



WORLDCONNECTORS THE ROUND TABLE FOR PEOPLE AND THE PLANET

**WORLDCONNECTORS WORKING GROUP BUSINESS & DEVELOPMENT COOPERATION:  
"MORE ENTREPRENEURSHIP, COALITIONS AND AMBITION"**

The Working Group was chaired by Herman Mulder, member of the Steering Committee Worldconnectors and Nanno Kleiterp, CEO of FMO and member of the Worldconnectors.

This paper is a direct follow-up to the Worldconnectors Roundtable of 16 February 2010, during which it was decided that, under the coordination of Jos van Gennip, a number of constituent sectors of the Worldconnectors would provide input for a joint comment on the WRR Report "Less Pretension, More Ambition".

It was decided from the outset that the Working Group should have an open and broad character: representatives of businesses from the Netherlands, local businesses in the South and the linking platforms IDH and VNO.

The Business Working Group included representatives from the following companies, respectively organizations: AKZO Nobel (Veneman), Unilever, Ahold, TNT, Philips, Shell, Rabo Foundation, VNO, IDH, BiD, SNV(Elsen), FMO, EZ, as well as the Worldconnectors Hans Eenhoorn, Leontien Peeters, Ruud Lubbers. The discussions within the Working Group were highly engaged. Koen Kusters (DPRN and member of the Worldconnectors Support team) helped with reporting.

In addition, informal consultations took place with i.a. Koenders, Heemskerk, Rinnooy Kan, Brouwer (DGIS); a meeting with Wientjes (VNO) will take place on 26 May. Also Worldconnectors Johan van de Gronden and Rene Grotenhuis offered comments on earlier concepts.

The Working Group held 2 meetings with intensive consultation in between.

The Recommendations are broadly supported by the members. The Working Group intends to deepen some of its Recommendations, notably (4) Financial Innovation and (6) Globalisation Platform.

**Global context: public goods and international challenges**

We need to fundamentally change our traditional view of the world and our resulting actions. Economic growth is necessary for the creation of jobs and for the social agenda (health, education), but if unchecked comes at the expense of our natural habitat. Globalisation comes with a prize (broad-based access to skills, markets, finance), but also at a price (interdependencies, contagion): "the tragedy of the commons". The global public & common goods agenda (poverty, nutrition/food security, water & sanitation,

resource depletion, ecosystem degradation, climate change, biodiversity loss, energy) is massive, complicated and urgent.

Moreover, most of such public & common goods are increasingly scarce, yet they are severely under priced. Considering the inevitable global demographics, with a 40% increase in the population in the next 40 years, the urgency of these issues will only increase, as will the need for a change in our consumption patterns. The recent banking, economic, and sovereignty crises have exacerbated this problem and may well be followed by a broad-based social crisis which will also affect the EU. The international development agenda urgently requires an integrated approach to global prosperity, nature stewardship, responsibility and justice.

The financial capacities of governments, particularly in many of the OECD countries, have been seriously impaired, limiting their ability to play their hitherto dominant role, whilst there are also worrisome trends towards nationalism and protectionism. This seriously affects the creation of new international policy frameworks as well as effective implementation to address these global challenges, as the climate conference in Copenhagen recently showed. The Netherlands, as a small country with an open economy, is particularly vulnerable to these trends.

The WRR report 'Less Pretension, More Ambition' articulates the need to address these issues and provides the Dutch government with a useful framework to initiate a broad, public debate on the redesigning of traditional international development cooperation. One of the important tasks of the new cabinet will be to develop a broadly shared vision on the role of Dutch society as a whole in a globalizing, yet fragmenting world. The prominent roles of the Dutch government in international development cooperation and of the Dutch private sector (both for-profit and not-for-profit) in both the international and the sustainability arenas offer a real opportunity for them to play a leading role in redefining international development cooperation.

Given the limited size and resources of our country, choices need to be made in the global public goods debate. These choices need to be based on our own political, social and economic strengths and priorities in order to offer solutions towards a sustainable world community, in particular for those at the bottom of the pyramid.

### **The importance of public and private collaboration to meet these challenges**

The government cannot accomplish this task by itself. Only coherent, efficient and effective collaboration based on a "common but differentiated responsibility" between nations and stakeholders in both the domestic and international public and private sectors will effectively address the global priority issues. Both public and private sectors are operating in the public domain, utilising and benefiting from the public goods, but also causing major "public bads".

