ROTTERDAM SCHOOL OF MANAGEMENT
ERASMUS UNIVERSITY

MAX HAVELAAR LECTURES

PARTNERSHIPS FOR DEVELOPMENT

SECOND MAX HAVELAAR LECTURE

ROTTERDAM, 5 NOVEMBER 2008

LECTURE SERIES
RESEARCH IN MANAGEMENT

RSM Erasmus University

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ABOUT THE ROTTERDAM SCHOOL OF MANAGEMENT, ERASMUS UNIVERSITY

RSM is the business school of Erasmus University. RSM aims to be at the leading edge of future management issues by offering a cohesive package of university-level education, research and professional services, and by being attractive to an international market of students, executives and commercial enterprises. The school offers an extensive portfolio of management courses (including BSc in Business Administration / Business Management, MSc in (International) Business Administration, part-time diploma in Business Management, PhD in General Management, (executive) MBA programmes, specialist Masters and in-company training. Most of RSM's research programmes are given at the Erasmus Research Institute of Management (ERIM). The school is a member of several leading international networks, including the Community of European Management Schools (CEMS) and the Partnership in International Management (PIM). RSM has approximately 7,200 students and 400 members of staff. RSM can boast a triple crown accreditation (AACSB, AMBA and EQUIS), as well as Dutch NVAO and KNAW for ERIM.

Over the past 35 years, Rotterdam School of Management, Erasmus University, has firmly established its reputation as one of Europe's leading business schools. Long before 'global' became an important descriptor for business education, RSM's students, faculty and staff were already reflecting the diversity of the globalising world. Just like our host country, one of the world's renowned international trading nations, RSM has continued to expand and internationalise, cementing its status as one of Europe's most international and innovative business schools. RSM offers a distinctive intellectual culture, believing that leadership can be taught through a combination of intellectual and practical challenges. We believe that the difficulties encountered working in diverse teams fosters creative new approaches in business. We enjoy a reciprocal, supportive relationship with multinational companies.

RSM encourages a flexible, broad and sometimes iconoclastic mindset in matters of business practice and research. This distinct approach has helped RSM to establish a portfolio of top-ranked programmes, as well as one of the largest and most prolific management faculties in the world.

About the B-SM Department at RSM

The Department of Business-Society Management (B-SM) was founded in 1999 as one of the seven departments of the Rotterdam School of Management, Erasmus University. More than 30 researchers and professors work for the Department. They are active in education, research, and also provide external services. Their research is published by many top journals including: Academy of Management Journal, Academy of Management Review, Business Ethics: A European Review, Business & Society, Business & Society Review, European Management Journal, Journal of Business Ethics, Journal of Corporate Citizenship, Journal of Management Studies, Journal of World Business, and Corporate Reputation Review.

Corporations face many challenges. The ever increasing worldwide integration creates an array of opportunities and threats for both business and civil society. All over the world communication has increased, as has income inequality. Technological developments change the corporate environment, governments and societal organisations. Environmental problems lead to creative solutions in some countries, but they also stimulate companies to relocate to countries with less restrictive legislation.

The production of goods that were traditionally labelled 'public goods', such as education, electricity supply, infrastructure development, public transport and telecommunications, are confronted with market principles, deregulation and privatisation policies. Companies are on the one hand expected to operate 'lean and mean' in order to meet international competition, while they are, on the other hand, being held accountable for the consequences and effects of their behaviour on society.
It is not clear which strategies are ideal in the long run and which will lead to the best results for both business and society.

The research programme of the Department of B-SM addresses the relationships and communications between companies, stakeholders, governments, international institutions and civil society. These interfaces are studied from several different perspectives, such as a normative, institutional, strategic, and communicative. It is hypothesised that if these interfaces are managed effectively this will considerably improve the functioning of companies, stakeholder relations, markets, governments, and thus, the functioning of society in general.

www.rsm.nl/home/faculty/academic_departments/business_society_management

ABOUT THE MAX HAVELAAR FOUNDATION

The Max Havelaar Foundation strives towards fair and just relations world-wide. Central to its policy is sustainable production, trade and consumption. The foundation offers access to international trade with favourable conditions for farmers and workers in disadvantaged parts of the Third World, so that they can build a better future for themselves. This means consumers and retailers must also pay enough to cover social and environmental costs. This means that products such as coffee, tea, fruit, cocoa, wine and cotton can have the Max Havelaar trademark when they follow the Max Havelaar guidelines. The Max Havelaar initiative has been followed in 20 different countries among which are most European countries, the U.S.A. and Canada. Max Havelaar is not a brand but a trademark for fair trade. This means that products can have the Max Havelaar trademark when they follow the Max Havelaar guidelines.
The foundation co-operates with three other players:

1. The registered producers: co-operatives of small farmers and plantation holders in developing countries.
2. Licence holders: Dutch companies and importers.
3. Consumers.

