development more approachable for businesses. At the UN General Assembly in September 2019, 140 banks signed up to support? the UN's Principles for Responsible Banking, an agreement to work on "more consistent ways of measuring sustainability"; and on October 16th 2019, the members of the new Global Investors for Sustainable Development Alliance – which consists of chief executives from 30 of the world's biggest companies – committed to "scale up and speed up" their efforts to align their businesses with the 17 goals and to the creation of common standards for measuring the impact of SDG investments.[23]

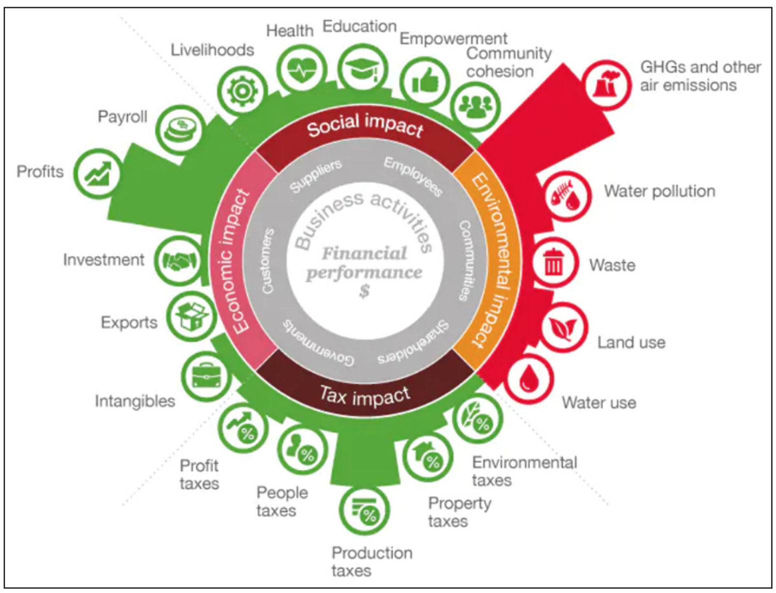

Figure 2a: Option 1 (Food and Beverage Scenario) – Import Barley.[24]
Upside: Less consumption of water, which is a scarce resource of the local community.
Downside: Higher GHG emissions; Lower investment in new infrastructure.

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[19] PwC SDG Engagement Survey, p. 26.
[20] *Ibid.* p. 27.
[21] Price Water House Coopers, "Total Impact Measurement and Management", PwC, PwC Network, 2018.
[22] *Ibid.*
[23] Andrew Edgecliffe-Johnson, "Global Business Chiefs Pledge to Boost Sustainable Development", *Financial Times*, Financial Times, 16 Oct. 2019.
[24] Price Water House Coopers, "Total Impact Measurement and Management – Food and Beverage Scenario", *PwC*, PwC Network, 2018.

