

Nestlé 2011 Global Creating Shared Value Forum

Washington D. C. May 19th 2011

Transcript of "Looking to 2030: The Way Forward for
Business, Government, and Development"

00:00:00

Maria Cattai:

Our last panel is going to be looking at 2030, and it is on - exactly the question many of you have raised - how business, government and its agencies can work really best together with the international world in the development.

I'm going to show a video. So we will begin with the video, as we did before, a very short one and I'll ask you to roll it now.

00:01:02

Video:

Today's problem of society cannot be solved by anybody alone, it cannot be solved by business alone, it cannot be solved by government alone, it cannot be solved by NGOs alone. It will only be possible to solve those problems if we find a way to work together. Our resources are not infinite, our resources are finite and therefore a model as we have it today where we are using resources as if they were eternal is not a sustainable model for the future.

00:01:32

I don't think corporate social responsibility, which is a philanthropic concept, is something that a CEO of a public company has the right to embrace. What we realised when we looked into the water situation is that we already today are overusing water substantially; and this over usage of water goes, of course, at the cost of environment.

Business being passive or not passive in public/private partnerships, I think active, I think business has to be in this town much more and this

is why I'm so happy that Nestlé has come and done this in Washington.

00:02:07

In this interconnected world the way of thinking about that interconnection is shifting. The traditional paradigm was one when we saw problems flowing from south to north and solutions flowing from north to south. I think increasingly we're understanding that actually a lot of problems do flow from north to south, for example the examination of unhealthy and unsustainable lifestyles, governments when they are elected democratically; their members are members of society, they come from society, they represent society. Businesses are not foreign objects; they are members of society. The glue that puts us together is a mutual accountability.

00:02:51

As long as we are going and misusing water for other things but the production of food and for human beings and for the environment, we have a problem. And the fact that we are spending 4,600 litres of water to produce one litre of ethanol, or 9,100 litres of water to produce one litre of pure diesel, is just another sign of the misbehaviour we have with water. I mean if we just put water, give 0.5% of the value, we wouldn't be doing those things.

00:03:25

I definitely believe that the growth of Africa is going to come from within and that's why we as a company have to understand that and have to really live the dynamics of the development from within. So yet there is an enormous potential; you just see also the macroeconomics of Africa. The last 10 years GDP went up 4% to 5% every year; the

consumer spend is actually much bigger than India, the consumer spend in the whole continent.

00:04:07

Maria Cattai:

I cut you off because I wanted you to go on the stage, so we wanted to finish up here. Look, that was amazing that we heard just what was said a few minutes ago up on there, so well done to the team that put that together.

I'm going to call up now on the stage the people in the last session: Julie Howard, Deputy Co-ordinator for Development US AID and Director of Feed the Future, Michael Porter, Professor at Harvard Business School, Lars Thunell, CEO of the International Finance Corporation, Anne Veneman, former US Secretary of Agriculture and former Executive Director of UNICEF, and Peter Brabeck, Chairman of Nestlé.

00:04:57

So I don't know if you heard a little bit about the last session, but I'm very, very glad that the last part of the video, Paul, was you, the cry that we shouldn't be pessimistic about it. The problems are vast, but the pessimism is unfounded.

We're going to go right into our session because we've heard, over the last while of today, a whole series of examples of how we can use, harness, mobilise the idea of creating our shared value in Latin America and in Africa and actually beyond.

00:06:10

I'd like to start out this session with you, Lars, to look a little bit, you heard briefly here. In the next decades obviously we're going to need absolutely

huge, vast improvements in productivity in order to feed the world. What is holding up, in your opinion, the necessary investments, the necessary interest, if I could say? Why is agricultural productivity sort of the poor child, we are talking about it here, which you don't really hear that much outside? Why?

00:06:47

Lars Thunell:

Well, I think there's a number of issues that are coming together and stopping it. I think on the video we saw that in solving this problem you have to have the government involved, you have to have the public sector, you have to have the civil society and we talk about the private sector as both the big companies and the small companies.

And you have to change the way we actually have been working, and I'm sure you discussed earlier today the needs are huge. And one of the problems we have had is that the markets have not been working very well and I think that's one thing that we have to start thinking about.

00:07:26

Maria Cattai:

In which way the markets? You're talking about the trade?

Lars Thunell:

I'm talking about the trade; I'm talking about the subsidies. The fact is that I think Europe is giving a dollar for every cow in Europe.

Maria Cattai:

Yes, giving a one-way air ticket right around the world.

00:07:40

Lars Thunell:

In contrast to what we give to foreign aid, to just take one example, and I don't think that that means that the system is not working. What you need to do is change the regulation, let the market work. We need new regulation, as I said; we need to build capacity, especially among the smaller farmers.

We need to bring financing for the small holders into the system, we need to establish. One of the big problems we have with infrastructure or with the supply chain and the agricultural chain is the whole question of infrastructure, roads and everything else.

00:08:17

We know that 40% of the food produced in Africa, just to take one example, is destroyed on its way to the consumer. We need to change that and one way is to bring in good, efficient infrastructure and supply chain management.

We have, for example, in India, we've worked with the cold chain so that you can actually bring in refrigerated products, milk, from the rural areas into the cities.

00:08:46

I think these are just a few of the things that we should do and one underlying thing is land issues, land regulation, because as long as we don't know who owns the land it's very hard to actually get efficient structures in place.

Maria Cattau:

We mentioned that earlier on also today, both in Latin America and in Africa. How can you change that? What would be needed and how can an organisation such as yours mobilise such a change?

00:09:16

Lars Thunell:

Well, we are working very closely with our friends at the World Bank who are really the ones. Of course, this is a government issue; the governments have had to resolve it and part of it is laws and regulations but then it's also very practical things: how do you establish a land registry, how do you keep track of who actually owns the land?

00:09:35

So you have to go through the whole chain of these things and this is being done in many countries. And you see, this was in Lima, on the outskirts of Lima, and it was actually in the slum, and there they had put in place so people knew who was owning the little lot, and immediately you started to see investments because people then could build their houses.

00:09:58

You could see how the little shacks became one-storey houses and two-storey houses because people owned their houses suddenly, and I think it's the same thing with farms. You can invest and put in irrigation and other things, if you know you own the land.

Maria Cattai:

You're obviously knowledgeable, particularly about the difficulties of financing in certain areas. We talked in the last sessions, Lars, about let's say the barriers towards the investment climate for agri business is really not the best. And Clive Tasker, who was sitting here from South Africa, was explaining how you can help investment in finance, in small farmers lending because it's very, very risky

and you need some sort of risk mitigation or help on these things.

00:10:58

What would you suggest and what are you doing in this area?

Lars Thunell:

We are trying to do a lot. We work both with the banks in trying to help them to take more risk and it means teaching them actually to go down-market and help them develop some of their products.

00:11:15

We work with some of the traders and buyers of these commodities. For example, we have a project in South America, Central America, with Nestlé and ECOM, a big trader of coffee. And we help them extend and take some of the risks in financing the small holders; we share some of that risk with the banks and with them.

So these are things and we're also working and trying to develop in Africa now what's called weather insurance so you can actually insure whether you have drought or whether you have too much rain and people get paid for that.

00:11:55

We're trying to build that into loan products, so you have your life insurance and your mortgage product, so you can start to reduce some of the risks.

Maria Cattai:

Are these things making a difference, in your opinion?

Lars Thunell:

I think they definitely will.

Maria Cattai:

They're not just small, separated, fragmented projects? You think that they're building up a corpus of?

00:12:16

Lars Thunell:

I think what we've seen, and this goes both for small holders as well as for SMEs, and by the way one very important part, I think, we have to remember is that the small farmers are business people. I met with the largest union of farmers in Malawi and he told me, the first thing he said was, don't look at us as a union, look at us as an association of business people.

00:12:43

And I think that's very important; that's one of the required things as we move forward. And therefore I think the more examples, the more banks we can work with, the more small holders we can work with, we can never solve the problem for the world if you look at IFC and the World Bank.

