

# **CAPITALISING ON COMPLEMENTARITY: the imperative of multi-stakeholder collaboration for enduring, sustainable, equitable and inclusive growth**

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Ladies and Gentlemen

I would like to address three themes which in my view are critical for successful “finance for development” and, hence, Monterrey II.

The first one is: **“think big, start small, find the right partners, act boldly and quickly, then replicate.....”**: on a complementary basis government, business and civil society organizations need to collaborate and form needs'-based, action- oriented coalitions as well as policy-oriented, more permanent, joint institutions;

The second theme is: **“delivering as one”**, ensure consistency and coherence between the many different official international negotiating tracks (notably: climate, trade, human rights) and institutions (notably: UN, WB/IMF); also here due recognition must be given to complementarity of roles;

The third theme is: **“from dependency-creating aid to self-empowering entrepreneurship”**, whereby performance criteria and impact analyses will address the “Triple Bottom line”: financial benefit in terms of GDP or company earnings (Profit), respect for human rights, striving for equity and social justice (People), as well as preservation of ecosystems and biodiversity (Planet).

Only enhanced collaboration will create the **“MaDness” (Making a Difference)** we need for efficient, effective and equitable, international and national frameworks for a better future for all! It looks like that all stakeholders (incl. the business sector) are now ready for this.

## **NEW NAME OF THE GAME**

Global population growth during the next 40 years by some 40-50% to 9bln people, in combination with increasing and more widely distributed welfare worldwide will put increasing pressure on the “global commons”, i.e. on our ecosystems (pollution, biodiversity, climate), our natural resource base (water, energy, metals & minerals ,food); and also on the physical infrastructure and political architecture. The issues to be addressed by our increasingly interdependent and competing communities will grow and accelerate, such as: norms & standards; respect, tolerance & trust; effective and inclusive institutions; governance & skills; access to opportunity & finance; sustainable land- & water-use; migration; security & resilience.

Will broad-based economic growth continue, or are we entering an era of more economic adversity and protectionism? Who are the engines for the world economy in the years to come; aren't those the emerging micro-/small-/medium enterprises(SME's) particularly in the South? Who will absorb the costs of rising fuel and food prices: poor people or poor governments (by subsidies)? Will economic wealth creation result in sustainable wellbeing as well as fair & equitable wealth distribution? Can we realize such economic wealth creation to benefit all people, while at the same time preserving our only one planet and aspirational lifestyles? And should we stem population growth in some voluntary way? Are the various players in the public and private sectors in their present roles "fit for purpose"? And how about our rules of the game and our institutions, from local to international? And how do we define such "purpose" for the 21<sup>st</sup> century?

This speech intends to offer some perspectives from a business sector point of view. **It recommends a more formal nexus between public and private sectors** to be developed, both locally and internationally.

### **INCLUSIVE GROWTH**

For increasing welfare and wellbeing fueled by economic growth the central theme is that it should be sustainable, responsible and inclusive, i.e. incorporate the "People, Planet, Profit-" dimensions:

- (1) **the People factor:** fundamental human rights and social justice are at the core; economic growth should benefit all citizens of the world ; to close the extreme poverty-gap by 2025 at the latest, recognition must be given to a fundamental human right of "equal access to opportunity" ; also in this context pride and dignity are important;
- (2) **the Planet (ecosystems, biodiversity) factor:** it recognizes the need for a precautionary approach and "internalizes" the cost to nature into our economic interventions; "from black to green";
- (3) **the Profit factor:** market-based approaches are the core drivers for efficient and effective investments & operations, laying the solid foundation for further growth and future initiatives;

Increasing recognition is given in the business community that the "3P: triple bottom line-" approach is quite important for its own license to operate: business may thrive if governments fail, but it cannot survive in "failed societies": **no people, no planet, no profit**. Economic growth is not sustainable if it causes irreparable damage to our habitat and our essential natural resource base; damage inflicted by business may result in future liabilities and/or loss of operating license. Although such damage will ultimately affect everyone, it is the rural poor who are short term particularly vulnerable.