Businesses in developed and developing countries have many proven capabilities, resources and, increasingly, an interest in effectively addressing the public goods challenges in their operational strategies. However "making markets work for a better world" requires regulatory and policy frameworks to be clear, supportive and effective. Opportunities for capitalising on and leveraging the "complementarity" of public and private sectors and realising the synergies of such public-private collaboration are plentiful: innovations in the field of climate change (e.g. cleaner technologies) and food (e.g. extra nutritional foods), knowledge development together with research centers/universities, development of sustainable supply chains (e.g. cocoa, soy, palm oil, timber, cotton).

### **The private sector at the core**

The WRR report correctly focuses on the importance of economic growth for developing countries. Without growth, there is no development and no means to reduce poverty. The business sector is the most important driver for realising economic growth and the creation of jobs. A well functioning business sector will:

- *Create employment*: according to the survey “Voices of the Poor” more than 70% of the world’s poor believe that the best way of escaping from poverty is to get a job;
- *Stimulate innovation and productivity growth*: essential for structural and sustainable economic development;
- *Ethical founding*: the Ruggie Framework “Protect, Respect, Remedy” with respect to Human Rights offers a sound basis for the role of business therein.
- *Generate government tax income*: with these resources governments can supply a basic infrastructure and basic necessities and also decrease their dependency on donor funding;
- *Create a middle class*: a prerequisite for a stable society.

By stimulating entrepreneurship in an environmentally and socially sustainable way people will be given the opportunity of becoming self-sufficient.

With respect to the business sector, a distinction needs to be made between the role of local businesses in developing countries and the role of the Dutch multinationals. As mentioned above, the local private sector plays an essential role in reducing poverty. Special attention needs to be given to micro-entrepreneurship and SMEs. They employ the most people and create the largest share of new jobs, including those for poor and low income workers. For the development of the economy they play a crucial role in helping markets to operate and grow sustainably. They are, however, restricted in their development by a lack of access to the required skills, technology, markets and finance, as well as being hampered by a weak business climate.

Through their direct investments and/or value-chains, the Dutch multinational companies are increasingly involved in local development, typically at the community level. They resource, produce and distribute locally. They are also increasingly moving from a defensive approach to corporate social responsibility towards a more active approach in which it is becoming part of the operational strategy of their core business: corporate social responsibility gives access to very promising markets.

Linkages between the international and local private sectors are of the utmost importance, as multinational companies create opportunities for local companies to expand their business, to export or to distribute more widely. They also transfer expertise, technology and new business models, and have certain leverage in influencing sustainable value chain development.

It is important to underline the fact that the activities of international companies in developing countries are undertaken out of strategic self-interest. Next to their core activities, some companies carry out additional activities through their foundations. With these additional resources, combined with their expertise, some companies can create an additional development impact in areas not (yet) covered by their normal business activities.

An often overlooked aspect of the Dutch business landscape is the existence of vibrant cooperatives between smallholders which increase their scale and influence in national and international markets.

### **A call for collaborative action**

The challenge of directly reaching the bottom billion still remains, with special attention to the role of women. Donors, local governments and civil society organizations are important actors in the provision of the basic necessities for these people. Business, civil society organizations and knowledge institutions in The Netherlands should collaborate more in developing community and business leadership, entrepreneurship, multi-stakeholder collaboration and change management. We call upon the Dutch multinational business actors to work effectively together with all such stakeholders, both in developing and developed countries, to create ways in which their resources and activities can contribute to realizing the full potential of poor communities and their markets.

## **RECOMMENDATIONS**

### **A. A NEW, COMPREHENSIVE FOCUS**

#### **1. FOCUS ON ENTREPRENEURSHIP**

Entrepreneurship should be the engine for self-development of people, communities and countries. The international development agenda should therefore be focused on sustained economic and job growth enabled by skills, technology, finance and access to markets. Dutch contribution should be in line with this by further prioritising technical assistance, investing in micro-businesses and SMEs and the creation of green jobs both in the informal and formal sector, to alleviate extreme poverty and also build a thriving middle class. The role of women should have a particular focus. Corporate foundations and corporate volunteering should be further facilitated by legal and fiscal incentives.

#### **2. FOCUS ON SUSTAINABLE VALUE CHAINS**

International trade flows (including their financing) are core drivers for global economic growth and offer the opportunity for government, businesses and civil society organizations to work closely together. As an example, in 2009 the CEO's of 54 Dutch companies presented a EUR 525 million investment package to the government to facilitate combining forces to accelerate the mainstreaming of trade in sustainable commodities. It is recognized that this proposal not only serves the direct business interests of the Dutch trade and industry, but also delivers development in the countries of production.