But we can be a catalyst for change; we can show and have the demonstration effect, we can work with companies, as we do with Nestlé, and help show the good examples. And then they can see that this is a good idea and they can find others like us to help fulfil that gap and work with others in their organisation.

00:13:16

And we can work with other companies like Nestlé in other parts of the world, so I think this is how you get the wave spreading.

Maria Cattai:

Lars, thank you very much. You've brought up something that I want to ask Anne Veneman about. We have been all day long talking about cooperation

between the various actors, the business world, the intergovernmental world, the international world, if you wish, local governments, NGOs, as if, well, the examples that were given were obvious, it was easy to do, you just get everybody together and it happens.

But Anne, you who have had experience both in the intergovernmental and in the private sector, how do you actually build all these pieces together in agriculture, particularly in the areas that we're interested in? And is it quite as easy as those who have been here and shown us how it's done? Is it quite that easy?

00:14:20

Anne Veneman:

I think that's a loaded question. I think it's first of all important to recognise the environment in which we're operating today. We have been working for years and years in development in the developing world in a way that has been more about aid than economic empowerment.

And I think that what we're seeing today is a real recognition of the fact that we have to really work together to look at how to economically empower people, not just give them aid. We have seen way too many examples of people going into the developing world, starting a project, the funding runs out and it goes away because there's no plan for sustainability of that kind of work.

00:15:12

And so, as we look at how do you create economic empowerment and true economic development to create sustainable change in communities, I think

we then have to look at the structure of how we've operated in so many of these countries in trying to create economic development.

We've had government working in its silo, we've had civil society working in a silo and we've had business working in its silo with very little co-operation and co-ordination among these actors.

00:15:49

What I like about the concept of creating shared value is you begin to look at - how do you do good for society while you're creating value for the shareholders? How do you really create the kinds of societal change that will give you that educated workforce in your community over the long term, that will give you the kinds of cooperation that you have?

Now, is it easy to bring the players together? No. There is a lot of engrained perception out there about civil society in particular working together with business.

00:16:30

But I think there are opportunities to do so in ways that we can really address these issues. I think when you look at the issues of rural development, for example, you have to look at creating jobs, but also you have to look at that rural community where you're creating those jobs, if you're a company.

How do you help to create an educated society to have those people to work in your plants over the long term? Because companies want to come in, create a plan and be there for the long term. How do you make sure you have a healthy workforce?

00:17:06

Nutrition really comes into this, as was mentioned earlier, because if you don't invest in the nutrition of the population at a very young age - particularly under two - beginning with that pregnant mother, you'll impact that child's cognitive ability over the long-term which will then impact your ability to learn in school and earn as an adult and be a productive person who will work in the economic development of that community.

So I think we have to look at this from a very holistic perspective. We have to look at - how do we move a co-creative kind of environment at a community level to change economic development for the long-term and in a sustainable way?

00:17:57

Maria Cattai:

And how hard is it from your experience to get concrete projects actually off the ground when you've got several partners in it, we're all advocating this kind of partnership and one needs another and no one is being silo'd and so forth? But how hard is it to get them actually engaged? We heard this morning from Latin America than one of the panellists was saying that government business seems to be managing some things together and some projects and some strategies and then suddenly we don't have from the society the feedback and the input that we and the engagement, or the other way around, there's always one that doesn't seem to be, it's difficult to get all three as they put it, converging on it.

00:18:50

What's your experience on this and what do you suggest could be done

Anne Veneman:

Well I think there's many examples of civil society in government working together on the kinds of programs the government needs to adopt to advance their education, their healthcare, the systems that government often provides. I think where there has been more of a disconnect is how does civil society in particular and business engage? How do you create that synergy between - because it comes from an underlying distrust over many years of not feeling the government came into communities to do the right thing in the developing world? And that's where I think that the concept of shared value really changes that paradigm. And so I think it's a challenge.

00:19:48

Now I do think there are promising signs, particularly with some of the smaller, younger organisations that are coming in and trying to do much more of a social business concept. I'm so impressed with some of the young people I've met in, I've just met a guy the other day, it's on a small scale but he's creating schools and communities, not just building them but going to the education ministers and making deals with them about providing the teachers, looking at the quality of the teachers, the community decides they want the school and they agree to build it and put up 20% of the financing.

00:20:30

Now again, this is a small programme but I had a conversation with him and I said - do you know about the concept of shared value, do you know

about businesses wanting to come in and do things and what about if you started to partner with businesses who were building a plant, for example, in a community and you would provide that service to them to get the education into the community to create that educated work force for the longer term? He was very open to it.

Now if you talked to some of the people in some of the older organisations they would not be open to this kind of collaboration.

00:21:07

I was in Ethiopia two or three years ago and I visited an operation that was producing flowers, roses for export. It was started and run by an Ethiopian who'd had experience in the US. He got a Dutch investor and of course they know a tremendous amount about the flower growing business so he was doing everything right and he had almost all women employees in this greenhouse operation.

They had also invested in a hospital, they created the hospital and they created a primary school, a secondary school and a vocational school. I said - Why are you investing so much in the community? He said - Because we want to be here for the long term; we want an educated workforce and we want a health workforce; and we want to help take care of the families of these women who are working with us and for us.

00:22:03

And he later asked me if I could help him get civil society to then help actually staff the hospital and get the right kinds of people in there. And it was

very difficult to get traditional organisations to agree to come in and help with this, but for me, it would have been exactly something that some of these organisations that work in these communities should be doing.

So I think it's sometimes very difficult to bring together the partners, but I think it has to be done at a global level as we are having a global company talk with global partners. But unless you can get people in the countries, in the communities, in the countries where the work is being done, to come together through business organisations.

00:23:00

I used to say to the people at Unicef - why don't you all join the Rotary Club and learn how to work with the private sector and see where the investments are being made and how together you can work to create better development?

Maria Cattai:

Thank you, Anne. Julie, you've had a long experience in food security and private sector involvement, what are the kinds of lessons you've learnt from that kind of partnership to supplement what Anne is saying or have they been very different in Africa, for instance?

00:23:33

Julie:

No, I mean I think my observations are very complementary to Anne's. When I think back about what I've learnt over the past 15 – 20 years, it is something that I learnt again when I was looking at your biography earlier today.

When do you need leadership, you need leadership when the task is too big for anyone to do alone and you need to learn how to work together. And the second sort of key observation is well where's that leadership most important, it is most important at the global level but we've been focusing on that quite a bit, the leadership actually has to come from the country level. And I think we haven't been so good in either the NGO world or the government world in sort of recognising what is it that we need to build those institutions, to build that leadership in government, be it in local private sector, be it in civil society to create the kind of ownership for and the kind of ownership of strategic priorities, the kind of stake in making things successful.

00:24:42

So I think that is really the most important thing

Maria Cattai:

It's been sort of left to the side. Earlier on I don't know if you were here Julie, everyone was talking about in Africa for instance, we're not going to get anywhere without massive investment in infrastructure, that takes very big money to handle. So does building up individual capacity as they call it, or individual breeding if you wish and how do you say it, educating, more than educating, getting a deep knowledge of people and governance issues and on leadership issues.

00:25:21

Where is the money actually going? What are the next steps? I mean, you're in the USAID, you're in this field, where are you making your priorities?

Julie:

Well, let me step back for a second and say I'm actually not in USAID and I would say that I'm

deputy co-ordinator of the US government's inner agency effort on food security. And so I think my sub title is silo breaker. And what does that mean, it means that in the US government President Obama, Administrator Shaw has recognised that we can't do this alone, so US Aid cannot make progress alone, we need to work with our partners and the rest of the agencies as well as our external partners, our multi-lateral, our bi-lateral partners and most important with our leadership on the ground. So that's one thing.

00:25:12

Where are we going? I think actually we've made quite a lot of progress over the past 10 years, I mean I was going to take an opportunity to maybe disagree with your opening statement, that the world is not recognising the importance of agriculture and food security, because I think two years ago in L'Aquila, President Obama with other world leaders mobilised commitments of over 20 billion dollars from world leaders to bring up food security and also recognise the importance of nutrition security.