The consequences of "**inclusive growth**", supported by globalization, are of a seismic nature: profound changes in global economic activity, new divisions of labour and new (south-south) trade flows are already occurring . Connectivity is key, causing increasing political, economic, business interdependency globally: the world is "flattening". International cooperation by governments and value-chain

approaches by business are becoming ever more important in an increasingly multi-polar, multi-stakeholder, multi-purpose, hence much more complex world.

The issue has become how to create a new common purpose, as well as how to bring some order in a world with increasing major, collective challenges. How can we, as global citizens, in different parts of the world in different stages of development, with the different roles each of us plays (voter, employee, customer, investor) converge & contract so that there is a shared purpose, some consistency and coherence in how we behave. And then, how strong are the foundations for such shared objective in an adverse economic scenario?

The political agenda on development cooperation for the 2<sup>nd</sup> half of 2008 is challenging but also offers opportunities: the ongoing WTO-negotiations, the Paris/Accra process on aid-effectiveness, the Review of the Monterrey Consensus on Finance for Development, as well the Climate agenda (Poznan, December 2008: with particular emphasis on mitigation, adaptation, technology transfer, financing); can we deliver in Copenhagen in December 2009 an equitable, consistent and coherent pro-MDG, pro-development, pro-climate framework (or at least momentum) which causes us to realize efficient, effective and equitable solutions: “**delivering as one for many**”?!

## **BUSINESS AS UN-USUAL**

How is the business community responding to this new reality? In 1992, at the Rio Conference on Sustainable Development (SD) the business community was absent and very much seen as the major problem on environmental matters; early recognition by the business sector itself that it has an interest in becoming part of the solution was noticeable in 2002 in Johannesburg. At the post-2012 Kyoto Protocol negotiations in Bali in December 2007, it was generally accepted that no solution of the climate challenge can be achieved without practical policy-input and the innovation-, execution and financing capability of the business sector: estimates by UNFCCC suggest that as much as 80% of required funding (at some \$100bln p.a.) may come from business. Such funding may be mobilized if “Copenhagen 2009” will offer a “**equitable, long, loud, legal**” climate accord, or if not so “legal”, at least “**effective**” with a strong, medium term CO<sub>2</sub> price-signal (minimum Euro 50/ton, with current prices at Euro 25/ton).

But much more has taken place since the late 90's: the number of business platforms addressing, and even taking collective action on sustainable development (SD) is rapidly increasing. The World Business Council for Sustainable Development (WBCSD) has been increasingly prominent in its positioning in government fora, as has the UN Global Compact and ICC. They all have extensive country networks. The number of sustainability reports has significantly increased, often using the templates of the Global Reporting Initiative (GRI). Most importantly, business-NGO collaboration is increasing.

Many leading corporations are redefining their “sphere of influence” and are developing responsible and sustainable value chains: “**from cradle to cradle**”. Certification of products and processes is gaining prominence. Sector agreements (such as in mining, cement) become increasingly important and support a level playing field.

In the financial sector, the voluntary Equator Principles for project finance from 2003, one of the earlier voluntary, global sector codes of conduct, is now subscribed by 60 banks worldwide, and its impact is well beyond project finance. Also leading long term financial investment funds have agreed the Principles for Responsible Investment (PRI), which they apply in their own analysis and in the shareholder meetings of the companies they invest in. Microfinance has gained strategic interest from leading local and international banks in many developing countries in (south, east, central) Asia, Latin America, Africa,

In other words, the CSR paradigm, which was traditionally based on a sense of community responsibility and on (more defensive) risk management, is now evolving into a more pro-active, value-creating business proposition and opportunity, based on explicit Principles and Values. Sustainable Development is increasingly recognized as part of sound strategic thinking and acting; and selectively also by Small & Medium Enterprises (SME's) as part of a value-chain or in their own right. SD, CSR are moving mainstream, with NGO-, media-, peer- and, increasingly, client- and investor- pressure as drivers.