The foundation owns the Max Havelaar trademark and submits licence holders to close scrutiny as it does not sell products itself. Licence holders are Dutch producers or importers of coffee, chocolate, tea, honey, bananas or orange juice. They have to comply with certain conditions of trade and be prepared to submit themselves to checks. The licence holders trade with farmers' co-operatives and plantations that are registered with Max Havelaar to offer their produce.

Where does the name Max Havelaar come from?
More than 130 years ago the author of the book 'Max Havelaar: Or The Coffee Houses Of The Dutch Trading Society', Eduard Douwes Dekker, was an assistant resident in one of the districts of the former Dutch East Indies, the present Indonesia. Douwes Dekker could not reconcile with the politics of the colonial government who forced the countrymen to work for the Dutch coffee plantations on a massive scale. That pressure was so great that the farmers had to neglect the cultivation of food crops and famine was the result. **www.maxhavelaar.nl**

ABOUT THE MAX HAVELAAR LECTURE

Max Havelaar is the world's first Fairtrade labelling organisation. Since 1988, the Max Havelaar certification mark has been used as a guarantee for consumers that products have been traded under fair conditions. From the vision that people can only maintain their families and communities through sufficient income from labour, a strategy was developed that addresses poverty alleviation through entrepreneurship. The standards that have been set support farmers in achieving a better deal for products such as coffee, tea, fruit, cocoa, wine and cotton. The Max Havelaar initiative has been followed in 20 different countries including most European countries, the U.S.A. and Canada. Together with these initiatives Max Havelaar founded the international Fairtrade Labelling Organization (FLO). Max Havelaar is set up as a not-for-profit foundation and does not trade, but inspires and stimulates market actors to develop a market assortment under Fairtrade conditions.

Fairtrade has been rather successful over the past few years. More than a million farmers and their families benefit directly from Fairtrade. Impact studies have shown that development impact through trading co-operatives is significant. Total consumer turnover in 2006 was 1.6 billion Euros. The Fairtrade initiative has stimulated other actors to develop other sustainability certification schemes, which are welcome. However, none of them has the unique Fairtrade trading conditions that guarantee farmers a price and investment covering price for their products, provided that they find market under the label.

The lecture

Poverty constitutes a multi-faceted problem. It is on the one hand extremely local and leads to enormous deprivation of at least half of the world's population. But on the other hand, it is an extremely international problem as well through the operation of global markets – in particular of resources – and the functioning of value chains. It has increasingly become acknowledged that the role of corporations and the private sector is vital for sustainable solutions to poverty. Entrepreneurial solutions are often considered preferable over the traditional approach of development aid and subsidies. Micro-credits and fair trade labels are typical examples of this new development paradigm. At the same time, however, it is clear that the involvement of private (international) corporations is far from undisputed. The claim that the profit maximisation strategies of private corporations can 'solve' poverty requires substantial modifications. It is obvious that some strategies are more effective than others. The integration of developing countries in the international supply chains of multinational corporations can have positive, but also negative repercussions. The new development paradigm therefore is not yet established, let alone undisputed. The Max Havelaar lecture stimulates the thinking on these issues in a balanced manner, without making use of the usual simplifications either in support or against the involvement of firms in development. The Max Havelaar organisation is proof of this approach: it is aiming at a continuous improvement in its strategy towards labeling products – increasingly in a variety of partnerships with NGOs, corporations and governments.

Aims

The Max Havelaar lecture has seven aims:

- Provide a platform for the presentation of state-of-the-art scientific insights into how sustainable business and development cooperation can be combined.
- Discuss the advantages and disadvantages of the involvement of corporations in poverty alleviation in a systematic and non-ideological manner.
- Address the complexities of sustainable development rather than engage in simplifications on poverty, in order to come up with realistic – and obtainable – approaches to address in particular poverty (Millennium Development Goal 1).
- Discuss the strengths and weaknesses of specific approaches such as trade marks, codes of conduct, reporting or governance measures.
- Provide an arena in which innovative ideas can be launched.
- Consider development as part of international value chains in which a fair distribution of income, power and knowledge is an issue that affects both developed and developing economies.
- Start a structured dialogue on shaping the preconditions for effective partnerships between public and private parties (including firms and NGOs) for development (Millennium Development Goal 8).