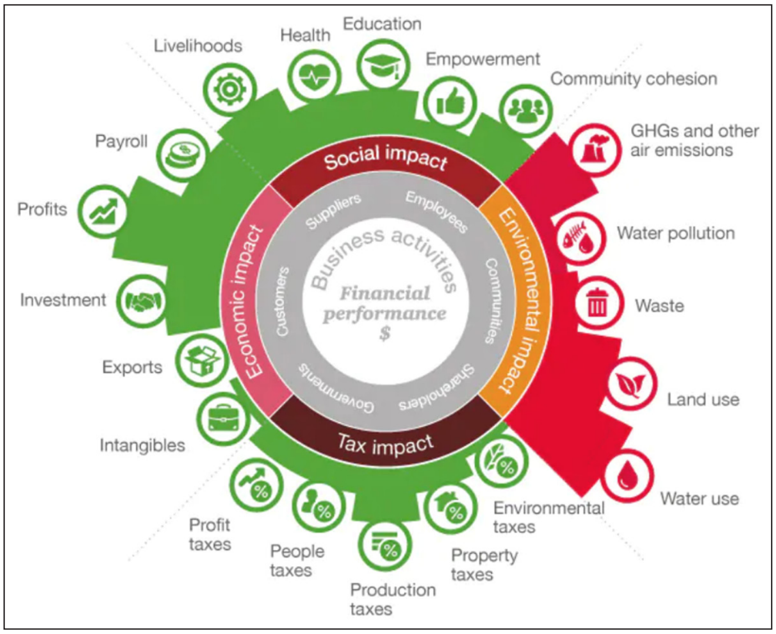

Figure 2b: Option 2 (Food and Beverage Scenario) – Grow and Source Locally.[25]
Upside: Communities benefit more (jobs, health etc.); Investment in new infrastructure; Lower GHG emissions.
Downside: Higher consumption of scarce water resource and associated health impacts.

Philosophical Considerations

The shared-value approach case for sustainable development makes good business sense; it opens up new opportunities and big efficiency gains, drives innovation, and enhances reputations.[26] However, to some scholars and other prominent actors in the field of global development, shared-value essentially means self-interest. According to Laura Gitman, Chief Operating Officer at Business for Social Responsibility (BSR), the shared-value approach to global development has "given permission for companies to care about society only when it provides benefits to them."[27] Such critiques ultimately raise concerns over the extent to which the global community should rely on a business case for developmental goals and what can be done to ensure that SDGs without a strong business case are not disregarded. However, there do exist compelling arguments for the incorporation of the objectives into a business plan other than that it simply makes good business sense.

One such argument is the growing sense of urgency surrounding sustainable development. As explained in the "Private-Sector Collaboration for Sustainable Development" report, published by BSR:

> In the past year, it has become increasingly clear that the world is changing fast—and profoundly. We are faced with challenges such as catastrophic climate change, increasing inequalities, and the rapid emergence of new technologies that disrupt societies and raise new, fundamental ethical questions.[28]

This sense of urgency is something that companies such as Deloitte have taken notice of. On October 15th 2019, Forbes published an article in which Deloitte representatives stated that, "there [is] a growing expectation that business must play its role in delivering improvements in the lives of customers and employees, and protecting the environment for us all."[29] This shift in responsibility agency – away from a siloed, public-sector sustainable development approach toward one that not only incorporates, but actively involves the private sector – is a phenomenon that many of the primary actors in the realm of development have taken note of.

Constructing a Moral Argument for the Business Case

Aside from increasing changes in expectations and agency, there also exists a moral case perspective which argues that businesses should prioritize the SDGs in order to become more responsible global citizens – even if they do not yet have a

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[25] *Ibid.*
[26] "Better Business, Better World", p. 12.
[27] Laura Gitman, "When the Business Case and Shared Value Aren't Enough", *Business for Social Responsibility*, BSR, 2017.
[28] Sara Enright, Cecile Oger, Peder Michael Pruzan-Jorgensen, and Angie Farrag-Thibault, *Private-Sector Collaboration for Sustainable Development*, Report, BSR, 2018.
[29] Sharon Thorne, "Protecting Our Future: Moving From Talk To Action On The Sustainable Development Goals", *Forbes*, Forbes Magazine, 15 Oct. 2019.

comprehensive legal responsibility to do so. The shift in responsibility agency, in which private sector actors are increasingly expected to assume an active role in sustainable development, is significant because it speaks to a shift in moral agency as well. The moral argument here is essentially that, since a corporation is an organization with the legal rights and duties of an individual, then "a corporation has rights and duties toward the greater societal good, too."[30] As the Internet Encyclopædia of Philosophy (IEP) explains, "we evaluate people and groups as responsible or not, depending on how seriously they take their responsibilities."[31] This argument differs from the economically-based CSV approach, in that private sectors actors should not align their business initiatives with the SDGs simply because it can generate economic returns, but that they should do so because it is also in the best interest of society.

The global community has shared values that can be better provided for by the involvement of the private sector in development roles. Since the private sector is by definition self-interested and controlled, there will always be a debate about the true intention behind private participation in development. However, if embedding global development considerations and sustainable practices in core business strategy can contribute to broader prosperity, while also generating a profit for those actors who do so, perhaps the means do not matter as much as the end result. Furthermore, the private sector is not the only global development actor that might take an interest in motives other than pure altruism.