Making a profit is not done by a company in isolation, it must be seen as earning it off all stakeholders (clients, staff, partners, government, civil society) who allow it to make such profit and long term value because they feel related to what a company offers and stands for. The notion that competition should be driven by quality of service, price, possibly structure, but not on fundamental Values and Principles is becoming expected by society and accepted by leading businesses.

### **THE PLAYERS: THEIR CORE ROLES**

The **role of business** is doing the right business right in order to create sustainable value (profit, market value) for its shareholders and other relevant stakeholders. A new dimension has become: doing well (for the top and bottom line) by also doing good (for people, communities and Nature). Its core competencies are notably: (1) resource mobilization (talent, funding), (2) innovation (ideas, risk-absorption), (3) execution capability in a cost-efficient and target-effective way and (4) operating without boundaries. It is primarily driven by self-interest, which often causes lack of trust from civil society about its motives, standards. Moreover, in the ICT-age there is "no space or time to hide" for incidents (real or not), driving perceptions (rightly or wrongly) which are affecting reputation and brand-value.

A new generation of venture capital funds is emerging: social venture capital, i.e. patient, strategic investors in social ventures (such as small scale projects, micro-finance institutions) with a modest financial return (max 10%) plus a Social Return on Investment (SRoI). Also, foundations are playing a new and important role in this context, with much attention to performance and impact.

The **role of government** is to serve the public duty by: (1) to establish & enforce the rules of law (which are part limiting, part facilitating and enabling), (2) to ensure a fair and just society, (3) to directly intervene where public interests so require (services of national interests like power, water, infrastructure, health, education, police/defence) and (4) to serve as catalyst for important developments, like early R & D funding and guarantee schemes for non-commercial risks, etc. Where the

private sector functions well , government should withdraw, respectively abstain: complementarity. On the other hand it must step up in case of dys-functional markets (like we see today in financial markets).

The nature and **roles of civil society organizations** (CSO's) are diverse: community-service organisations, (single or multiple) issue advocacy groups, foundations, academia and knowledge-/research-centers. These organizations have a critical role in society to challenge, complement, even compensate for functions which the government nor the business sector can or want to address. Funding of these organizations varies widely: from complete support by government to self-funding. The role of foundations is becoming increasingly important. Knowledge-centers have particularly potential strong multi-stakeholder "convening power".

Each of these categories make their own contribution in addressing the issues, challenges and opportunities which our global society-at-large offers. In simplified terms: policy input & aid by governments; innovation, practical output & entrepreneurship by business; and advocacy, learning, capacity building, grants & soft capital, impact assessment by civil society organizations. Collaboration by way of complementary strategies between them is under-exploited, even more in the context of the emerging realities of the 21<sup>st</sup> century. For such collaboration, even partnerships, the desire and clarity of shared purpose, SMART objectives (Specific, Measurable, Agreed, Realistic, Time-bound), the complementarity of roles and objectives and, foremost, respect and mutual trust are of the essence (and lacking).

Although business associations and NGO's are increasingly involved in providing views for government policy development, this is mostly informal and fairly "ad hoc-ish", hence not reflecting the important role business can and should play in defining the challenge, drafting the long term policies and offer the solutions in practice. Government, business and civil society must jointly address the challenges we face, benefiting from their complementary diversity and capitalizing on their individual strengths. To achieve this a more formal engagement among them is necessary, from international for a to the community-level; the time for this has come!