00:26:45

So I think that has created a framework for us all to work together but even before that, back in 2003, I see my friend Ruth there who knows very well the Heads of State of Africa committed themselves in 2003 to raising their own investments in agriculture and food security, 10% of national budgets

Maria Cattai:

And is it happening, do you see actual changes in this respect?

00:27:09

Julie:

We're not all the way there, but there's definite progress and definitely progress on the other goal, not just investing but also results, these same leaders committed to 6% agricultural GDP growth rate and many of them have already exceeded that.

So what is needed? I think we and donors and our partners in Africa and elsewhere have really made progress over the last several years in creating - what's the platform at the country level? What's the platform at the regional level, where we can actually begin to operationalise these fine words, these fine statements of partnership? What does it actually mean?

00:27:45

So we see in the comprehensive Africa Agricultural Development programme, and we've had this opportunity to bring country leaders together with donors, and we've had an opportunity to ask country leaders to say - you consult with your private sector, you consult with your civil society leaders, you consult especially with the evidence and tell us what your strategic priorities are, what will you put your political behind?

Maria Cattai:

You know, Julie, just to finish up - this session and the Atlantic Council and Nestlé have looked at this forum with a sort of 2030 horizon, if you wish. We've been having 20 year horizons for a very, very long time, and I'm not so young - I remember them since the 50s we kept talking about 20 year horizons, that we'll get this happening. What kind of horizon do you have in mind and I don't mean that you are planning it but what kind of horizon do you think it will still take us until, we're not going to

achieve the millennium development goals so what kind of horizon are we looking at, particularly in the areas that interest us

00:29:03

Julie:

Well I think we have to look at a long term horizon, I mean we can't afford to put ourselves in one year increments but that doesn't mean that because our long term goal is 30 years off or 40 years off or 50 years off, that doesn't mean that we can't set shorter term objectives. And I think the previous panel also talked about the importance of accountability, I mean to me that is the big missing thing in all the discussions right now.

We talk about accountability but in addition to these platforms for co-operation, how will we know whether we've succeeded, we need to be very transparent. What have the US put in, what have our partners on the ground put in, what have the private sector put in against the targets? Is the target reducing malnutrition to a certain percentage? What are we all doing against that goal and agree at country level, at global level to come together and say - well how are we doing? - not only in terms of resources we've put forward, but what are we actually achieving with that?

00:30:03

Maria Cattai:

It's a very interesting question, rig up and accountability and I don't remember at this moment where I read it but somebody once brought up the real question about accountability when an inter-governmental organisation, not a business working in a country, an inter-governmental organisation, for

instance, or a government, gives some aid, somebody in that country Ruth, a woman farmer, who is she going to call up and say - Lars, Julie, it didn't get to where it was supposed to have gone.

00:30:37

So the accountability disconnect between the very local and the kind of feeling we have about chucking aid at things doesn't quite work out because we're used to holding the nearest public office accountable, so to speak. Here it isn't the nearest one because sometimes in Africa it doesn't work, for instance, that accountability. How do you drive down that accountability?

Julie Howard:

Well I think in here, I mean we're not usually relying on individuals to hold our governments accountable, although plenty of people will call in their congressmen or even me to ask questions.

00:31:27

So yeah, we do need these organisations, we need civil society organisations, we need organisations that will help constituents hold their governments, hold private sector, hold the people accountable for what they've committed. So I think this is one aspect that we need to help invest in this a layer of civil society organisations that can do the functions that they do so well here in the US, here in Europe, in Asia, in holding accountable, in analysing. What happens when the budget comes out? Who's getting what? What commitments have been made?

Maria Cattai:

Thank you very much, and sorry for prodding you on this one but it's always worried me when we talk about accountability that I'm never quite sure who's

accountable to who and how to get there. Yes, please.

00:32:15

Q:

Just one issue there, you said we need civil society in order to make accountable the government's private sector. My question is - who makes civil society accountable too? Because this is perhaps one of these questions. So I think we still need an answer to this one about accountability

Maria Cattai:

No, it's very, very true and I'm glad you mention that, we talk about the term accountability but we're never quite sure exactly of the strings and where they move.

00:32:49

Maria Cattai:

Michael Porter, I guess everybody here has a copy of the recent article in the January/February 2011 Harvard Business Review, Creating Shared Value. And I wanted to ask you a few questions at the end of our day, as we've been talking about this, to put a bit of a structure around our discussions here.

00:33:21

There are several questions, very direct questions that I have to ask you. The first is the exact difference between CSR initiatives that companies have been pursuing for some time now, as they've been beaten on the head very often both by civil society and by governments and intergovernmental organisations, you have to do CSR.

00:33:44

What is the difference, exactly, with CSV creating shared value? And how are corporations, as you suggest in your article, they should be transitioning from the CSR concept to the shared value concept?

Michael Porter: Thank you, Maria, and it's a pleasure to be here and I've been listening intently all the time that I've been here and it's been a very interesting discussion.

00:34:13 Before I directly answer your question, Maria, let me reflect a little bit on what I've been hearing, just a little, not at length. So I actually just got my brochure out and I was looking at it and it says the title today is The Changing Role of Business.

And I guess that what I would tell you is that we haven't talked too much about business today. We've been talking a lot about government, about infrastructure, about all the constraints, about all the actors and all the complexity of development and all those things are true.

00:34:49 But I think that at the core of that article is the idea that business is the most powerful vehicle for development. It's where jobs are created, it's where wealth is created, it's where income is created, it's where markets are created; it's how needs are met. And our first order job right now is to get business to think differently about its role.

00:35:24 Just let me give you one example: we've been talking about Africa and nutrition and small holders today, but yet when we talk about the problem we view these small farmers as sort of recipients who need help. They're businesses.

We've got to, I think, absolutely rivet our attention on how we can change the way business is

approaching these issues and thinking about these issues and I deeply believe that we can make a transformational change in how businesses operate today without needing massive investments in infrastructure, without having earth-shattering changes in governance.

00:36:11

There's a tremendous opportunity because business has missed some of its biggest opportunities. It's missed some of its biggest markets; it's missed some of the biggest opportunities to improve its productivity because it's had a very narrow view of what are the relevant things that it should be thinking about as it does business.

And I think Nestlé is a wonderful example of that, but we can perhaps come back to that later on.

00:36:38

So to your question, I think business has been thinking that its role in society is to do CSR. CSR is fundamentally about philanthropy, it's about giving back, it's about compliance with rules and I think what I have concluded anyway is that CSR just hasn't worked.

It's not getting us there. It's well meaning, it's well intentioned but ultimately it doesn't have enough impact. It's not focused on results, it's not scalable, it's not sustainable and therefore we actually have to see if we can move beyond that formulation of business's role.

00:37:26

In a sense that's given business an easy role, it's a cop out. This article says business has a much more fundamental role. It needs to understand that

addressing issues of the community and dealing with questions of environment and dealing with questions of water and dealing with questions of small farmers if you're a food company is not philanthropy.

That's about fundamentally making the business more productive, securing supply, expanding markets and opening its business opportunities.

00:37:59

Business has missed some of the most amazing opportunities that it faces today by having this narrow view, which I think unfortunately has been reinforced by CSR, because business said, well, if we do this we're done, we can stop and then we can just go back to ordinary course of business.

I think that the concept of CSV tries to open up business thinking first and foremost.

00:38:24

And what I've come to believe, and I've been working on this now for a number of years, is that today with no other changes businesses can have a dramatically bigger impact on development, on Africa, on Latin America. And it's in their own self-interest to do so as businesses change the way they operate.

So, first and foremost, I think we have to put the onus and have the conversation about business. And let's not just repeat the old conversations we've been having about all the flaws in government and NGOs and all that. I think we need to focus the attention here, for a moment anyway, for the next little - on business, and we've got to push very hard

to help business learn how to think differently and how to behave differently.

00:39:12

And the best way to do that is proof of concept. It's with examples.