Organisation

The lecture is a recurring annual event. Each year, a leading scholar in the field will be invited to hold the key lecture which will be made available to a wider audience around the world. The lecture will take about 45 minutes and will have an academic standing. It will be held at the Erasmus University Rotterdam, partly as a legacy to Jan Tinbergen the former Nobel Prize Laureate in economics and leading thinker on sustainable development. The second lecture was financed by the Max Havelaar Foundation and the Triodos Bank as evidence of their commitment to high quality dialogue on the most effective approaches to poverty alleviation.

The lecture is open to the public and provides an occasion where policy makers and the scientific community can meet. It is organized in cooperation with the Erasmus Research Institute on Management (ERIM), the Expert Centre on Sustainable Business and Development Cooperation (Ecsad) and the department of Business-Society Management at RSM Erasmus University. The first Max Havelaar lecture was held in November 2007.

INTRODUCTIONS

George S. Yip, Dean, Rotterdam School of Management, Erasmus University

Before I get into why RSM considers sustainability to be important, and partnerships for development, let me give you some context of how we might look at the world. This great photograph [displayed on the screen above], of course, illustrates the combination of both population and wealth. It really does show the haves and the have-nots of this world. By the way, this photograph was not taken at the same time – global warming is not quite that bad! I chose it to show to some of our graduating students as well. I say to them: in your 40 year career after you graduate I hope that you are going to work both on the light side and on the dark side in your future careers, bringing light to the dark side. That, of course, is part of the theme of this afternoon's conference. It is a tragic shame that so much of the world is still dark, although I think after yesterday's election – when the son of a man from the dark continent is now the leader of the world's most powerful nation – that is a tremendous piece of change that will augur well for the future of the world. I crossed parties to vote for him … that's why he won really!

Here is one way of looking at the world; the world by population – which reinforces the previous line to some extent, large populations in poor parts of the world. It also shows how important Europe still is. Europe has large populations. The Netherlands has a relatively large population. But another view shows the wealth of the world; the GDP of the Netherlands is greater than that of all sub-Saharan Africa on this map. That is quite a statistic, but it is much more powerful when you look at it visually. There is so much more to do. Someone has pointed out to me that the map of the United States looks like a fat balloon. Unfortunately, air is leaking from it rather quickly. In fact for the sake of the whole world we want that air to stop leaking because it is the engine of economic growth around the world. So, as we all know, we are all in this together.

I thought I would start off by showing you these pictures, and this again sort of reinforces why companies increasingly recognise that sustainability is now an essential part of what they have to achieve. Sustainable competitive advantage on its own is not enough, it has to be related to sustainability as well. And, increasingly, their customers and suppliers are also looking to companies and their shareholders that they themselves are sustainable. It is the classic triple lines of sustainability: economic, environmental and societal. Indeed, multinational companies, whom I talk to regularly, are now taking this very seriously. In the case of Tesco we will hear how one multi-national company does this. They really do now focus on this issue of sustainability. In a sense the central issue is how do they now manage to do good by doing well, and in some cases they have to face up to the fact that sustainability actions hurt them in the short term, in terms of profit, but will benefit them in the long term. Perhaps some things will even hurt them in the long term, but they have to do them for the sake of society. I myself recently did a piece of research where we looked for industry effects in whether companies could be more sustainable. We took the Dow Jones Sustainability Index and the question we asked was: are there systematic effects whereby firms in certain industries have a better chance of scoring higher on the Dow Jones Sustainability Index? So, for example, if you are in a dirty industry does that mean that you do not have as much of a chance? The interesting finding we came up with is that there is no industry effect. It does not matter which industry you are in, you can get perfectly high scores on the sustainability index. This means there is really no excuse not to try for high levels of sustainability. It does not matter the nature of the industry you are in, whether you are in the fashion business or the mining business, or petroleum. Of course we all know that these issues are extremely complex. A senior executive from BT recently told me that they discovered that people who work from home actually use more energy than people who commute; so these are tricky issues.

