The 2030 Agenda for Sustainable Development with its 17 Sustainable Development Goals (SDGs) was adopted at the UN Sustainable Development Summit on 25 September 2015 in New York. The new SDGs address the root causes of poverty and the universal need for inclusive, sustainable and resilient development. They reference a wide array of essential basic needs related to public goods such as eradicating hunger and poverty and improving access to quality education, water, housing and sanitation, affordable and clean energy, and decent employment opportunities, all to be achieved by 2030.

It is clear that improving people's lives, enabling peaceful societies and protecting natural resources can only be achieved through joint collective action. For this reason, the envisioned 'Global Partnership for Sustainable Development' (Goal 17) includes all major actors in the public and the private sector. The emphasis on "partnership" is based on the insight that the SDGs cannot be achieved by the public sector alone.

Public-private partnerships stirring change
Numerous examples illustrate how public-private partnerships (PPPs) can enhance access to basic human rights (Aerni 2015a) and improve the provision of environmental services (Aerni 2015b) if they operate in a favourable institutional environment. They do so by looking for solutions that are not just sustainable but also scalable. Scalability is achieved once local entrepreneurs are able to make a business out of a sustainable solution. The project M-KOPA was able to convince over 300,000 households in Africa to substitute dangerous and polluting kerosene stoves with affordable home solar systems that provide fume-free, uninterrupted electricity. The high scalability of this project is due to the fact that customers pay in tiny instalments via cell phones, which, for rural, poor communities makes payments feasible. Customer expenses for energy remain the same with the additional benefit that they will own a climate-friendly energy system once the solar system is fully paid for. The success of such projects is often dependent on the role of the government. If governments can offer a reliable and undiscriminating regulatory environment, entrepreneurs can capture the business potential and further disseminate promising technology and solutions. Furthermore, the public sector should focus on creating an appropriate infrastructure that lowers transaction costs and thus barriers to market entry for local companies. Policy-makers should also ensure that scalable solutions addressing basic needs in life are reaching even those who lack purchasing power. Voucher schemes or conditional cash transfer programmes are means to promote such inclusive policies. The same philosophy of making sustainable solutions scalable through entrepreneurship can and has been applied to many other business areas in agriculture, education and public health.

Despite the numerous success stories, PPPs are sometimes viewed with scepticism based on the assumption that the private sector would mainly produce private benefits. If the global partnership for development, as envisioned by the SDG 17, is to succeed, there needs to be more public commitment to enhance public awareness of the potential of global partnerships to contribute to social welfare and sustainable development.

Self-regulation and sustainability initiatives in the private sector
The global business community has responded pro-actively to public distrust in business through self-regulation and numerous initiatives to improve their social and environmental record. Today most large multinational corporations submit to voluntary global oversight institutions, such as the Global Reporting Initiative (GRI), the UN Global Compact, OECD Guidelines on Multinational Enterprises, ISO-based management standards, international investment standards, and industry-specific codes of conduct and certification schemes. Companies that truly have embedded such principles in their DNA are innovative and demand-oriented companies. They make use of new knowledge to produce innovative new goods and services that do not just generate profits but also, depending on the type of innovation, large benefits for society and the environment (Warsh 2006).

Much of the advancement in human well-being over the past century is due to the ability of the state to create institutions that encourage the private sector to invest in long-term technological change in areas that are of general public interest (Desai 2015, Aerni 2007). Even though technological innovation can be a disruptive force and a source of inequality in the early stage of commercial release, it may become a source of economic empowerment and political equality in the long run (Schumpeter 1942). This applies to basic household goods such as refrigerators, computers, laundry machines and toilets as well as to contraceptive pills that led to huge societal changes in terms of health benefits as well as cultural shifts.

Many international organisations recognise the positive role of technology, innovation and entrepreneurship for human development and sustainable global change (UNDP 2001, Juma and Lee 2005, UNCTAD 2014). They regard the innovation process in the private sector as a source of global prosperity and economic empowerment, which eventually increases access to public goods beyond national borders.

The nature of public goods and how they evolve
Neoclassical economics defines public goods as non-rival in consumption and as non-excludable when it comes to the distribution of its benefits. These features, it is argued, would render public goods inadequate for market transactions, since no one has an incentive to buy or sell something that cannot be exclusively owned. In view of this presumed market failure, the state must tend to the provision of public goods, and the private sector to private goods.

A seminal booklet published by the United Nations Development Programme (UNDP) in 2002 questioned this textbook assumption (Kaul et al. 2002). It argues that the definition of what is public and
Students constructing a water tank in a rural village in Kenya contributing to improved water supply.
Young woman cooking food for the family meal on a solar cooker, a much cleaner way to prepare food than traditionally used methods.
what is private is essentially a social construct. For example, land is rival and excludable in its original state. As such, it is often treated as a private good and has been a source of conflict ever since. However, many traditional societies maintain open and non-exclusive grazing and hunting grounds. This makes grazing and hunting land a common property resource, a public good that is non-excludable. With increasing population growth rates, common property becomes increasingly rivalrous. The overuse of common property resources leads to a process of degradation, better known as the tragedy of the commons (Hardin). This affects all users of common property and diminishes the non-exclusive benefits. As a consequence, many societies have introduced property rights regimes to ensure a better resource management and to encourage more investment in the productive and innovative use of these resources. In such a context, private-sector investments did not just generate profits through the production and sale of private goods but also resulted in positive welfare effects for society at large. The positive effects were, for example, more abundant knowledge creating new markets and new jobs for the younger generations, as well as enhanced affordability of food and other essential goods. The observed supply-side expansion effectively responded to a growing demand caused by population growth and increasing affluence. Hence, rules set by the public sector, such as property rights, can create beneficial effects for the public at large.

The need to understand public-private partnership in a holistic and dynamic context

Throughout history, markets and states were the two mechanisms in society designed to coordinate economic activity. Each plays a role in the provision of private and public goods. In fact, all public goods we enjoy today, especially in the area of public health and education, have their roots in private initiatives (Kaul et al. 2002). In return, many states are involved in the production of private goods, as seen in energy production, finance, telecommunications and transportation.

The ‘public-good’ character of private sector investment and innovation cannot be understood if the economy is implicitly assumed to be separate from society. Considering that every single individual in society is also part of this society’s economy, it is futile to talk about ‘society versus the economy’ or ‘people versus profits’. It is this type of dualistic thinking that makes it difficult to communicate in public why PPPs are so important for the provision of public goods.

The design of effective rules that create incentives for sustainable PPPs must therefore be based on holistic and dynamic understanding of the economy within society. A precondition for the legitimacy of such rules is however the public endorsement of a global partnership for sustainable development that is based on collaboration rather than confrontation.

There are many examples that illustrate what collaboration can achieve. The case studies included in this report highlight some promising approaches.

Not every private-sector initiative with the objective to improve a particular public good will be equally effective. But each one of them will help bring understanding to the type of financial and institutional arrangements that work best in a particular context to encourage effective collaboration for sustainable development.

References