## **CONVERGE & CONTRACT**

Examples of joint initiatives by which the roles of each of the three categories may be linked (and leveraged) are the following:

**Inclusive, local financial markets:** high priority should be given to the development of inclusive, properly regulated local financial markets (includes the poor), by creating an accessible, professional and sound banking-, insurance-, pension- and long term investment sector; domestic savings should be the primary source of short and medium term funding; technical assistance for capacity- and institution-building (incl. regulatory and supervisory authorities) should be expanded, with support from international financial institutions (like the World Bank Group); twinning agreements with international commercial banks should be encouraged and supported; cooperation with NGOs to connect to the "informal"

economic sector; “social banking” and foundation-work focusing on capacity building must be part of this to create sustainable livelihoods;

**Data collection, targets, transparency, monitoring:** crucial for government policy setting and for business initiatives is the availability of relevant and reliable data, statistics: this goes beyond aggregated and financial-economic-only data; to repair “our broken economic compass” and “internalizing the externalities”, we should include the value, the costs and returns on our Natural Capital (“the economics of ecosystems and biodiversity”) and our Human Capital (health, education, social effect and impact): this is relevant for both governments and business; such data will also allow the monitoring and impact analyses of commitments made for development cooperation (such under the Monterrey Consensus);

**Multi-stakeholder SD Advisory Council:** a standing Advisory Council (similar to some existing Economic Councils) to a government or an international body, which is focusing on policy issues of sustainable development (incl. climate) and (national or international) development cooperation; members should include business representatives, NGO’s, academia; in developing countries such Council might be drafting an inclusive National Development Strategy Including addressing climate-adaptation;

**Public-private partnerships:** from ODA(direct aid-funding by government) to a new, more commerce-oriented, entrepreneurial approach; a government should identify the relevant development projects/interventions for which it assumes the deemed non-commercial part; qualifying companies (and financial institutions) may (competitively)bid for such funds. These are made available on a strictly “additional” basis: the business intervention would not have been done if this government support (incl. by funding or by partial risk guarantees, subordinated loans, price floors) would not have been available; the international financial institutions (such as WB/IFC, IDB, ADB, AfDB, EBRD) should step up in this space!

**Mandatory SD Reporting:** this applies to both public and private sectors; the mandatory nature may be a contentious issue, but it is a highly desirable way “to make society and markets work” for SD , Climate, MDG’s, etc. Such disclosure (eg based on the performance criteria from the Global Reporting Initiative, GRI) cause focus and opportunity for any stakeholder to engage; the Swedish government has recently instructed the state-owned companies in Sweden to publicly report on the basis of GRI; stock exchanges should require listed companies to report GRI-data in the companies’ reporting;

**Infrastructural investments:** to de-bottleneck economies of developing countries, major infrastructural projects in sectors such as transportation , energy, water & sanitation, communications, etc, need to be developed; but also “micro-infrastructural” (small scale) projects need to be developed, such as irrigation, energy, roads). Financial structures applied in the 90’s (such as BOT: Build-Operate-Transfer) will revive, however, considering the lessons of the past, these need to be largely funded through local capital markets; extensive consultation with communities on benefits and impact must take place;’

**Grievance procedures:** the Dutch government has recently created an independent, multi-stakeholder board (NCP: National Contact Point) to mediate in complaints of affected stakeholders by international companies in relation to the OECD Guidelines for Multinational Enterprises. Also for the international

business community it is important that more countries will endorse these Guidelines (China, India, South Africa, Russia).

Each of these public-private collaboration initiatives may be done on a local and on an international level, including international organizations such as UN, World Bank, IMF, etc.

### **THE NEXUS IMPERATIVE**

The seriousness of our global agenda requires major efforts, **“MaDness”** by all for all, which includes both (equitable) burden-sharing as well as the creation of opportunities. For this, new approaches, institutions, grand alliances more “fit for purpose” are urgently needed, which all have in common that pro-active engagement with non-traditional parties, becoming partners will enhance success. Multi-stakeholder institutions have become crucial for policy development and execution as such stakeholders, having an official seat at the table, have shared ownership, rather than just “being on the menu” like today. The ultimate political responsibility remains, however, with the governments, but the business sector and civil society organizations should play an active role. It is about time that the gaps between the public and private sectors will be bridged and that **collective, action-oriented initiatives by multi-stakeholder needs’-based, action-oriented institutions**, will be realized. This should be a key characteristic of a modernised (national and international) development architecture, which is “fit for purpose” of successfully dealing with our multiple, global 21<sup>st</sup> century challenges and opportunities.

Thank you

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