Now, let us look at the role of the business school. We often hear criticisms of business schools. One of the classic ones is that business school students become societally less involved at the end of their studies than at the start of their studies. There has been a similar study that showed that students who study economics become more selfish. Well, we know that is true! However, we like to think that the Rotterdam School of Management is an exception. Our students end their courses more involved in society, and indeed one of our teams won a prize for their sort of social impact efforts last year – competing with other business schools. We have our own department of Business-Society Management that is specially dedicated to this aim, and we have a required course in the MBA programme and some other degree programmes as well to learn about business society management, and we also put that perspective into all the other courses as well, which is much more than nearly any other business school in the world. Lastly, let me highlight some of the partnerships that we are involved with at RSM. We were the first university in the Netherlands to subscribe to the global compact, which basically is a partnership between the United Nations, business, other organisations, and academia. We also have a partnership among five universities in the Netherlands that make up the Expert Centre on Sustainable Business and Development Cooperation which is one of the organising parties of this lecture. The schools are: Wageningen, Nijenrode, Amsterdam, Maastricht and ourselves. We also have a partnership with the Institute for Social Studies, which creates substantial synergies between those interested in development, and the business school. We have many things we are doing in terms of partnership which fit the theme of today and so, in closing, the organisation of the Max Havelaar lecture itself is a clear sign of the commitment of this business school to be a partner with society and to join in important discussions. So, yes, we can make a change in the role of business in poverty alleviation; sustainable development being a prime result of that.
To end, to paraphrase Barack Obama: Yes we can!

Coen de Ruiter, Director of the Max Havelaar Foundation

I welcome you all to the second Max Havelaar lecture in The Netherlands. This lecture is aiming to offer a structural means to enhance the deepening of discussion and knowledge around the role of companies and business society in the development of less developed regions in the world. Last year, when we organised the first edition of this lecture, we intended to make this an annual event. I'm happy to stand here in front of you, with again a programme that makes me as director of the Max Havelaar Foundation very proud and with a set of partners that share the enthusiasm we feel for this event.

This month, the Max Havelaar Foundation has existed for 20 years. Over this length of time, a lot has been achieved. The lives of millions of people in developing countries have been influenced positively by the opportunities Fairtrade has offered them. Fairtrade is aiming at poverty alleviation and empowerment through sustainable trade. This means that the three aspects of sustainability; People, Planet and Profit, are addressed in balance. Co-operatives of small farmers in the south are required to grow their produce in an environmentally and socially responsible way, limiting the use of pesticides to a minimum, setting up a system for water management, investing in biodiversity and securing good working conditions for employees. They're expected to organise democratically and decide on investments collectively.

Unique elements of Fairtrade are the Fairtrade price the farmers receive to cover the costs of this sustainable production and the Fairtrade premium for the co-operative. Producers decide themselves to invest this money in projects for education, business improvement, healthcare, and in general better living conditions. Many impact studies prove the benefits for development. And these benefits are growing rapidly each year. Max Havelaar was a Dutch initiative but it has sister organisations now in 23 countries, a wide range of products and sales are expected to amount to a value of 3 billion euros this year.

But this is not the only achievement of Fairtrade. In 1988 companies and especially the big ones, the multinationals, would not accept any responsibility for the quality of life of the people working somewhere in the beginning of the supply chain of their products, or for the environmental impact of these products. Nowadays, almost all of these companies accept their Corporate Social Responsibility and report on their impact and achievements. I'm convinced that Max Havelaar and Fairtrade in general have played an important role in setting this agenda.

Trade under Fairtrade conditions is not even one per cent of the enormous flow of goods that travels around the world. Fairtrade is a good and effective, though not the only, means for development. The Max Havelaar Foundation wishes not only to increase the amount of Fairtrade sales, for which we're this week organising the Fairtrade week for the second time with a lot of publicity and promotions in more than 3.000 stores in The Netherlands, but we also wish to contribute to a broader vision and solution on the very important question of the unequal distribution of wealth. Although we acknowledge that other factors are also necessary, we're convinced that trade is key for development. That's why we organise this lecture. That's why we're honoured to present an impressive group of speakers to give their views on this subject and debate together from their respective backgrounds of science, business, NGO and government.

