



We need the private sector

Christopher Purdy | 01 August 2013

If we want to increase jobs and reduce poverty, we must emphasize markets and the private sector, and include them in the post-2015 development discussion. Failure to engage the private sector in development is like trying to swim from New York to Amsterdam; you can do it but everyone else will have already arrived before you.

There is little doubt about the influence the private sector has on economies and societies. According to the Overseas Development Institute (ODI), the flow of foreign private investment into the developing world dwarfs official development assistance (ODA) by about 4 to 1, even in the aftermath of the global economic recession.

Like the public and NGO sectors, the private sector is far from perfect. And the underlying motive of generating profits does not always align well with humanitarian principles of development. However, there are an equal number of positive examples of how the private sector is helping to improve lives in the developing world. Indeed, broad development is severely impeded without active participation from a vibrant private sector. InterAction, the US consortium of international NGOs, echoed this sentiment in a 2011 policy paper which encouraged the US government and other donors to engage private sector actors not only in fundraising but also in the innovation and creativity that can promote better development.

Donor agencies that focus on development have similarly grasped the need to engage the private sector. "You cannot get sustainable development without the private sector, and you cannot deliver health care in remote and underdeveloped countries

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without using private sector supply chains," said UK Secretary for International Development Justine Greening in a recent interview. "They deliver a large share of health services across the developing world, sit with us on the governing boards of international health funds, make the drugs and treatments that the world needs, are significant donors to global health and work with us on ways to encourage greater private sector involvement."

The private sector delivers results in many ways. For example, the Rockefeller Foundation and the Results for Development Institute reported that the private sector provided more than 50% of family planning services in 8 of 19 low-income countries (LICs) in Sub-Saharan Africa, and in two of the six countries in South and Southeast Asia. And, in a 2008 speech to the World Economic Forum, Bill Gates said that, as governments and philanthropies could no longer meet the needs of the world's population, companies should accept greater responsibility and take on projects of "creative capitalism." An example of this is the recent deal between Bayer, the Bill & Melinda Gates Foundation and the governments of Norway, Sweden, the UK and the US to make Jadelle, a contraceptive implant, available at an affordable price over the next six years. Implanon, a similar implant, has also been offered at reduced prices in a similar arrangement. Both actions will increase access to these products in dozens of LICs.

However, the emergence of the private sector in key areas of global development isn't limited to health. In 2009, author James Tooley showed that, contrary to general belief, the majority of school children in the poorest slums of Africa and South Asia attend low-cost, private schools rather than government schools. He also found that these private schools outperform the government schools, even controlling for background variables, and at a fraction of the price.

The private sector is compelled to 'think social' by consumer pressures. Today's consumers want to do business with organizations that do well by doing good, wrote Jake Hayman. "Whether those be fast-moving consumer goods, health or educational products or financial services, charities have assets that are commercially viable and can inform product and service development, they just don't always know it."

For example, non-profit organization DKT International has such assets, and tries to use them to maximize its health impact in a way that mimics the private sector. DKT provides couples with affordable and safe contraceptives in 18 developing countries, and capitalizes on existing retail and wholesale distribution systems to get its products to those who need them. In countries like Brazil, Indonesia and Mexico, its affiliates have become part of the private sector, transitioning from non-profits to 'social businesses'. Several DKT programmes are financially self-sufficient, and have used excess revenues to start new projects, as happened last year when Indonesia provided seed money to start up a new reproductive health project in Ghana.

Despite the private sector's unique potential to create jobs, grow economies and be a major driver of development, however, it remains largely marginalized in the debate on post-2015 development. Those of us who are committed to reducing poverty and making life better in LICs should celebrate this potential, try to leverage and steer it and include it alongside the important work undertaken by NGOs, foundations and the public sector. We need all the help we can get and, like it or not, the private sector will continue to be a major part of that process.

Photo credit main picture: 'The utopian principle of company behaviour' (fisserman)