



SID-NL Lecture Series 2012-2013

“The Role of the Private Sector in Sustainable Development and Growth”

On Monday 11 February 2013, Jan Peter Balkenende, former Dutch Prime Minister, Partner at Ernst & Young, and Chair of the Dutch Sustainable Growth Coalition delivered the SID Lecture ‘The Private Sector and Sustainable Growth’. Louise Fresco, lecturer at the University of Amsterdam shared her comments and led the discussion with the audience.

Introduction

The second part of the SID lecture series on ‘The role of the Private Sector in Sustainable Development and Growth’ was opened by Jan Peter Balkenende highlighting the interdependence of the private sector and sustainable growth.

As chair of the Dutch Sustainable Growth Coalition he calls for an inclusive mind-set of the private sector, to ensure sustainable development. Elaborating on the changes in society’s organisational structure, and the decrease of sphere sovereignty, Balkenende sees the private sector as a supporting pillar of the current and future system. He identifies the need to incorporate social issues and social responsibility within the private sector as an essential variable towards sustainable development.

Integrating sustainability

The welfare approach from the 1970s, when social issues were regarded as political and the government as the main actor in correcting all forms of inequality deriving from the system, is something of the past. The private sector, comprising in Balkenende’s view of businesses and non-governmental organisations, has gained importance. In a world in which population and scarcity of resources is continuously rising, a change of business models is inevitable for reaching goals set for a sustainable future, such as the Millennium Development Goals (MDGs). Corporate Social Responsibility (CSR) is one approach used by the private sector to incorporate a social and environmental dimension in its economic activities. Balkenende stresses that it is no longer about doing business in a traditional way with ultimate growth as

the only goal. A modern business model should be about integrating sustainability. Nowadays companies are aware and willing to take over responsibility and create a strategy for change. The used approach (CSR) is not new, but its application has changed. Simple good intentions and story-telling are history. Instead, Balkenende argues, enterprises really integrate issues like climate, energy, integrity, transparency and human rights into their economic activities. For a successful inclusion of these issues, it is essential that the private sector creates key performance indicators (KPIs) for measuring the impact on society of the entire production cycle.



Jan Peter Balkenende and Louise Fresco

Photo: M. Doelman

Global issues can be tackled by the private sector, which leads to the second dynamic which has taken place, namely the change of sphere sovereignty.

The change of sphere sovereignty

In the past, the government had to accept institutions and their sphere sovereignty. Social institutions had their own responsibilities. Today new alliances are built and responsibilities shared. Decision-making



processes underwent major changes, the government and non-governmental organizations and institutions are forming alliances and now take coordinated action, for example in so-called public-private partnerships.

Within those alliances new tools are created for measuring the degree of sustainability of economic activities. An example is the World Economic Forum, a foundation bringing together business leaders, politicians, academics and journalists, which took the sustainability adjusted index into their agenda through incorporating social and environmental indicators.

One might ask if it is not just a trend to incorporate sustainability in the organisational structure of companies and society, instead of a long-term development. Balkenende argues that as long as companies that incorporate social responsibility in their business model, also adopt their own values within the firm itself, it will be a continuing process, and thus can be considered as a long-term development rather than as a trend.

Balkenende furthermore emphasises that sustainability is a factor of success for companies and of no degree a source of deficiency. When addressing ethical needs to operate in the long term interest of society, companies do perform better. The knowledge about business models that involve different actors (government, institutions and non-governmental organizations) and awareness of common goods is important to be shared in the process of ensuring sustainable development.



Louise Fresco and Jan Peter Balkenende

Photo: M. Doelman

In the light of decreasing sphere sovereignty, every stakeholder has to take responsibility for the impact of its activities. The private sector already started different initiatives such as biofuel-projects, enforcement of local production, and promoting the discussion on labour conditions within companies. In the Netherlands trade initiatives in particular show

the change, and the steps taken towards a social responsible way of doing business.

Jan Peter Balkenende points out that the private sector is an essential actor in taking responsibility through integrity and transparency. It is a matter of mind-set, innovation and creating new alliances to install long-term visions for a better society. The keyword, he concludes, is inclusive thinking.



Photo: M. Doelman

Comments by Louise Fresco

Louise Fresco emphasises the complexity of the issue: it is not only about the implementation of changed business models, but there is much more behind it.

First, it is important to keep in mind, that the private sector not only consists of big giant companies, but also includes small and medium enterprises in all parts of the world. They are in fact the majority, but there is no reporting of their economic activities. Therefore the basis for identifying impacts of their economic activities on society is missing. If big companies do not only take responsibility for their own activities, but also for the whole supply chain, these small and medium enterprises will have to change their way of doing business to fulfil the demanded standards. A trickle-down effect of norms and values will be initiated with the result that also small and middle-size companies are taking social responsibility. A sustainable form of conducting business is spread throughout the economy.

However, sustainability is not only about taking responsibility, but also about hard facts. It is about the reutilization and replacement of resources such as for example chemicals or proteins. This dimension is essential to CSR, but often underestimated.

Nowadays the global economy is highly interconnected, and solutions to address scarcity and unsustainability therefore have to be discussed on a global level. As many people are better off since the

shift from local to global trade, local production should not be overestimated. The aim is to find a balance between the global, the regional and local level.

The private sector has gained importance, but Fresco stresses the significant role that the government still has. In recent years mutual agreements increased through the creation of alliances. The 'force of law' declined and led to a weaker position of the government. However, in order to realise sustainable growth the government has to set the standards, and independent agencies are necessary for monitoring the implementation of these principles.

In the whole discourse many different and opposing interests meet. It is important to keep in mind that stakeholders are not only interested in the aim of improving the world, but also in promoting and enforcing their ideas. The impact of the United Nations should neither be overestimated.

In the end, it is mainly the consumers, who have the power to redirect the ideas of value, and appreciation of production processes, and thus to help companies to become more sustainable.



The Eef van Breen Group

Photo: M. Doelman

Discussion

Louise Fresco then gathered a very diverse collection of questions and critical comments by the audience. One participant questioned the credibility of the Sustainable Growth Coalition because of its members using the example of Shell and its activities in Nigeria. In his reaction, Balkenende emphasised the importance of engaging in discussion with these companies, which is a first step towards sustainable development.

In response to questions of the audience regarding the implementation of CSR in small and medium enterprises, and in different regions of the world, Balkenende acknowledged that there is no one-fit-all

approach. Sustainability always has to be adopted to the industry and to its location.

To the question: 'who is paying for CSR?' Balkenende clearly argued for an approach that is dividing the costs among all stakeholders. Companies in the 'North' as in the 'South', as well as consumers have to be able and willing to pay the real price.

When asked 'why government leaders are often not so active in promoting sustainability during their mandate, as opposed to their efforts afterwards', the former Dutch prime minister referred to the tensions in politics and the challenge to find the right time to address an issue successfully.

According to Balkenende, the most important challenge of the future is changing the current system to a renewable one, and safeguard our ecosystem. Fresco added the significance of the ocean as a new resource, the importance of information technology as a tool for sustainability, and finding solutions for making fossil fuels sustainable, as the main issues for the upcoming years.

However, the German folk poem 'Das irdische Leben', which was wonderfully recited and put on music by the Eef van Breen Group, raises the question: is it not already too late for a sustainable world?



This event was the first in the second part of the 2012-2013 Lecture Series organised by SID Netherlands in cooperation with NCDO and VU University.

This lecture series reflects on the role of the private sector and sustainable development and growth.

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