The theme for this year's lecture is Partnerships for Development. This is a theme that lies at the very heart of our Max Havelaar Foundation. I remember that after my first 100 days on the job as director, my main conclusion was that we're fully incapable of doing anything on our own. And still, as I mentioned before, the organisation has achieved quite a lot in its 20 years of existence. Actually there's only one reason for this success: finding the right partners! We don't sell or buy ourselves, we have no budgets for campaigning, we have no knowledge of roasting coffee, ripening bananas or mixing delicious ice cream. We don't have shelf space or promotion positions. Neither do we have the capacity to assist our producers in the south on a daily basis. No, all the successes are achieved in partnership and we therefore think this is an interesting angle to look at opportunities for development through trade.

For today's lecture, the Max Havelaar foundation is also very pleased to have enthusiastic and very capable partners to organise the lecture with RSM that tries to emphasise borderless business development in its broad line of curricula in both batchelors-masters and executive education programmes, ECSAD, the Expert Centre for Sustainable Business and Development Cooperation that brings together the expertise in this field of the Maastricht School of Management, the Amsterdam Graduate Business School and the Rotterdam School of Management plus Triodos, the bank that has made a specialism of financing sustainable development and is the sponsor of this lecture.

Marilou van Golstein-Brouwers, Managing Director Triodos Investment Management at Triodos Bank and board member of the Max Havelaar Foundation

It is a pleasure and an honour to welcome you and specifically Noreena Hertz, both on behalf of Max Havelaar Foundation, where I am a member of the Board and on behalf of Triodos Bank where I am managing director of international investments and where we manage different funds in the field of microfinance and fair trade. One of these funds is the recently launched Triodos Sustainable Trade Fund.

This year's theme of the Max Havelaar Lecture is Partnerships for Development. If one movement has excelled in introducing the concept of partnerships in social-economic development, I think it is the Fair Trade movement. In essence, fair trade is about the development of open, transparent and longstanding trading partnerships between producers, traders and consumers. In these relationships, mutual interest in each other's development, transparency and trust are guiding principles.

These principles are also key for Triodos Bank and the way we do business as a bank. Triodos Bank has a very basic banking model. We attract savings and we finance businesses and projects in the real economy that also have social and environmental values embedded in their business model. Fair Trade organisations are an example of this. We are not hit by the current crisis. On the contrary, we are getting a lot of new clients these days. We are very transparent; people know how their money is used and this is important for an increasing group of people.

As a banker, what do I see as the reasons for the current crisis? Let's first go back to the role of money. Money used to be lubricant of the real economy, a monetary unit or means of exchange to help ease transactions. But increasingly in the last decades people have tried to make money out of money by speculation and by creating complex financial products with the promise of a high return that nobody understood anymore. Products where no real value was created and risks were ignored.

What was hidden has now become clear to everybody. The balance between the financial world and the real economy has been completely lost. And, you know, that is a general rule in life; all systems are looking for balance and if it doesn't happen naturally, balance will be restored through a crisis and that is what we see happening today. What was the driving force behind this disturbance of balance between the financial world and the real economy? You could say it is the overvaluation of the factor capital. In a healthy economy there is a balance between the three production factors; labour (people), natural resources and capital. This balance is not there. Capital, currently, is grossly overvalued. It is all about maximising shareholder value. In communist systems we have seen that overvaluation of labour did not work, now we are seeing that overvaluation of capital does not work either.

This needs to change. We need a paradigm shift in the way we do business and I am optimistic that this current crisis may lead to that change…

Fair Trade is an example of this change. Fair Trade is based on partnerships. Partnerships in the value chain between small farmers in developing countries and consumers here in Europe. We are part of that value chain with our Triodos Sustainable Trade Fund. This financial partnership is one of the key partnerships in the fair trade model. It is crucial that co-operatives have access to seasonal finance to bridge the period of harvest until payment by their buyers. This is where Triodos Sustainable Trade Fund comes in. We can provide this type of finance because we also work with partners. We engage with development organisations like Hivos (the Humanist Institute for Development Cooperation) and ICCO (the International Cocoa Organisation) that are prepared to offer guarantees. And we have a special savings account at Triodos Bank where clients can save their money that is then used for either microfinance or fair trade finance. You are welcome to partner with us in increasing access to finance for fair trade producers and join this business model of the future!

