

# Private Sector Involvement in Poverty Reduction: Is a Paradigm Shift in the Offing?

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**Press Release**  
2<sup>ND</sup> May 2014

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Following up on a 2013 United Nations Report titled “A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development”, the Brookings Institute recently followed suite when they published the outcomes of a Roundtable discussion on poverty reduction – “Profitable Development Solutions: How the Private Sector can Contribute to the Post 2015 Agenda”.

Both these definitive reports, authored by eminent scholars critically analysed the global poverty condition, post the Millennium Development Goals (MDGs). The reports indicated that whilst the major objectives of the MDGs were achieved, issues of sustainability were grossly neglected. The reports also state that global poverty is persistent and that the role of private sector is critical to poverty reduction.

Yet another report on poverty reduction by the Organisation for Economic Cooperation and Development (OECD) makes a similar point when it notes, “Increasing economic growth rates is essential – but it is not enough. The quality of growth – its sustainability, composition and equity – is equally important.”

A critical reading of these reports, specific to poverty reduction, indicates that a triad of core pillars are imperative:

- The centrality of economic growth – economic growth, which ensures participation of the poor and takes measures to protect environmental sustainability;
- The foundation of good governance – there is recognition that good governance, supported by effective private sector and civil society involvement, as partners, forms another fundamental pillar for sustained development and poverty reduction; and
- The active participation of the poor – the assets, capabilities and voices of the poor themselves are now accepted as being essential in creating effective approaches to poverty reduction, with civil society organisations often playing a key role as sustainable development advocates.

Reducing poverty, therefore, calls for rapid and sustainable pro-poor growth. This requires good governance, prudent macroeconomic management, competitive markets and a vibrant private sector, efficient institutions and sustainable use of natural resources. Making growth pro-poor requires equitable participation of the poor in generating and benefiting from growth. It also requires reforms to reduce inequalities regarding human capabilities and access to assets and productive resources such as land, training and credit.

Poverty reduction also involves a political process. It requires dedicated efforts to empower the poor by strengthening their voice and fostering democratic accountability. Strategic partnerships with reform-minded forces within public and private sectors and civil society can be helpful in fostering social and political transformation.

In this respect, a crucial element of such private sector involvement should include economic growth, creating jobs, income-generating opportunities and livelihoods for the poor. In particular, improving the access of small enterprises to finance, skills, technology, information, sound business practices, legal rights and markets, should be prioritised.

Achieving this poverty reduction imperative requires effective partnerships and intermediaries that are able to address the market failures, governance gaps and institutional constraints that currently exclude or disadvantage most small entrepreneurs from accessing these public goods and business opportunities. Such partnerships are also essential in helping small enterprises to upgrade and integrate into broader production networks and value chains, which in turn is crucial for raising productivity and employment levels.

Most importantly, though, support for broader country dialogue and stakeholder participation is an absolute necessity. It is incumbent on all who profess to be South Africans to take a first step. As Martin Luther King said, “take the first step in faith. You don't have to see the whole staircase, just take the first step”.

Given that issues of poor governance, poor service delivery strikes, food insecurity, gross inequalities, high unemployment rates and the exacerbation of poverty have reared their ugly head in South Africa, is it not time to have our own poverty dialogue in South Africa? Is it not time to remind the private sector that in the end it will be ‘poorer’ for not having dealt with poverty in a socially responsible way? Surely, poverty amelioration is not, and cannot be the sole responsibility of government?

Recent strike action and civil strife in the form of service delivery conflicts are cannon fodder for insurrection. Let us be proactive and engage in constructive dialogue and not provide food for a socialist revolution.

Mr. Private Sector, a paradigm shift in dealing with poverty reduction is in the offing? Let us be assiduously reminded of the late Madiba’s intervention in creating a miracle – the rainbow nation that is South Africa. Let us take that first step in faith for a sustainable future.

In terms of social responsibility, Regent Business School is planning to hold an inaugural annual event in the near future – **A Roundtable Discussion on Poverty Reduction in South Africa**. We seek equal partners from all sectors of society, and in particular the private sector to host and organise this momentous event.

If you are interested, please contact Ms Fathima Mahomed at [researchevents@regent.ac.za](mailto:researchevents@regent.ac.za)

We welcome any suggestions, recommendations and critique

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