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People Public Private Partnerships

We need 4 Ps -Not 3 Ps and :We also need the last P to mean Partnership, Not Participation

- By
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Times have changed. We cannot, and must not, be guided by failed economic models of the 20th century such as 'national capitalism' of Hitler; Stalin's Soviet economic model, which Nehru adapted for India ('mixed enterprise system' with commanding heights to public sector) and brought it on the brink of going bankrupt by 1990. It must be underscored that the graft and corruption that is so pervasive in India currently is a lingering legacy of this model. Or, indeed, Deng's model of party led 'state capitalism'.

Yet, these are the very models that have currency in the Constitution --- or new shades of them to make for a varied communism-socialism cocktail.

Capitalism is seen to be a dirty word in the CA. Even though we wish to partake in the globalization process and are signatories of the WTO whose principles are, basically, found on capitalism: and, one may even add, found on American commercial laws and regulations.

At the Nepalese mass level their popularity will be vast given the failure of capitalism since 1996 globally and the gross ill repute that our own capitalists have been endowed with as witnessed by the looting of VAT, excise, customs and telecom revenues. Crony capitalism with big political parties functioning as an oligarchy working in harmony with big unions and big business are the 21st century's feudal Robber Barons of the Republican era. In Nepal.

The Rameshore Khanal resignation from his position as Finance Secretary is symptomatic of the rot that will spread in the civil service as politicians will run amok with mass transfers and capture of the key ministries as their fiefdom. Checks and balance, and the rule of law, will be blown away with the burden left solely on the fragile judiciary to adjudicate as civil society keeps appealing for justice; and as justice is ignored by default in implementation.

I have always maintained that the Finance Ministry can raise no less than 30% of GDP comparable to other LDCs as tax revenue by undertaking forceful reforms and tracking down the self employed professions who have habitually evaded taxes. And, in the process, do away with the need for foreign aid tied to self-interests. Yes, there are highly marginal aid players that do more harm to the integrity of the State by destabilizing it; all in the name of 'ethical' foreign policies and for their own diplomatic self importance as the UNs developed countries. Perhaps, it is time to cap bilateral foreign aid to a bottom line of $ 40 million annually provided it is offered on our terms. One can imagine what havoc this kind of foreign aid will usher in once we create federal states.

Political party interests are constant. Be they NC, UML or CPM as willing reforms would be like killing the goose that lays the golden eggs for them. The 'reforms' by the NC post-1990 was primarily to get in place a compliant bureaucracy that suffers, as a vital national institution, with each change of government. It is not so much bad polices that ruin the economy as weak public institutions like the civil service and judiciary, including the absence of a sound and forceful criminal justice system.

Getting back to the shocks that global capitalism faces today, Harvard's Michael Porter and Mark Kramer say that business is caught in a vicious circle and can only get out of it if business leaders learn to create 'shared value' and not just shareholder value. In sum, they seek a reshaping of capitalism by asking business leaders to redefine themselves and enunciate their responsibility as corporate citizens to society at large .That actually transcends what is written in their statements about their corporate social responsibility (CSR). Pankaj Mihra's the Age of Anger should raise heartbeats of the corporates and they fail miserably to create jobs for the vast majority of youth. They must begin to accept they will be the bull's eye of the angst of the unemployed and unemployable youths.

On passing, it may be pertinent to state that it's a la mode, these days, for businesses to write down their CSRs with tongue- in- cheek behaviour for PR purposes only. It is suggested here that if markets are to be reshaped then 'moral markets' be developed where CSRs may be used as the morals on which the rule of law is henceforth to be applied in the interest of consumers, workers and the environment.

Business leaders who should be the prime economic force for wealth creation must henceforth do so by adopting social costs and benefits and social profitability in their decision criteria and not simply ROI and private profitability. Unilever is said to have embarked on this path. I mention Unilever because it has a subsidiary in Nepal.

Then there is Wal Mart which is trying to enter South Asia in a big way; but is not encouraged to do because of unfounded fears of exploitation. Mostly drummed up by wholesale merchants and distributors; duly protected by the lack of sound Competition Acts and subsidiary laws that is applicable uniformly across the land (as in India).

Other prominent 'shared value' business leaders are to be found in Nestle, IBM, Google, Intel and Johnson and Johnson. We should look forward to their global leadership in applying the new business model so that the poor and the environment are protected and also benefitted from growth and corporate prosperity.

It is true that the concept of PPP has entered the Nepalese public policy lexicon at all levels --- national, district and municipal. Many PPP projects are in place with the initiative and support of UNDP. National and local acts are in place to guide PPP. While the traditional concept of PPP does assume risk sharing by govt and private sector in partnership it does not incorporate the concept of ‘shared value’

It is fashionable to say that such ‘social value’ initiatives will increase costs, but Porter and Kramer argues that it is not so as technological and managerial innovations can beat this short term constraint--- and lead to expanded markets.

What must be well understood is that ‘shared value’ is not the socialist’s ‘fair trade’ principle that seeks better distribution of the spoils of business between farmers and firms. For example, with ‘fair trade’ it is found that Ivory Coast farmers earned 10-20% income more However, in the capitalist’s ‘shared value’ paradigm they increased their income by 300%!