#### **3. FOCUS ON CUSTOMER BEHAVIOUR**

The marketing of sustainable and fair products should be actively encouraged for end-customer business; this is an important driver for "greening" the planet, responsible business conduct and fair prices and wages for the smallholder and employees at the beginning of the supply chain. Although this is primarily business-driven, governments can accelerate this development by their own purchasing policy and by encouraging businesses in the area of verification standards.

#### **4. FOCUS ON FINANCIAL INNOVATION**

Traditional grants should in principle only be used once and for a defined period. The exit from aid/subsidy dependency should be included in the grant-conditions. In financial markets new hybrid instruments are being developed to facilitate such exits, but regulatory and fiscal regimes should further facilitate this. Such instruments are also geared to measure, manage and compensate positive social and ecological impacts of the projects/interventions. Grants should be increasingly supplemented with instruments such as loans, equity and guarantees. These instruments offer an efficient use of scarce government funds and have the benefit of stimulating all parties to achieve the envisaged outcomes and impacts.

## **B. A NEW GOVERNANCE MODEL**

### **5. REDESIGN GOVERNMENT ROLE**

The Dutch Government should not only improve its own internal policy coherence (as recommended by the WRR Report), but go beyond this by fully exploiting its convening power and catalytic function within the diverse sectors in Dutch society who have an interest in international development. Its policies and priorities should not be constrained by the OS-budget, but rather be driven by facilitating and leveraging the interests, capabilities and resources of the relevant actors, including the Dutch business sector. Multi-sector cooperation that recognizes such complementary characteristics would serve its own political objectives as well as the interests of the other actors involved. As outlined in the preamble the new Dutch government should develop a clear vision on the role of the Dutch society as a whole.

### **6. CREATE A DUTCH GLOBALISATION PLATFORM**

In order to effect the multi-sector collaboration set out in paragraph (5), a National Globalisation Platform should be created, whose role would be to mobilize and share knowledge, expertise, networks and views on the risks and opportunities. The complementary role of all Dutch actors, including the government, would be strengthened in the globalization agenda. Members of the Platform would include senior representatives from all relevant ministries, the business sector, knowledge centers, civil society organizations (including organizations focusing on labour, nature, human rights, development, religion, diaspora), the media and youth actors (similar to the Worldconnectors). The Platform should position The Netherlands as a leading thinker and actor in international development cooperation.

### **7. FOCUS ON THEMES AND MORE COUNTRIES**

The new governmental approach should be more theme or issue driven, rather than focusing exclusively on a limited number of countries (as the WRR Report suggests). The 0.7+ 0.1 % might be applied more effectively by using it catalytically or in addition to what businesses and development organizations can achieve. The Dutch business sector with their multi-country approaches could accelerate and expand their roles more actively in developing countries and, very importantly, in the communities if the Dutch Government were to make broader use of its political and diplomatic weight.

We have already shown that forming public-private partnerships (both nationally and locally) with the business sector, civil society organizations and the public sector in developing countries could enhance the efficiency and effectiveness of the Dutch development contribution. In these partnerships both the developing and the Netherlands-based would industries benefit from playing to our strengths. The recognized excellence of the Dutch industrial, financial and advisory business sectors should be exploited to the fullest extent. This would include themes such as sustainable agriculture, renewable energy, water management & sanitation and affordable and effective insurance and pension schemes.

## **C. IMPORTANT CONDITIONS**

### **8. FOCUS ON INTERNATIONAL NORMS & SECTOR STANDARDS**

The current Review of the OECD Guidelines for Multinational Enterprises with The Netherlands as chair of its Working Party offers an opportunity to deepen and broaden its applicable scope and scale. This is important for an international level playing field for Dutch businesses worldwide. Dutch companies (both large and medium & small sized internationally operating companies) should be further supported in playing a leading international role in sector round tables to establish acceptable business codes in accordance with the OECD Guidelines for Multinational Corporations. Also the ILO Decent Work Agenda should be implemented throughout the value/supply chain of companies. Public disclosure by

companies (including those in the financial sector) on environmental, social, ethical and governance issues in their business operations should become the norm. The Amsterdam-based Global Reporting Initiative (GRI) should continue to set the standard for this: integrated reporting by corporations should become “good practice”. Civil society organisations could play an active role in setting and challenging such standards and implementing impact assessments

#### **9. FOCUS ON THE NEW ECONOMY & GDP OF THE POOR**

Climate change, ecosystems degradation and loss of biodiversity directly affect the “GDP of the Poor”. Studies to attribute values to “Natural Capital” and create a basis for payment for ecosystem services (PES) both in national accounting (“beyond GDP”) and company accounting should be actively promoted in government policy, academic work and business practice.

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