

Solidaridad

Solidaridad Policy Letter for Dutch Ministry of Foreign Affairs

CSO consultation for new policy framework on development cooperation

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Introduction

In recent years, several Dutch governments with a different party composition have contributed to a gradual transformation from traditional aid relations to a new, ambitious agenda known as *Aid to Trade*. This broadly supported expansion to more equal relations aimed at economic cooperation has brought with it an evidence based positive impact.

The new approaches emphasized the importance of private-sector involvement from developed economies, in recognition of the crucial contribution to sustainable growth using their influence with international markets. Moreover, the development sector has undergone a transformation in which cooperation with the business world offers new opportunities. Coupled with that, corporate social responsibility, and supply chain transparency and responsibility, have now gradually become accepted starting points for future-proof operations within the business community.

While reinforcing these achievements, it is now time to look ahead and define the new challenges for establishing a revised policy framework for international cooperation in which sustainable and inclusive economic cooperation becomes paramount.

New power centres emerge on the world stage

The world is irreversibly progressing to one in which several power centres are seeking to establish new relationships and equilibriums. Globalization - as is evident - creates winners and losers; protectionism only creates losers. The Asian growth model, in terms of industrial development and trade, has evolved from an economy based on counterfeit goods and cheap labour to a productive economy based on knowledge and innovation. Countries that formerly received aid have now developed into competitive economies and global investors.

Africa and Latin America also prefer investments over aid. More specifically, they prefer aid that mobilizes investments. A growing self-reliance and capacity for policy-making in what is traditionally called the Third World has brought a permanent and fundamental change to the dynamics in international forums. In this new paradigm, international cooperation is becoming more equal and reciprocal. The shift from aid to trade and investment will continue and

knowledge and technology will, to a large extent, determine the innovative character of the collaboration.

Sustainability offers a mandatory framework

During the shift from aid to trade in recent years, a consensus is gradually forming that economic development and trade require an adjective: sustainable and inclusive. Growth based on exploitation and exclusion will inevitably lead to an environmental and social catastrophe and fail to feed the burgeoning world population.

It is generally acknowledged that climate change is the most important global challenge of the time. Climate-smart approaches are a condition for economic development. The second keyword is participation: participation in society - leaving no one behind - as a producer, consumer and citizen.

Participation recently acquired a new dimension in the digital domain. High-quality internet connections, access to data and digital literacy are becoming increasingly important. Education and jobs, especially as a priority for girls and women, are the keys to building a stable society. Unfortunately, however, these issues are not easy to address due to precarious access to education for many and a changing labour market that is led by the digitization and robotisation of business processes.

Corporate Social Responsibility 2.0

The “Aid to Trade” agenda has undoubtedly contributed to a sense of co-responsibility among supply chain partners for the sustainability of their supply chains from producer to consumer. Companies and consumers have also taken responsibility for the social context and effects of production, trade and consumption. CSR has evolved from an agenda that was initially defensive in nature and reputation-driven to the realization that continuity and profitability are dependent on transforming the economy in a sustainable manner.

While having an additional sustainability strategy was an improvement for many companies, the business strategy itself now needs to be sustainable. Sustainable purchasing policies and co-financing innovations in the supply chain are now common practice. Nevertheless, in light of all the progress and successes mentioned above, there is still a pervasive systemic failure, and the scale and speed of transformation is too low.

Partnerships between civil society organizations and companies have achieved some initial successes, but there is continuing resistance to developing systemic solutions that solve persistent issues. In fact, it could be said that the development of more robust sustainable agricultural structures in developing countries has barely been addressed and that preserving the security of goods has become too important in the supply chain approach.

There is a permanent imbalance in production chains and especially in price formation, as well as structural imbalances in access to knowledge and technology. This means the results are still not optimal: poverty is persistent, development potential of women is poorly recognized and underused, loss of biodiversity continues, and climate change could still lead to major disruptions and in some regions to even chaos.

The market environment appears to be prepared for a new government policy framework that lifts CSR concepts to a higher level of ambition in which systemic solutions are the focus. In addition, sector covenants can provide a forum for testing and scaling up these new solutions.

Post-certification era offers new opportunities

Within the realm of private-public partnerships, certification was the primary engine of change in the beginning. Certification is now threatening to become “the easy way out”. Companies often measure and report the progress of their supply chain sustainability in percentages of sustainably certified products. The equation, however, that certification equals sustainability is too superficial.

There has been much research and debate about the - limited - results and shortcomings of certification, and the conclusions are not straightforward. There are now four generations of sustainability standards with their own characteristics and dynamics. The debate about the costs, the reliability and the impact of Voluntary Sustainability Standards will continue and the vested interests will guarantee continuity for the time being. With this in mind, it does not seem wise to remove effective solutions - however minimal - before new approaches are firmly established.