POSITION PAPER

PARTNERSHIPS FOR DEVELOPMENT

Rob van Tulder, Rotterdam School of Management, Erasmus University

1. Introduction: a new development paradigm?

Since the beginning of the 21st century 'partnerships' have received increasing attention on the development agenda. Governments and NGOs seek alliances with firms to increase the effectiveness of their development efforts. Partnerships have been pioneered in infrastructure projects, millennium villages, the provision of health services and microcredits… the list of announcements is growing. The increasing involvement of firms in development partnerships is particularly noticeable, especially multinational enterprises seeking alliances with governments and NGOs, not only as part of their CSR strategies, but also as part of their internationalisation strategies towards 'emerging markets' (which previously often were denominated as 'developing countries') and the effective management of their global value chains. "Sustainable development" and 'sustainable business' increasingly seem to overlap. In essence, the partnership message is that not only governments through official development aid, but all relevant actors in society, can and need to contribute to solving development problems in collaboration. Partnering is considered less of luxury and more of a necessity to all actors involved. Austin (2000: 44) labelled partnerships as the "collaboration paradigm of the 21st century" needed to solve "increasingly complex challenges" that "exceed the capabilities of any single sector". The 2002 Monterrey Consensus of UN member states stipulated in particular the role of business in achieving development goals, and a 'global partnership for development' was introduced as the eighth Millennium Development Goal. Particularly since the 2002 World Summit on Sustainable Development in Johannesburg, concrete partnerships with business have received much attention, resulting in a large number of so-called "public-private partnerships" (PPPs). By the end of 2006, the UN secretariat registered more than 300 of these partnerships between corporations, governments and Non-Governmental Organisations (NGOs).

The notion of partnerships is starting to become a central part of official development policy in a number of frontrunner countries. Already in 1999, Germany allocated considerable amounts to public-private partnerships (Altenburg and Chahoud, 2003; BMZ, 2005). Denmark adopted a public-private partnership facility as part of its development policy ('partnership with a purpose'). In 2003, the Netherlands announced partnerships as a crucial component of its policy to reach the Millennium Development Goals (Ministry of Foreign Affairs, 2003). The Dutch government now supports some 50 partnerships – a number that is rapidly increasing following the 'Schokland Akkoord' in 2007 that added a wide variety of partnership initiatives in such areas as sustainable trade, the provision of condoms to women, certification for biomass, forest stewardship, economic independence for women, the health sector (cf. www.hetakkoordvanschokland.nl). Partnerships feed well into the increased desire of developing countries' governments for a constant dialogue with relevant stakeholders as well as the need for capacity building.

But what is the logic of these partnerships and to what extent do they really provide a novel approach to development? Is it a tool or an aim? What problems are partnerships supposed to solve and how effective are they? Can partnerships also provide an excuse for not doing enough? Is there a discrepancy between the ideals and the reality of partnerships? The actual knowledge on the nature, dynamism and effectiveness of development partnerships at the moment is rather limited, however, whilst the number of systematic partnership studies remains scant (Cf. Kolk et al., 2008; Van Tulder, Kostwinder, 2008; Rondinelli & London, 2003; Samii et al., 2002 ; Selsky & Parker, 2005; Warner & Sullivan, 2004), the phenomenon, however, is real and very promising according to most accounts. This interesting void in the knowledge of partnerships is the prime reason why the Max Havelaar lecture for 2008 is dedicated to the effectiveness of development partnerships with firms from a variety of perspectives: scientific, governmental, business and NGOs.

This position paper introduces a number of related dimensions of the present partnership discussion: the rationale for various types of partnerships (section 2), common problems (section 3), some first experiences of major companies, international organisations and NGOs with mutual partnerships (section 4), some first 'lessons learned' (section 5) and an evaluation framework (section 6). The paper concludes with a number of leading questions (section 7).

2. The rationale for development partnerships

The experience since the 1960s and 1970s in reaching sustainable development in particular in the Least Developed Countries (LDCs) has been extremely mixed. Partnerships can tackle three forms of 'failure' that have been attached to unilateral action by either western governments, companies or civil society in addressing the development challenge (cf. OECD, 2006; Van Tulder with Van der Zwart, 2006):

[1] Failures of government or governance are coupled with overly bureaucratic procedures, unaccountable governments and a concentration of political power with national counterparts. Western governments regularly did not deliver on what they promised, in their relative amounts of money dedicated to official development aid, as well as to more specific promises as regards debt reduction (cf. Hertz, 2007). This factor points at the limited power of governments to support development 'top down' (also sometimes referred to as the 'aid curse').

