World Business Council for
Sustainable Development

Development Cooperation Forum
New York, June 30th 2008

Session: Special Policy Dialogue – reviewing trends and progress

"How are civil society and new actors enhancing impact at the country level"

Q1: What are the competitive advantages of civil society, business and new actors in contributing to development cooperation at the country level?

- Firstly the WBCSD does not think this is about competition but about leveraging the complementary skills, expertise and financial strengths of the different actors
- Clearly the private sector brings finance. In 2007 net private capital flows to developing countries reached just over $1 trillion (up 40% from 2006). Of this FDI was approximately half (5 times ODA) and remittances just over $300 billion (3 times ODA).
- The private sector also brings implementation capacity – for example project management skills, construction expertise and the ability to efficiently run and maintain operations.
- The private sector can also build local capacity by providing training and localizing its suppliers and service providers. This can generate a healthy Small and Medium sized enterprise sector – the backbone of job creation and wealth generation in OECD countries – but one that is frequently poorly developed and predominantly informal in the least developed countries.
- The private sector can also engage with policy makers on collaborative actions to improve the investment climate, not just for themselves but for business in general. The WBCSD members have 4 priority areas: A fair and competitive global market that is non-discriminatory; effective legal and regulatory frameworks; support for SMEs, including better provision of financial services; improve investments in infrastructure.

Q2: What are the experiences of aligning support of civil society and new actors with national development priorities?

- Increasingly business recognizes its broader role in contributing to the societies where it operates.
- This might be through its core business activities – localizing suppliers and distributors, creating direct employment, offering products and services aimed at improving lives (energy, financial services, housing, water and sanitation services, health products etc.).
- OR this might be through targeted social investment funds that specifically address development needs.
- Clearly if these initiatives are done in the first category - part of their core business activities - they are intended to be profitable and hence sustainable for the longer term which means they can be replicated and can achieve greater scale.
- However to do either successfully – the core business or social investment approach - business needs to engage more broadly to understand local needs in that particular country or region. This means making use of national and/or regional development plans and PRSPs as well as a lot of talking - to politicians, academics, citizens and NGOs. Business then has to design business models to address these needs and it has to be prepared to measure the results of these endeavors.
- Let me given an example. In the Andean and Central American region of Latin America the World Business Council has a strategic alliance with a Netherlands development agency SNV to broker what we refer to as Inclusive business opportunities between a larger company and the low-income segment. These opportunities have to make sense for the companies (i.e. profitable and hence sustainable) AND they must have a development benefit for the low-income segment.
- In Ecuador this Alliance and our local business partner – CEHDES – have worked with the President's office on a policy of economic inclusion. This policy is based on the successful piloting of several inclusive business ideas in Ecuador – primarily between larger food companies and small

farmers (corn, dairy etc). The larger companies have benefited by increasing local sourcing and security of supply, while the small farmers have seen their incomes double, triple or even quadruple.

- President Correa recognized the potential to scale this initiative up and has set aside over $90 million in public funds for micro-credit, micro-insurance and capacity building for the small farmers so that many more can engage in inclusive business and join the supply chains of larger companies.

Q3: How do development actors that are explicitly results driven and performance based avoid becoming engaged in short-term and off-budget financing?

- Not sure I understand this question.
- One of my observations in e.g. the provision of infrastructure services is that the 5 year planning and financing cycle that is common in development banks is too inflexible to changing needs and issues – particularly if you want to engage the private sector. If a multi-national company is told they have to wait 2 or 3 years to the start of the new planning cycle to engage in a co-financed project with the development bank they will probably go elsewhere. If it's a local entrepreneur his or her business model may never get off the ground.

Q4: How could the added value and development impact of PPPs be better documented and disseminated to a wider audience?

- PPPs are a much used and abused term. The real issue is about finding solutions that work for a particular need in a particular context. A PPP may be one way to achieve this, but this should not be seen as the only way – other forms of partnerships and/or blending of capital may be more appropriate.
- In general however I would agree that there needs to be much more shared learning of both the good and BAD experiences. This learning should include lessons from the OECD and BRIC countries. China for

example has an established track record of heavy investments in infrastructure and plans to continue this over the next 10 years with annual investment in excess of 10% of its GDP. And more and more of this finance is being provided by private capital. No country has ever come close to this level of investment even in the original industrial revolution. This investment has been critical to China's economic growth and international trade, lifting a large section of Chinese society out of poverty. In contrast India has significantly underinvested in infrastructure and its future growth potential – not least the quality of life of its citizens – will probably continue to pay a high price for this.

Q5: How may the development cooperation activities of non-bilateral and non-multilateral actors be better accounted for at the global level?

- I'm afraid there are a bit too many negatives in the question – which development actors are you referring to?
- If this is about documenting the development impact from e.g. the private sector, the WBCSD has recently launched a methodology – co-branded with the IFC – to help companies assess their impact on development.
- Unlike development projects, business is primarily in business to generate a return to its shareholders. This tool starts from this perspective – what business does – and then goes on to assess what other impacts arise out of its operations – economic, social and environmental – and then how these relate to the development priorities within the impact assessment area.
- However this tool is intended to be primarily operational – basically to collect knowledge that can be used to inform decisions on the ground by business and other actors aimed at further optimizing impacts in a way that makes sense for the company. It is not intended to be rolled up for corporate reporting at the international level.

Concluding thoughts

There is a lot of talk about aid effectiveness. This may be heresy at the UN and in this forum but perhaps its time to come up with a 21st century term that moves beyond "aid". The world has changed markedly in the last 10 years, not least in terms of the financial flows to the developing world. "Aid" implies a welfarist and dependent relation between the provider and the recipient. This is OK for humanitarian relief efforts and probably helps to garner support for donations to prevent yet another human catastrophe, but it does not resonate well with human development goals where ultimately each individual should be empowered to pursue their own sustainable development. The WBCSD believes a change of mind set is required:

- For business this mind-set shift requires companies to view the low-income segment as economic actors in their own right – in other words not BENEFICIARIES - but actors who can be desirable participants in the company value chain and hence can become part of their core business strategy. Corporate philanthropy and charity while valuable can never achieve the materiality and scale of impacts derived through core business activities.
- For the development community I believe a similar and related mindset shift has to happen – development actors should focus more on the actions to break the dependency and empower the poor so that they can become these economic actors and pursue their own sustainable development. This translates to significantly more focus on key sectors including agriculture, infrastructure, enterprise growth and trade.
- Anyone up for a discussion about moving beyond "aid"?

Thankyou