Besides relevant criticisms of the current situation, a more positive trend is emerging in the search for new opportunities for strategic innovation offered by the ongoing digital revolution. Government policy has the opportunity to reinforce the historic role of the Netherlands as a pioneer in sustainable solutions since Dutch organizations have been leading in the field of certification for three decades now. The world has come to a crossroads and the future will be shaped by durable innovations and creative solutions.

New opportunities, for example, can be found in digital solutions that are based on positive incentives instead of control. Digital tools could be developed that stimulate continual improvement by specifically identifying practices that are most effective for sustainability. These digital tools also have the potential for a much broader reach and offer permanent interaction with various target groups at a much lower cost than audits. Equally important, real-time data could be a new resource for policy discussions with governments and be used to demonstrate a proven business case for sustainability that can be turned into investment opportunities for bankers and other types of investors.

Migration will remain a sensitive issue

In the coming decades, migration will remain an important political issue. In particular, the intercontinental migratory flow from Africa has attracted attention. Although the number of political and economic refugees from Africa seeking a life in Europe is relatively modest, the influx is an explosive topic in the political arena. From an African perspective, however, migration is primarily an urbanization challenge (i.e. the migration of more than 60 million Africans per year to cities in search of a better economic perspective).

The growth of megacities heretofore unseen in Africa is one of the most important challenges for governments that have never been confronted with such an extensive and complex issue. With a forecast of between 3.6 and 4.2 billion Africans at the end of this century, livable cities, youth employment and an efficient food supply are immense challenges. Urban agriculture could offer new opportunities for combining the availability of healthy food with gainful employment. Local processing of agricultural products is a feasible starting point for industrialization.

The only conceivable answer to uncontrolled migration is increasing the quality of life in one's own society. Economic development and, in particular, the creation of jobs for a better educated population is of decisive importance. The root cause and solution can potentially be found in the same dynamic.

Knowledge and technology unlock innovation

The transformation to a sustainable economy will have to be supported by partnerships with knowledge institutions and innovative companies. Out of this collaboration, knowledge and technology can be made available for the transition to a circular and biobased economy, particularly in the agriculture, horticulture, chemical and energy sectors. A modern agenda for development cooperation would support civil society organizations that make these connections and introduce technological innovations to developing countries through their networks. Internal capacity development in civil society organizations to support technological advancements is a prerequisite for success.

Dutch companies have much to offer in a large number of sectors. Good entrepreneurs do not ask for subsidies - they have confidence in the competitiveness of their product. But they also seek out partnerships that give them access to networks of producers who want to innovate and improve. That's how new and better products find their way to the market. Leveraging Dutch business power in this way is advantageous to both the Netherlands and the world economy.

Urgency requires scale and speed

In the past period, almost all CSOs have focused on transparency and accountability, as well as (independent) result and impact measurement of programmes. The goal is to utilize public funds

legally and efficiently, and make a demonstrable contribution to public objectives and the preservation of public goods. Planning, Monitoring, Evaluation and Learning (PMEL) became a cornerstone of the business processes among development organizations. Meanwhile, more ambitious strategies were being formulated sporadically in the public-private sector and the urgency is still high.

Demonstrating results from publicly funded programmes alone is no longer considered sufficient because the scale of these interventions is limited by nature. Real and lasting improvements can be ensured by creating continuity, following the programme intervention and increasing the scale and speed by involving all relevant actors. The key factors for success require that innovations be tested, their added value to the community proven and their scalability ensured.

Four mechanisms to deliver scale and speed

There are four mechanisms to deliver scale and speed:

Improved access to capital: Public investments are combined with private investments in the form of bank credit and risk-bearing capital contributed by (impact) investors. Managing these capital flows is crucial.

Improved access to knowledge: Through collaboration with knowledge institutes and by making use of new technology (among others), knowledge becomes available along the entire supply chain, enabling farmers to produce in a sustainable and inclusive way and adapt to climate change using real-time data. Traditionally this has not been a core area of expertise for civil society organizations, which makes close cooperation with innovative companies and knowledge institutes an essential new development.

Improved access to markets: Public investments in innovations and stimulating entrepreneurship are better facilitated by improved market frameworks, forces and access. Better market factors attract a broader participation, stimulate entrepreneurship and make continuity possible.

Improved policy frameworks: Governments - at different levels - have developed policy instruments that stimulate transforming sustainable innovations from niche to standard. Good government policy removes market imperfections, ensures compliance with laws and regulations, and achieves a balanced tax system. Social inclusivity - with an emphasis on gender inclusivity - should become a spearhead of government policy to achieve the necessary systemic and cultural change.