How did this happen? It expanded the value created by making the pie larger, so to speak, through improved technology; sound clustering of farmer support institutions and suppliers to increase farm productivity, quality and environment sustainability.

Obviously, PPP under this paradigm would involve PPP in policy formulation and also execution and evaluation based on sound performance management criteria for public institutions, and social profitability as the criteria for the private sector too. The nature of partnership between government and private sector must include partnership in policy formulation as pragmatism, and not dogmatic ideology, must be the name of the game for a sound business climate in Nepal. The private sector must be the engine of GDP growth and employment creation facilitated by the government. Where private profitability and social profitability are at variance it behoves the govt to adjust their license terms ; and even modify monetary and fiscal policies to make such projects profitable and sustainable

Capitalism grounded on the concept of ‘shared value’ in the quest for social profits based on social costs and benefit analysis creates competitiveness while seeking the ‘fortune at the bottom of the pyramid’ as enunciated by the other great corporate strategist, C.K.Prahalad.

Economic progress will, henceforth, be tied to communities’ progress. As an example, instead of the Chaudhary Group priding itself with an expensive advertisement that it is a $ 2.5 billion Nepalese ‘global’ company, we would rather hope to read PR claims about how each company has benefited his or her community – Ward, VDC, DDC, Municipality, Region/Zone and Nation--depending on its size and spread. This is where the FNCCI, CNI, CCN, FNCSI and all its chapters have a huge role to play as the federated vanguards of income, employment and productivity growth across the length and breadth of Nepal.

These private federations need to demonstrate value creation in societal terms and not, as before, in private profits. Towards this, they need to be interfacing intimately with national federations of professional organizations such as managers, lawyers, doctors, nurses, professors, teachers, journalists, accountans and many more new ones. These professional federations, being part of civil society, must be represented as federal units in the Upper House of Parliament as a suitable mechanism to have additional checks and balance on political populism. Hopefully, keeping paramount the long term national interests in all their debates and dialogues in Parliament, as it is reasonable to assume that political parties will be short term in their interest.

Furthermore, local private sector and civil society institutions must enter into local partnerships with local communities, user groups, cooperatives, CBOs and TVOs to engage the people. In this devolved manner add to PPP its 4 th dimension, namely People (PPPP). This way, business will be leaders not simply in social development and modernization but, more importantly, serve as agents of social change towards participative democracy by all the 4400 communities in Nepal with a grand total of, probably, around 35,000-40,000 villages where all of the near 29 million Nepalese dwell.

The concept of 'shared value' will transform business mindsets to see the 'poor as rich' as was originally conceived by the SAARC Independent Commission on Poverty Alleviation. This Commission was set up, in 1991, by President Premadasa of Sri Lanka. It was chaired by former Prime Minister of Nepal, late Krishna Prasad Bhattarai who, as a Gandhian statesman, bequeathed to the world the term 'pro-poor' as a over –arching modern development lexicon.

The concept of 'share value' should also transform the dominant NGO mindset as what is vital for social transformation is 'social entrepreneurship'-- be it located in governments, civil society, private enterprises or traditional voluntary and community-based organizations. As Porter and Kramer insist, "real social entrepreneurship should be defined as its social value and not just social benefit" (refer "How to Fix Capitalism", HBRAsia.org, Jan-Feb 2011).

It was in this widely acclaimed SAARC Report, "Meeting the Challenge", that Krishna Prasad Bhattarai endorsed the principle that globalization would be like walking on one leg and so a two-legged strategy was urgently needed. This could be realized by developing bottom up development strategies through social mobilization o f the poor, especially the poorest of the poor. In this Report it was envisage that the proposed social mobilization strategy could contribute 9 % GDP growth with 3% directly by the poor themselves. It was also claimed by the Report that in pursuance of the social mobilization strategy poverty could be eradicated in 10 years from the face of South Asia.

Given the threats from global warming and witnessing threats from nuclear power plants; and given the multifarious crises that are being predicted – energy, food, water, unemployment and old age—the concept of 'social value', 'social mobilization' and 4Ps all need to be taken holistically as eco-friendly, sustainable development-cum- business strategies to be nurtured by the state, civil society and private sector as equal partnership subject to the rule of law. Towards a quest for a 'moral market' it is endogenous South Asian ethos and cultures—the social capital--that should be the guiding principles of PPPP as the economic model that should be enshrined in the new Constitution of Nepal.

Thenceforth, even the private sector will begin to refer to its client as sovereign citizens and not simply as consumers. The private sector must begin to play an active, dynamic and direct role in poverty eradication; growth and employment creation; regional balance and social modernization. Of course, not all society's problems is amenable to private sector. Where the private sector and civil society fails respond the State must fill the void.

The State must regulate private behaviour to promote the spirit of competition and protect the well being of consumers. It must regulate market aberrations and market failures. All these interventions by the State must however be done by respecting the rule of law as enunciated in a Competition Act and anti monopoly and oligopoly laws. To prevent the rule of greed, wanton materialism and consumerism we advocate the concept of 'moral markets' so that the rule of law is garnished by morality to nurture decency and civility in all our economic and commercial transactions.