[2] Market Failure occurs in case of a concentration of wealth in a few, monopoly positions (information failure), credit rationing, the passing of costs (negative externalities of pollution or of big development projects) to others and a shortage in the production of public goods; as regards development problems, this factor points at the fact that in particular Multinational Enterprises can have positive, but also negative effects (crowding-out for instance) on local economies and that markets are not a panacea for development. The 'Silent Takeover' of the public space by corporations has advantages and disadvantages (Cf. Hertz, 2002).

[3] Civic or civil society failures occur when special interest groups or elites – either on the basis of religion or other 'club goods' – prevail in defining the 'common good'; as regards development, this factor is behind the often limited effectiveness of religious or other 'do-good' co-Financing Organisations (MFS) towards establishing development 'bottom up'.

Global firms increasingly acknowledge the rationale for development partnerships. Firstly, because they partly accept a (shared) responsibility for some of the most poignant development problems. Major firms feel an increasing need to define and redefine their position in society and their relationship with governments and civil society. Box 1 illustrates this with a number of statements of Fortune 100 companies from Asia, Europe and North America. Secondly, because corporations are aware that poverty and other development problems negatively affect their business and/or limit their market possibilities. The increasing attention for the 'bottom of the pyramid' (BOP) is a case in point (see also the first Max Havelaar lecture). Partnerships with NGOs in particular are becoming increasingly important for an effective BOP strategy. Finally, firms understand that the relative failure of other actors in developing countries limits their possibilities to grow, which stimulates them to become actively involved in partnerships.

Box 1: Development partnerships – some statements of Fortune 100 companies

"Our primary means of making a positive impact on poverty is through ***aligning our own operations*** *with local peoples' needs. (…) We can sell affordable products that enable people to improve their standard of living, including motor and heating fuels. (….) Energy is a major factor in lifting people out of poverty. (…)"*

British Petroleum (UK), Sustainability Report 2005

"General Motors recognises that economic growth and development can affect people and the environment, in both positive and negative fashion. However, economic growth, when managed effectively, can help improve living standards, reduce poverty, and develop environmental and health & safety programs. Such improvements ***demand close cooperation*** *among governmental, business, and nongovernmental organizations."*

General Motors (USA), Corporate Responsibility Report, 2005

*"****Good relations*** *across every level are vital to peace and stability in the transatlantic region and throughout the world, to win the fight against poverty, hunger, and terrorism, and to assure the universal benefits that can accompany successful globalization. (…)."*

DaimlerChrysler (Germany), 360 degrees sustainability facts

*“We not only participate in project and **partnerships** on a commercial basis, but also where the objectives are socially oriented such as poverty reduction and improving education.”*

ING Group (Netherlands), Corporate Responsibility Report, 2005

*“among the many issues being shaped by (today’s) changes is the issue of global poverty. Poverty should be a compelling moral issue, but it is also a powerfully important economic issue for all of us. (…) **The public and private sectors** each have a critical role to play in combatting poverty. The private sector’s contribution lies in building successful businesses that employ and train people, developing capital markets, paying taxes and promoting innovation. Citigroup takes its role in the effort to combat and overcome global poverty with great seriousness, and will increase its focus on this mission so vital to all people in the years ahead.”*

Citigroup (USA), Citizen Report, 2005

*“SGCC sincerely performs social responsibilities and actively participates in many social activities such as emergency rescue, providing help to those in poverty and those in difficulties. (…) SGCC **actively participates** in poverty alleviation projects initiated by Central Government Institutes and central governed State Owned Enterprises.”*

State Grid (China), CSR website, visited January 2007

*“The social and environmental issues outlined in Plan A are too large to be tackled by consumers, businesses and even governments alone. **Only partnerships** will help us address these challenges and that is why partnership is at the heart of Plan A. We have linked up with some key external partners to share knowledge, develop solutions and support causes linked to Plan A which our employees and customers care about.”*

Marks and Spencer (UK), company website, visited August 2008

For NGOs and governments, benefits are not only the direct support for the cause, but also more indirectly access to technical, management and/or marketing expertise, widening of networks, greater leverage and visibility, and career development and learning opportunities for current and future staff members and volunteers. Companies can, in turn, get access to NGOs and governments’ specialised know-how and networks in their area, learn about stakeholder engagement and interactions, improve their credibility, legitimacy and brand reputation, thus increasing awareness of, and attractiveness to, new and existing customers as well as employees (Elkington and Fennell, 1998; Kanter, 1999; Rondinelli and London, 2003; Yaziji, 2000). This applies in particular for those countries where corporate investment contains substantial risk.