Maria Cattai:

You have some examples in the article and you also have some areas of business interest. For instance, you say in there opportunities to create shared value arise because societal problems can create economic cost in the firm's value chain.

And you then also have the idea that the congruence between societal players and productivity in the value chain is far greater than traditionally believed, and I think I remember seeing some ideas on suppliers.

00:39:47

And you're saying there's not just enough to drive down suppliers' prices, which benefits of course consumers, but it's something more.

So how can CSV take that example? How does it work for a company in its value chain and its suppliers, what have you found?

00:40:06

Michael Porter:

Let's just take the supplier point and it's a perfect example. So does driving down suppliers' prices really help the consumer? What if we made the suppliers more productive? That would help the consumer.

And, you see, that's the kind of disconnect that we see in many businesses. Again, the CSR solution is

fair trade; let's make sure the farmers get paid enough. And the CSV solution is transforming the productivity of the farmers and raising the quality so we can pay them a higher price because they have higher quality, and they can have higher incomes because they produce more. So that's the distinction between CSR and CSV.

00:40:55

In the drug industry, traditionally CSR is giving free drugs to poor people. Now we're starting to understand that hasn't gotten us very far; we can't afford to donate drugs to all the people that need them in the world so now some of the best companies - and I just use an example of Novartis, not to single them out, but Novartis has said, okay, let's rethink how we distribute and package and market drugs to low income consumers.

00:41:26

And by packaging them differently, by getting them to the marketplace differently, they actually created a business model. And now they can grow that and grow that and grow that, and it's not a matter of how much they allocate of their profit to donating drugs, it's how they rethink actually creating economic value at the same time as they're addressing this important social need.

So I think these examples are coming; they're coming in the definition of the product and the company understanding its product better. They're coming in how the value chain works and they're also coming in how the company sees the cluster or supplier base or community institutions around it.

00:42:06

So Anne just gave a wonderful example of a company interested in investing in a school. And the folks in the education business are shocked, that's a public good, why would a company want to that.

Well, the company understands that if the school doesn't work, they're going to have to pay the cost anyway because they're going to have to deal with these employees who haven't had the training and education.

00:42:26

So it's better and more efficient for them to work on that school collaboratively with other companies and with the community and with this entrepreneur than it is for them to just complain, government do your job better.

So hopefully this is communicating this distinction, and I don't want us to keep saying that this can't be done because government's not doing its job and NGOs are ... We can do this today with no other changes.

00:42:55

Maria Cattai:

Well, you have something else in here that I'm going to look at but actually I'm going to ask it of Peter and not of you.

Michael Porter:

Good, because Peter was the guy this morning that was talking about business so let's let Peter talk.

Maria Cattai:

Absolutely, but something very amusing in here that you write. This is a quote from this article: real social entrepreneurship should be measured by its

ability to create value, not just social benefit. I'm mixing up two or three lines: not all profit is equal. Profit involving a social purpose represents a higher form of capitalism.

00:43:29

My question to you, Peter, was either social entrepreneurship should get renamed or Nestlé is a social entrepreneur.

Peter Brabeck:

Well, I have no problem with being a socially oriented entrepreneur. What's wrong about that?

Maria Cattai:

Nothing.

00:43:46

Peter Brabeck:

That's exactly what we said very early on. We strongly believe that business will only create long-term value if it takes long term valuables for shareholders and for the society which gives the company the licence to operate.

So in this respect I think there is nothing wrong and, just to underline what Michael was saying before, I just came back from this African summit and very interesting figures out there.

00:44:17

First of all, out of the 10 fastest growing economies, seven were from Africa. Secondly, even more interesting, because it comes back to what Michael was saying, out of the 35 fast-growing economies of Africa, they donor part, the impact of the donor aids they received, diminished in the last years from 3.2% to 2.5%, whereas the 17 slow-growing economies of Africa at the same time increased donor participation of their GDP from 6% 9.3%,

which I think is basically what you were saying before.

00:45:10

The old model, the donor model, is just not working; it is very clear. And when you go into foreign direct investment, when you take private enterprises, when you motivate private enterprises, when you create a regulatory framework which allows private enterprise to become productive. And if private enterprise takes up its social role, then suddenly development can really flourish.

00:45:36

I think that's the interesting point which, by the way, allowed me to say that this world is really a little bit upside-down. Not only do the richest countries of the world now owe to the poorest, which is the first thing which is quite interesting to see. I mean, if you look at the indebtedness of the richest countries and you look at the indebtedness of the poorest ones, the indebtedness of the poorest ones went down and the richest one goes up and there is no limit to these things.

00:46:06

So that's already quite interesting. But the second interesting thing is that it's proving again in the African countries that whereas in the developing countries, in many, not in all because there are some exceptions, but in many of the developing countries the private enterprise was the reason why they didn't go through this big crisis that we had in the developing ones.

00:46:30

And the developing ones we start to believe that it is state intervention, it's state subsidies and state

which have to bring us out of the crisis. It's just absolutely upside-down what happens there.

Now, let me say one thing and then I will stop here. But today we talked of course a lot about Latin America, about Africa. I just want to avoid that we believe that creating shared value has been invented or has been developed as a development tool.

00:47:13

Creating shared value is as valid in the developed countries as it is in the developing countries.

If I take the three priorities that we have established, and I explained why for Nestlé. Nutrition - well, we've spent yesterday evening, a special evening on child obesity in the United States. It's not a privilege of underdeveloped and developing countries; the nutrition aspect is an aspect which is also valid here.

00:47:44

If I talk about water, well, I would say that in Europe, in Spain, the water is already running out; we don't have to wait that long about it. In the US it is running out. If you look at your big rivers and if you look at the nice dams, they're all half empty and we're using this water for gardening of Arizona and for golf courses, where at the same time your farmers start to have problems on the water issue. So it's not a privilege to have this thing.

If I go to rural development, let me also say a figure which has shocked me, but if I look where we have factories the highest percentage of analphabetic people, it's not in Africa, it is in the United States, it is the rural environment of the United States.

00:48:27 So creating shared value, I just want to point out is not the privilege of the developing countries; it is as valid in the developed countries as it is in the other ones.

Maria Cattai: That was my question earlier. As you remember that we are perhaps seeing the most, shall we say, iconic examples in the developing world, but the need for the concept is far, far broader.

00:48:59 In that respect, and following on from this, are all the ideas and the activities and the programs of creating shared value, must they all be very local? Or are there any that have a larger context or the examples or the ways of doing things, can they be embedded in operations that are more than local?

Peter Brabeck: Frankly speaking, what we have learnt most from the work of Michael Porter and Michael Kramer was - they have helped us to understand and to analyse where we could really be the most efficient in creating shared value.

00:49:43 That was something we didn't see. They went through this value chain, they picked up and said, look, Nestlé, in your case it is in these three areas; in the next case it will be somewhere else.

And once you have this, you have a global, you have to put some priorities. But it only becomes reality at the local level.

00:50:07 We can give the framework. In this respect we are like a government. We can establish the framework

but then afterwards the real work, the real implementation, has to be on the local level, and the local level has to adapt to what is the local environment.

Maria Cattai:

I think that we had some questions earlier; I don't know if everyone here, and certainly some of you on the panel did not hear them, but there were some questions from the webcast that I kept for this last panel, and I'd like to put it to them, to all of you.

00:50:42

One of them is measurement. Is there any public material that can show how the net social performance of the externalised costs and shared values created by Nestlé, is there any way in which you can check, you can measure, we can develop metrics, in other words? Which leads me to ask all of you as well, we have the example of Nestlé.

In your paper, Michael, you have examples of a few other companies, but just a few. So if this is going to be something as you have indicated, Peter, which is larger than four or five companies, larger than just - not just but larger than the crying needs of the developing world, how is that going to get done?

00:51:38

Who do you need to bring - ? What is the propaganda machine that got CSR so quickly a necessity? And how do you make this happen for creating shared value if truly you feel that that is the next step? Lars?