The public sector actors who have traditionally held responsibility for global development initiatives are not without their own alternative intentions. For example, the United States National Security Strategy views global development as a vital tool for matters of US security. The policy, as released in 2017, outlines a nationalistic development strategy that prioritizes specific development assistance that best supports America's national interests.[32] Such interests include competing with other countries for global influence; stabilizing states and regions which the US considers fragile or weak, in order to limit security threats to the US itself; and supporting American values.[33]

There are a multitude of reasons why both members of the public and private sector might choose to engage in global development initiatives. However, if the moral agency for sustainable, global development is expanding to include the private sector as a responsibility-bearer, this would have immense implications for the entire global community. This increased support from companies for the SDGs could result in the normalization of sustainable businesses practices, a change that would have significant global development impacts for years to come.

Conclusions: The Future of Sustainable Development

Advancement of the Sustainable Development Goals by the private sector is not only backed by economic reasoning – in that it has large expected return on investments for companies that engage them – but also by moral reasoning as well – it is the duty of private sector actors, as members of the global community, to actively pursue the shared value outputs associated with the accomplishment of the SDGs.

The world has 13 years before the deadline it has set for itself to achieve the Sustainable Development Goals – the realization of which affects global public and private actors alike. It would be imprudent to assume that corporations and investors can do (on their own and in the next several years) what governments, non-governmental organizations (NGOs), and international development organizations have been challenged with for the majority of the last century. However, development agencies posit that shared-value approaches can be instrumental in reducing poverty in the developing world and therefore it is important to form strategic partnerships with the private sector to achieve this objective.[34]

For the United Nations, partnership with the private sector is seen to have bestowed "more business credibility and authority"; extended the UN's ability to fulfil its mandates through increased resources; and "provided access to private sector skills and management talents."[35] For the private sector, partnerships have "increased corporate influence in global policy making and at the national level"; "brought direct financial returns", such as tax breaks and market penetration, as well as indirect financial benefits through brand and image promotion; and enhanced "corporate authority and legitimacy" through association with UN and other bodies.[36]

Looking forward, it is necessary to clearly establish the roles, aims, and responsibilities of development actors and the private sector, as well as delineate successful mechanisms for cooperation on shared goals. The increasing alignment of shared interests and values between the public and private sectors offers an opportunity that should not be missed: it can be used not only to foster new partnership but to ensure that partnership is truly in the interests of sustainable global development. Moreover, for communities directly affected by the realization of the SDGs – particularly those located in the global south or in developing nations – there are clear advantages in partnerships that bring together extra resources and

[30] Laura Gitman, "When the Business Case and Shared Value Aren't Enough".
[31] Garrath Williams, "Responsibility," *The Internet Encyclopedia of Philosophy*, ISSN 2161-0002. 2019.
[32] Adva Saldinger, "What the US National Security Strategy Says about Global Development", Devex, 19 Dec. 2017.
[33] *Ibid.*
[34] Priyan Senevirathna, "Creating Shared Value through Partnerships in Agricultural Production in Sri Lanka", *Geoforum*, vol. 90, 2018, pp. 219.
[35] Buse and Walt, "Global Public–Private Partnerships: Part II – What are the Health Issues for Global Governance", Bulletin of the World Health Organization, World Health Organization, 2000, 78 (5), p. 706.
[36] *Ibid.*

targeted programs that have the potential to benefit large populations. As we approach 2030, we will be able to assess if such achievements made in securing and aligning efforts for the initiatives not only help with the full realization of the SDGs but also alter the way in which public and private actors think about global development as a shared value and shared endeavor – a systemic change that would impact business and society on a global scale.

Competing Interests

The publisher is committed to transparent and bias-free research. To ensure that all publications are as open as possible all authors, reviewers and editors are required to declare any interests that could appear to compromise, conflict or influence the validity of the publication. This process is designed to reinforce the readers' trust in the research data.

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