Lars Thunell:

Well, first of all, if I look at the experience of IFC, we have a group that is independently evaluating our results. I think one thing that is very important to

support the discussion here about shared values is that what they find is that there's a very strong positive correlation between the financial performance of the companies that we invest in and the development impact on the local societies.

00:52:23

So there are some people trying to construct that there is a conflict of interest here and objectives, but it's not.

And we then spend a lot of time trying to figure out what actually do these companies generate and who do we actually reach? And just to give you, we know that our portfolio today, if I look at the customers we're involved in, they're in the utilities, water, power, and so on; we have 212 million customers.

00:52:52

I know that our private equity funds have generated that we invested in 171 of the around the world, 2.2 million jobs. We know how much they are paying in taxes; we know that we're serving about 7.6 million patients in the healthcare that we're involved in.

I think these are the type of numbers - they may not be perfect and so on, but it's important to start measuring. We're also trying to measure if we invest in a port - how much does that contribute to the growth of the society and the country itself?

00:53:25

And I think all the IFIs now are moving in that direction and the interesting thing is that we are now also supplying that data to some of our partners. I just gave to Peter Sands, the CEO of Standard Chartered, I showed him an evaluation of

what we had done together and what that meant, that he's now using in his work.

And I think this is the type of dialogue that we should have, which I think is very, very exciting.

00:53:51

Maria Cattai:

Anyone else on the panel on the metrics or on getting it done? Yes, Michael?

Michael Porter:

You'll have to shut me up so I'll try not to. I know you will and that's the nice thing about knowing you and liking you so much, you can shut me up and I'll be happy.

00:54:07

On measurement, I think there's an interesting cycle that we're on so I think every company publishes its financial results. That's there.

Then more and more companies now are starting to put out and measure various measures of social performance; so you'll see typically water use and power use and stuff like that.

00:54:33

But ironically there's been no effort to connect the two, so people will say we save 10 trillions of water, but they won't say and that saved \$X million. And I think the next step in measurement is - I think these social metrics that we care about, water use and environmental impact and increases in wages and things like that, we kind of know what those dimensions are.

But, in a sense, business has been shy about connecting the social indicators to the financial

indicators. This is another one of the pernicious effects of CSR: you almost are embarrassed if you're making money, if it's actually profitable, if it's actually good for the company. You're afraid to say that.

00:55:22

I've heard this 100 times from companies; they don't want to talk about this stuff, because we frame the issue in a way that that's somehow less pure and worthy than being generous and giving back and donating this and providing volunteer time and all this stuff.

So I think on the measurement side the key to make this really happen is to start to have leading companies connect the dots and show the economic impact of the social improvement and the more stuff like that gets out there, I think it will start a bandwagon effect.

00:56:56

The other thing is that right now the socially responsible investing movement is I think sputtering and I don't think mainstream investors take it at all seriously.

But I think the more we can start to connect the financial scorecard and the social scorecard, which we can, that will be a very powerful force for going forward.

00:57:23

On the point of how they get the propaganda machine working, you will be pleased to know, Maria, I hope, that there are lots of companies now that are pursuing thinking like this. I talk to a lot of

them. There are many more examples that we can cite.

But I think we in the business community, we in the business school community, we need to create more forms and more vehicles actually just to share best practices among companies, because there's a lot of hesitancy about, okay, how do we go about doing this and where do we start and how do we measure this stuff and how do we organise it?

00:57:00

And there's lots of learning now. So, for me anyhow, the critical path for me is that business-to-business knowledge sharing here.

And FSG is putting on a very interesting meeting in early June, for example, bringing together I think 35 or 40 companies, all of whom are doing things in this area, to really sit together and see if we can work out the tools, the techniques, the metrics, the measures.

00:57:24

Maria Cattai:

It's the old thing, if you can't measure it you need to. Lars, something short and then I'll turn to Peter and then Julie.

Lars Thunell:

We are very proud as a development institution that we actually make money; we made \$2 million last year and that allows us to reinvest and do more investments in a company like the Water Health that is in the article. So that's what we're all about.

And that's by doing it where other people don't dare to go; that's development.

00:57:54

Maria Cattai:

Michael, just from the webcast, somebody writes, given that Michael Porter feels that CSR is only about philanthropy and that it is passé, does he also feel that the Harvard Kennedy School should abandon and rename their highly productive CSR initiative? Don't answer that now; that'll be for later because that's not his school.

Peter, and then Julie.

00:58:20

Peter Brabeck:

No, I remember this morning we talked about it, so I've brought you the report that we do on Creating Shared Value, which is quite detailed, as you can see, key performance indicators, quite a lot of them, but exactly the way you were saying.

I just looked at them and I see that exactly we are saying how much less water we are using and things like this, but we have not validated it. And I think you have a valid point here, which we certainly will pick up.

00:58:45

Now, in the case of water it's very simple. You can save a trillion litres of water as water doesn't have any value in our society; it's always zero because you multiply it by zero. That's one of the other problems so we should give water a value that would be easier to put than a value on what we have saved.

But underlying what you are saying, Michael, is absolutely right. You see, we get two criticisms of the Creating Shared Value. I was just on television

at lunch time and it was coming straight away, depending on which channel you are.

00:59:17

The first channel is how much has it cost you and you say, well, as a matter of fact we consider this to be a win-win situation. It doesn't cost you; you can even make money.

But when you say that, you have lost out with the NGOs because for the NGOs, in order to be really valid, it has to hurt you, it has to cost. It's the mentality of something like if it doesn't hurt you it's not ... and then it is just good for you and it proves, because it doesn't cost you, it proves that this is all green washing. Okay, that's exactly the word they were using.

00:59:59

Now then you go to the next channel and then you are being asked how much it cost you, and then you say, well, it doesn't cost me anything; it doesn't really believe. I want to see how much it costs you because I want to make you responsible for the costs that you have in order to do this, and this is a financial word.

And what they cannot understand, both sides, they cannot understand that if you implement that in a manner, it can be a win-win situation. It doesn't have to cost you. It can be good, both for the shareholders and for society. But you have to be a little bit creative, you have to a little bit think about it.

01:00:43

But I think this is one of the subjects which we have to get the message across.

Maria Cattai:

We do need to get it across. And, by the way, while we're talking here, I don't think anyone on this panel, or to answer some of the comments that I've received from the webcast, wants to denigrate philanthropy.

01:01:02

Philanthropy is an enormously noble effort and cause; no one wishes to denigrate it in any way. And many people who have invested a great deal in creating CSR initiatives, not to denigrate what they do, it is perhaps to say that all the creativity that has gone into CSR is now moving one step beyond as CSR has somehow rather fallen between the stools of philanthropy and of embedded and corporate and company operations.

So to those people on the webcast, I don't think that anyone here is either saying that philanthropy is a useless activity; quite on the contrary. It's just a separate activity. And I also think that none of you feel that corporate social responsibility is completely ... it may be a little bit in the sense that we have gone beyond it.

01:02:01

But it has led us sometimes to this point and many creative ideas have come out of it that now need to be embedded more in this concept so that their real value can be seen.

I just wanted to make that clear because we did have some comments - are we mocking it? No, we just admit that there are limitations to these things and we see less limitations and more potential in this new approach.

01:02:30

I'll come back to you, Michael, but I know Julie wanted to say something.

Julie Howard:

Yes, a couple of points. I was amazed to hear the CEO of Procter & Gamble say about a year and a half ago how much, he didn't say creating shared values per se, but this whole idea of the company's responsibility on the environmental front, the responsibility of the company to reach small holders, is something that his shareholders now expected and which was surprising to me.

01:02:58

And he felt it was an expectation, but it was a very important marketing tool for them, so perhaps we're a little further advanced on this, which I think is a very good thing.

On the metrics front, I just want to say how very focusing the concept of metrics is all around. We in the US Government see the future initiative - we have four top-line numbers that we're focused on, 80 million people in our programmes saved from hunger and poverty, lifted from hunger and poverty.

01:03:28

7 million children saved from malnourishment, and we hope to leverage \$70 million in private investment, and gain \$2.8 billion in agricultural GDP through our strategic investments in research and technology. That is very focusing, and at the same time it also links us in a very real way to partners. We can't get to these targets without co-operating with the private sector. We can't get to the nutrition targets without reaching out to civil society.

00:04:01

So I think we should not underestimate - the trick is - how do we get to joint metrics that we can all align around at global levels, but also at country and regional levels?

Maria Cattai:

I think before I come back to others - I know everyone has things to say - let me see if there are any questions for the panel. We'll start over this side this time. There's three questions here.

00:04:31

Martin Smith, Just Means:

The first comment is on the integration of non-financial and financial performance metrics. I absolutely disagree with what was said. Thomson Reuters just brought very standardised non-financial performance metrics, normalised to financial performance, into DataStream, which is one of their products. They're going to bring it on to Icon, and so any analyst or trader that wants to have non-financial performance metrics normalised to financial performance will have these metrics.

Bloomberg's using the same metrics, marketing facts that are also bringing some more products on line over the next six months. So most of this work has already been done.

01:05:12

My comment is for the whole panel, and - my question is for the whole panel, which is around - what is the viewpoint towards mandatory non-financial reporting on normalised metrics, probably around GRI performance indicators for large cap companies? And would that push forward this field, or would it be a detriment?

Maria Cattai: Excellent.

01:05:42

Ellen Kennedy, Calvert Investments: This is a socially responsible investment firm, so I want to clear our good name and say that I don't think that our industry is sputtering; it's more that we have much greater competition now because the mainstream investment houses are now co-opting our methodology. I would also disagree with the statement that was made about the integration of financial and ESG - or environment, social and governance data. I've had many conversations with companies in which I've asked for the return on investment for their CSV, if you will, programmes. Or, for instance, on saving water - whatever the metric is.

And I meet great resistance. It's very concerning to me, because we need this information if we're going to create integrated models.

01:06:45

Maria Cattai: You receive resistance from companies? Okay. Thank you.

Alison Johnson: I will preface this by of course congratulating Nestlé and The Atlantic Council. This has been a brilliant conference. I would just like to pose two questions; firstly, as a former student of Professor Porter, I want to first push a little bit on being able to implement this beyond the CSR community and the CSR concept.

00:07:23

Could you just elaborate on how these additional companies are embracing this beyond the article,

because you mentioned that there are more companies that are contacting you. And in particular - what attracts them to taking this on over CSR? And what is happening to their corporate social responsibility efforts? Because I've spent the last five years in a Fortune 100 company, and as you said, it's not serious. The CSR is very much of a gloss-over; it's something they feel obligated to do. It's not really a part of their metrics. So if they were going to adopt this concept, what happens?

And then the other question that's been outstanding for me today is really the implications for the environment. All day long I have been struggling with the issue that we started with in the morning as we move from 7 billion in 2011. And one panellist said - we can move to 10 billion; the planet can support it. But really our planet will really suffer. If we really are able to increase nutrition, water and rural development by 2030, how will the planet sustain our lifestyles? That is something of great concern. Thank you.

01:08:34

Maria Cattai:

Thank you very much. It's a mouthful of questions. We have still about 25 minutes to go, so I'm going to take last questions and then we'll come back to try and answer them on this side.

Werner Kiener:

I'm not from a CSO civil society, NGO group, but I find it a bit disconcerting that after a long talk of co-operation and partnership, this frustration with what I think is an important part of a civil society. And there my question to Professor Porter and to you, Peter, is - have those who have created that concept

done enough to educate this broad group of people which is summed up often as civil society? I think there might be something missing, and if - that's the metrics question - it works so well, I think one also needs to propagate it in those types of groups.

01:09:39

Maria Cattai:

Thank you very much.

Q:

I wanted to reflect on what Anne said earlier about perception, because I think perception and silos were probably two of the really key words of the session. And Michael constantly said - but with no other changes. Twice that came out of your mouth.

I think that the misperception on your part is that with a lot of changes, but not with necessarily structural changes, it would seem that - in order to get these marriages and the breaking down of the silos underway, the perceptions among - as we divide them into the three communities - civil society, business and government - need a lot of work.

01:10:29

And what I've heard in this particular is some of the areas where they need work, and sort of begin to understand that they need that work, that they need the dialogue to be taken. So I think we need to understand that there are fissures and fractures within the segments, and I'd like to see food companies collaborating and even colluding with other food companies, bringing things together on this creating shared value; and getting different kinds of companies within the same community as a

consortia, to work together on creating shared value, so that they ...

01:11:10

So these would be my comments on what we've heard in this last going forward to 2030.

Maria Cattai:

Thank you very much. So that will give us some things to look at and answer in this last round here of the panel. Let's start then with the metrics. Is it true that the metrics you're talking about - it could be that we're talking about different kinds of metrics here - or any of us on this panel go along?

01:11:40

Peter Brabeck-Letmathe:

I think that first of all is already TRE. So we have youth already. And this report which is outside, so everybody can access it. It is here already. But we don't have yet, frankly speaking, the valuation of this thing which we were discussing before, and which afterwards I think would give perhaps a different picture. And the question was whether - what I believe, whether it should be compulsory or not. I personally think it would be good for the case if there was a compulsory reporting, frankly speaking, like it is on the financial side.

The only thing I would ask for is that there is one, and not that every country has its own regimentation, and then there are 15 or 20 different ones, like we heard today, still in the financial sector.

01:12:41

Because then at the end of the day finally the more systems you have, the less relevant they become. So as we have an opportunity, whoever is

responsible for establishing the metrics, let's establish one, and then we implement it globally. I think we can live to that one.

Maria Cattai:

Michael, do you - on metrics, do you think that there is a movement towards establishing some kind of unified mandatory eventually? And would you answer also the question about - how do you make moving into creating shared value attractive to companies? And what happens to their CSR efforts?

01:13:24

Michael Porter:

Well, many, many interesting points. And let me start out on the CSR point. I think CSR - we've learnt a lot from it; we need to build on it. There's going to be a lot of - let's call it compliance activities and just good corporate practices that have been developed through CSR programmers, that we need to retain and institutionalise,

CSR is more than just philanthropy; it's a variety of things. It encompasses sustainability in many companies. It encompasses a broader set of activities. Many of those are definitely a step in the right direction, but I think the notion of CSV is - okay, let's take It much more into the core of the company and into the core of the operating businesses. And let's understand that we've missed opportunities to be more productive, to be more efficient, to create more academic value, to grow our revenue.

01:14:20

And this is a problem of business. You know, it's not society's problem; it's business's problems - have been looking too narrowly, not seeing these

opportunities. So I would like to rename their centre for CSR to CSV, but that isn't because the CSR part is bad, and it's dangerous or anything; I just think it's been a bit of a barrier to business understanding the deeper opportunity. And that's what I'm concerned about.

On metrics, I believe that - it's interesting. Business probably reports revenue growth from new products. Business probably reports cost cuts and cost savings. They report that kind of stuff all the time, so it's not sensitive - I mean, people are proud that they've grown revenue or reduced costs. So I just think it's an attitudinal thing that they're shy about this because of the points that have come up - that if it actually saves money for them to improve the environment, then people won't think they're good guys, you know. And it's not worthy. And therefore if there's not pain, then they're not doing their job. So I think we're caught up in that trap.

01:15:29

In terms of the role of NGOs in civil society, there are NGOs that are terrific and jumping on this - I don't want to single out - I mean, I don't know all the NGOs, and there's probably many more, but I would just put TechnoServe - this is a good opportunity. TechnoServe is about helping businesses create shared value. That's what they do, and they do it through taking on services and roles that businesses can't take on in developing countries because they don't have the expertise, they don't want to create the staff to do things. TechnoServe works very collaboratively with companies.

01:16:01

So there's probably many other good ones, but some NGOs have sort of gotten it; they've kind of figured out that they can have much more impact on water if they get Nestlé to work with them than if they just try to work on it on their own, and in a kind of little programme that doesn't have a sustainable economic model behind it.

So I think that - I have no structural - I think we're going to need all the resources and all the talent we have in the NGO community, but I think the NGO community would benefit from recognising that they have a tremendous resource base to draw on.

01:16:40

Maria Cattai:

And let me ask Lars. We talked about - then I'll come back. Anne can talk about civil society as well as Julie. But what about the intergovernmental? Is there a pick up in the international field on this concept, or is the international field very still fixated on previous models?

01:17:04

Lars Thunell:

I think what's happening now in the that's been up here today, in the whole aid community - is people are looking for jobs; they're looking for the private sector. So you see all the aid agencies around the world saying - okay, how do we support the private sector? How do we help companies develop? So that's one trend you've got.

And at the same time you have less and less money in the public sector, at least in the industrialised world. So the question then becomes - how do we leverage that public money we have to the

maximum benefit, and the leverage with the private sector?

01:17:46

And if I combine that with another thing, which is the business opportunity. If you look at the base of the pyramid, the 4 billion people living on less than \$3 a day - that's a \$5 trillion market out there. And people now with new technologies and new ideas, new distribution systems, are actually being able to access that. And you see big companies and small entrepreneurs getting into that space, very often with new technology.

Just give you one example. Gillette: they looked at that market and said - how much would a person there pay for a razor? And they designed a razor that could be paid for - I think it was 39 cents or something like that. You have one usage of shampoo for only one time is another example. We have about 100 different examples that we can share with people who are interested.

01:18:44

And if you can do these types of things, that will automatically If you then combine that - just to illustrate the point - we'd bring in public money and private money together. We worked with the Manila water company and there we helped - actually gave grants or output based aid, as it's called, for putting in the piping and the meters out into the slums of Manila. And then they could pay for the water itself, but they couldn't pay for all the connections and everything else.

Well, that's a perfect example of how you can leverage things, and I think these are the type of

things that we should encourage. And that means coming together with the public sector, with philanthropy who can participate in this social impact type of investing; civil society, who can have a great role in certification - we use them to get many companies in certification of commodities - logging and things like that.

01:19:39

And I think those are the type of new things that are happening out there, and we should all lift those. And that's why I'm very happy to be at this conference, because you're lifting some of these examples which are very, very important.

01:19:50

Maria Cattai:

And it was brought up that had we done enough to educate the different partners, particularly civil society in this, well we're doing that now, aren't we?

Anne Veneman:

Well yeah, clearly there needs to be a lot more dialogue so that people have a better understanding of what works and how it can work and I think there are a lot of good examples of how do you go forward with this idea of the win/win.

01:20:18

I think when we talk about how to really illustrate this win/win, I think the concept of agriculture extension which some companies are hiring the expertise, some companies can use somebody like a TechnoServe, so you have the example of doing it yourself or the example of doing it with an NGO but what do you get out of this ag extension. I mean one of the things you notice when you travel in Africa is how much the entire ag extension system

that had been built there has been completely broken down.

01:20:51

And so now, companies are seeing the opportunity then to help to provide some of these services because it is such a win/win and so you see, not only the benefit of higher quality product, you see an environmental benefit because you can teach people to use less pesticides, you can see a benefit to children because as farmers are taught how to produce the product, they're also told that they can't use their children, and then they send their children to school, so you cut down on child labour.

There are additional benefits that you can build into these kinds of programmes that we may not think about. So I think one of the things is to really look at how do we build the ideas of the win/win to cover the breadth of issues that really are being impacted by things like agriculture extension which is one of the main areas that we've been talking about as key to rural development.

01:21:55

I think the other thing where we've seen some good partnerships is in the areas and I think one of the areas that really needs to be discussed is technology and how technology is moving along so many of the issues. We've talked about cell phones and having access to market information which has been tremendous for farmers in the developing world.

One of the best initiatives I've seen in terms of giving farmers access to information is Africa was one of the only places in the world that didn't have weather stations and so there's a partnership that's

been developed with the companies that do, that are putting cell towers all over Africa to put weather stations on top of them so that you now get some of that weather information.

01:22:43

Another civil society private sector partnership that is creating a broader benefit. There's tremendous amounts going on now in what they call M-Health, M-Banking through organizations like ..., all of these are helping to bring together both civil society and the private sector in very innovative that is having a tremendous impact. M-Banking, for example, is affecting violence against women because they don't actually have to go somewhere to take their earnings to get them to their families and so they aren't subjecting themselves to thievery and violence. So again, other aspects.

The idea of cook stones as technology to help the environment. I met a great little organization the other day that's not only producing them in Africa, they're providing the jobs. They're then selling them to people at a subsidised price, thereby creating a market, not just a give away and the way they're making up the difference, this is not a charity this is a social business, they're making up the difference by doing strong auditing of whether or not these are being used and then using that to sell the carbon credits to Europe. That's a social business.

01:24:08

Maria Cattai:

It's very interesting Anne. Julie, do you have anything on this and on the educating of civil society in this way.

Julie Howard:

Yes, educating civil society but also the power partnerships and the catalytic impact of public investment and private investment working together. I don't know if you already talked about it earlier today but sort of the example of world food programme and local regional purchase. World food programme traditionally the importer of bagged food aid, much of it from the US and distributing it takes a big strategic leap and says we actually need to encourage the production and procurement of food at the local level, both to save our transport cost and also to make a market, to make a bigger market.

01:24:51

So that's actually been quite successful I think, so you're seeing the emergence of small holders who are beginning to access technology, have a reason to use new technology because they suddenly have a market, and beyond that, you're also having other kinds of investments and pile onto that.

So warehouse investments, warehouse receipts, demand for commodity, market information systems, we are also working with World Food Programme and a major US company to see if we can get some processing investment in Ethiopia to work with local products, create more nutritious processed foods, both for the local feeding programmes but also for sale to the local public.

01:25:25:35

Maria Cattai:

The last round of our session, to close this session before our concluding session when we're expecting Chuck Hagel to join us, I'm going to do something

that's a little bit unfair but one of the last questions that you raised, you said we're moving towards 10 billion people. I'm sure all of you have seen those graphs of the increase of population, it is not just the increase, it is the speed at which it has happened and you see a graph which is the timeline here and this is the population here and it sort of goes along very slowly along this timeline and then suddenly it zooms up like this in this century and between now and 2050 it's absolutely extraordinary, it goes absolutely straight vertically up that line. If, of course we're extrapolating on the same basis as many people feel will be happening, that is absolutely extraordinary because of the compression in time that this has happened.

01:26:40

So I take your question. The implications for a world of 10 billion people or approaching it, in 2030 which will be two decades, that's nothing, it's a blink, before we reach this peak. And our horizon in this meeting is until 2030. Tell me each of you, in light of that and in light of the issues that we've been discussing on creating shared value, just one idea from each of you to conclude of how we should be approaching that, what is it foremost in your mind, maybe it's just a worry that you have but what is it foremost in your mind that you would like to see as we move towards that, if I could say, enormous concept of 10 billion people in just a few years. Lars, do you want to take a stab at this one?

01:27:40

Lars Thunell:

I'll say two things, first of all, not only will we have 10 billion people but probably around 70% of them or so will live in cities which is up from about 50%

today and 35% 20 years ago. I was actually in a conference yesterday where we talked about the problems of security in those cities and how to organize those cities and I think that's something we need to start thinking about. But to be more positive, we have together with Nestlé and what's called the Water Resource Group, a study on the water supply in the world and I don't know if that was mentioned earlier today but I think that's very hopeful and gave an example that we can solve these gap problems if we go at them not only from the supply side but also on the demand side and work with the efficiency and the water pricing and all that. And I think that's a very good example

01:28:42

Maria Cattai:

So you would say a lot of these problems, take the example of water

Lars Thunell:

Can be, if you address them

Maria Cattai:

Well you're not difficult and pessimistic about that

Lars Thunell:

If you let the market work and have the right pricing and trade the right incentives

Maria Cattai:

Anne?

01:28:58

Anne Veneman:

Firstly, I want to make sure we're clear on the statistics here because the projection is by 2100 it's 10 billion people, not 2030.

Maria Cattai: No, I'm saying, our horizon is 2030 which is just a blink away from the 2050 projection and that's 9 billion so in light of our meeting here, what do you

Anne Veneman: Well I think the answer lies primarily in research and technology, that whether it's feeding the world, it's managing water resources, it's managing other scarce resources, it's going to take more research and more technology and of course, all of this is happening at a tremendously fast pace in terms of how technology is changing the way we live, how are we going to have enough, basically food, water and energy and if everyone isn't focused together on the scarcity of resources and the increasing population, I think we won't be able to actually create the kind of world that we want to continue to have and should have as we approach the next century.

Maria Cattai: Michael?

01:30:16

Michael Porter: Well that is somewhat an question isn't it, Maria. I guess I would say that we need to make a step function increase in the kind of productivity and efficiency and effectiveness with which we use all the resources and we need to learn how to serve the needs of billions and billions of people whose needs are not being met now.

I think that's fundamentally going to require a transformation in the private sector in order to get this done. I think, somebody mentioned earlier - I kept stressing with no other changes, why did I say that? I think it's a cop out that business can't do a

lot right now, I don't think we need to wait for perfection on NGOs or government or anything else. I think businesses today, if we look at the difference between best practice companies in water use and poor practice companies in water use, it's astronomical.

01:31:18

If we look at the best practice on resource utilization within the production system and worse, it's astronomical, I just don't want us to give business a cop out that 'oh we can't do it because there's all these imperfections and governance and this and that', we can do this now

Maria Cattai:

What you're saying though Mike, I do want to ask you on this, is that when you're looking towards, I just said it's an unfair question when you have to look at the kind of world we're going to have in 2050 which all of our children and grandchildren are going to be boom, dealing with, do you really think seriously that the part that is played by business in looking and solving those problems has got to increase as exponentially as the population

01:32:09

Michael Porter:

Of course, and the way that's going to happen is business is going to have to see all of these challenges as an opportunity

Maria Cattai:

But also businesses from the developing world themselves, as they are becoming more and more international, multi-national, global

Michael:

Of course and some of the developing companies from India and China and so on, they're getting this

faster in many cases than our western companies because they kind of see more clearly the opportunities, the needs, the impacts.

Maria Cattai:

We hope.

01:32:41

Michael:

Many of them do. So I guess, Maria, I think that, again, you've got to understand, at least in the US, the last time I looked at 85% of all the investment in the United States of America in a given year comes from business. Okay. so if we can get this elephant of thinking differently and acting and understanding that this is core, and it's an opportunity, and there's money and profit associated and growing markets and more consumers.

01:33:20

Lars said some very important points there, I hope everybody was listening; that I believe gives me optimism that we can address these issues. But if we're still wrangling over foundations, NGO, can we get government to be effective and efficient, can we solve all the political problems, if we're still wrangling over that I'm afraid we're going to have deep, deep problems as we confront these challenges.

Maria Cattai:

And you, Julie.

01:33:46

Julie Howard:

Yes, adding onto Anne's, I think it is technology. We have faced this before with I mean this is the question that haunted Norman Borlaug. What are we going to do? How are we going to make this

Green Revolution? It's a different kind of revolution that's needed now.

It's technology, it's partnerships, I would suggest that we need to define what are the major research questions that we need to get around and it's not just for public research systems, this is very much a partnership effort. We have already started defining these questions. So for example, we have a quite interesting partnership right now going on to develop drought tolerant maize. A partnership that involves companies, that involves local, national agriculture research systems, that involves the associated group of agricultural research systems, that involves local seed companies, I think this is the model for the future.

01:34:40

We really need to figure out what are the questions that need to be answered in this new environment, basically how do we use less water, how do we get away from oil based fertilizer products, how do we make labour more productive, how do we reduce the impact, improve the resilience of communities, reduce the impact of the climatic shifts that we know are going to happen. A lot of this is also risk mechanisms, you know, another kind of research, how do we protect people where risk is all of a sudden much more unpredictable than it was before

Maria Cattai:

And so when you look forward 2030 our horizon, 2050 the population horizon, if you wish, is there any, where would you put your priorities, your money, your time, your effort?

01:35:29

Julie Howard:

Well I also want to say that population densification is not always a bad thing. In Africa I think it's particularly important that we have denser populations because we're already beginning to see that this is what's driving the development of local and regional markets, so it's not all bad.

I will put my money on technology and partnerships. Research, technology and partnerships.

Maria Cattai:

And Peter, to you.

01:35:57

Peter Brabeck-Letmathe:

I think the important thing is first of all to realiNestlée where this Is coming from and it's interesting, for example, Africa is going according to the latest figure, Africa is going to have a population which is the same that the world population was in 1950

Maria Cattai:

The entire world

Peter Brabeck-Letmathe:

..... so that's the part where you are going to have the biggest population growth in the world, Asia of course and something like this. We will have a completely different challenge if you are talking about Europe. In Europe we are going to have a hidden liability which today is basically hidden away by any government which is absolutely stunning and nobody knows how we are going to handle this one but this is a financial liability which has to do with our pension costs and health costs.

01:36:44

If I look at the real GDP and deficit we have in Europe, I mean they are around 300%, 400%, up to

700% of GDP, if we are really open and honest. Today we are getting worried because one country has 150%, so that's a different challenge.

Now, I will take up what Michael said. I think we as a business, we have to realise first of all that the model we have been using up until now, which is extremely resource intensive is not going to take us into the future, but I also agree with him. We should not have to wait until we get everything in a perfect world, we have to assume ourselves a different model and for this we have to make research and research and development. And we committed for example, last week in Africa that we will do this increasingly, not adapting the Western model to the developing world but to concentrate and develop models which are really starting in the developing world. Because what Africa needs is different to what Asia needs and certainly it's not what we did in the United States in the past.

01:37:59

So I think this is a very important commitment that we as a business have to do. The only thing I would like is that governments at least don't throw us if they don't, this would be already good enough and I will tell you, frankly speaking, we have technologies in order to improve the productivity of agricultural land. GMO is a good one, how many governments are putting us and saying you are not allowed to use it, not only you are not allowed to use it, they are African countries to use it, saying if you use GMO, you will not be allowed to export to Europe. Well if this is a free, efficient market - certainly not. So I don't think we need those artificial barriers.

01:38:49

I will also say it and I will say it once more, I think an absolutely artificial barrier is the bio fuel of policy and I will spell out very clearly what I think. I think with the Doha Round, most governments who have been subsidising the agricultural environment realised that in order to be able to sign the Doha Round, it would be difficult to have the food subsidies as they were in the past. What nice way afterwards to do it for the bio-fuels because they were never part of the Doha Round discussion, okay.

And then you have back again, the subsidiary payments to the farmer But the fact is that we cannot afford today to have 35% of food products being diverted into fuel, 35% of maize in the US, 47% of rapeseed in Europe, 14.7% of sugar cane today when at the same time, we don't have sufficient food to feed the people.

01:39:54

And there is one thing that politicians completely do not understand, between the food market and the energy market there is a nexus which are calories, the food market produces the calories which we need in order to get people moving. And the energy market is the calories that we need in order to get the machines moving. The only difference is that the energy market is 20 times as big in caloric terms than the food market. So when politicians tell us that we have to substitute 20% of energy through the food market, they are giving to those who can a little bit calculate, a clear indication - because to achieve that we would have to triple the food production and this was the reason why food prices exploded and by speculation, came in.

01:40:54

Because it's very easy to say 'how the hell can we triplicate today' food production, if we are really seriously thinking about how we are going to feed the 10 billion you are talking about

Maria Cattai:

Well that's not perhaps the path that we want to go down.

01:41:08

Ladies and gentleman, we have come to the end of this session and I see that Senator Hagel is here, and we're going to go right into the conclusion with him.

So I'll ask you to stay in your places and in the meantime, to give a round of applause to this panel.

Applause

END