Sustainable development to a large extent depends on the balance that can be established between the three societal spheres and the extent to which the various forms of ‘failure’ can be addressed. The notion of ‘partnerships’, therefore, can be seen as a process in which partners commit to long-term, structural interaction based on a shared analysis that every actor suffers from a number of failures, consequently a shared vision of sustainability and a shared ambition that all partners should play a role in its achievement. Partnerships do not only fill up the 'void' left by the failing societal actors, but also add a new dimension to the development effort, which has the potential to increase the effectiveness of each partner's effort.

Partnerships come in a variety of forms. They are sometimes dubbed 'cross-sector', 'PPPs', 'multi-stakeholder' partnerships and the like. The confusion of terms is illustrative for the present stage of partnership development. Three basic types of partnerships and consequently three different partnership rationales can be distinguished:

[1] Bipartite: Public-private partnerships address the inadequate (private and public) provision of public goods. This is also known as the 'policy rationale' for partnerships (cf. OECD, 2006, p. 19) or as the 'underinvestment' problem in which neither the state nor companies invest sufficiently. This problem has been particularly tangible in utility sectors (cf. Megginson and Netter, 2001).

[2] Bipartite: Private (for profit)/nonprofit partnerships address in particular the underinvestment in the 'social capital' of a country that results from the trade-off between the efficiency of the market and the equity orientation of civil society (cf. Putnam, 2000).

[3] Tripartite partnerships include all three actors: state, companies and civil society (nonprofit or NGOs). They aim in particular at the problems that result from the 'institutional void' that develops due to retreating governments and weak governance structures (Van Tulder with Van der Zwart, 2006).

3. Common Problems

Still, despite clear positive intentions, an obvious rationale and a number of widely published initiatives, the actual number of clearly successful development partnerships remains rather limited in comparison to the general development effort. There are at least four reasons for this. First, partnerships are still a relatively recent phenomenon. This implies that only limited evaluation studies have been executed and there is limited, generally accepted, knowledge existing on lessons learned and their effectiveness. Tripartite partnerships are even more recent than bi-partite partnerships. Secondly, the problems of goal-alignment between organisations from different societal backgrounds are considerable. Partnerships need to have both non-economic and economic objectives, aiming to share resources, knowledge and capabilities between the company and the non-profit partner (Berger et al., 2004). This contains substantial conflict of interests and makes it very difficult to manage the actual partnership. A partnership approach is more complex than prevalent development projects which involve one donor (either government or NGO) and clearly identifiable 'aid' recipients. The value added by a partnership is more difficult to prove (or disprove) than in the case of a simple project. An evaluation study in Germany for instance, where the government allocated 56.4 million euros in 1999 for 36 partnerships in seven different countries, turned out to be too complex for lack of clear and generalised criteria (Altenburg and Chahoud, 2003).

Thirdly, the dynamism of partnerships is very particular. For instance, free-rider behaviour is a recurring problem in alliances and partnerships – particularly relevant for public-private (for profit) partnerships (cf. OECD, 2006) – which can severely hamper its ultimate effectiveness and efficiency. Besides, partnerships might crowd out other forms of development assistance (Weyzig and Vander Stichele, 2004) and can form an excuse for doing less than otherwise required or needed. Partnerships increase the risk of 'putting the blame' on the partners in case of malperformance and contain considerable reputation risks for the participants. Partnerships involve some loss of autonomy for the participants, which needs to be offset by a gain in effectiveness in reaching development goals. This is not easy to establish. Fourthly, partnerships are very difficult to compare. Each partnership is different, with different partners, locations and objectives (Kolk et al. 2008). Partnerships often imply immense investments of each partner. Like in other major PPPs – primarily as regards infrastructure projects – around the world it proves very difficult to manage and monitor these projects. Even in developed countries with good governance structures, large infrastructure projects regularly run out of time, budget and commitment.

4. Exemplary Partnership Strategies

Most partnerships at the moment represent bipartite partnerships. This is illustrative of the rather experimental phase most partnerships are in. In most cases large and small international corporations are involved. Table 1 gives illustrations of leading development NGOs and international governmental organisation that have sought partnerships with large corporations. In general the organisations aim at increasing the effectiveness of their efforts, add managerial competencies, broaden the legitimacy base of their efforts, next to the traditional aim of getting sponsoring. Many NGOs have engaged in partnerships with large smaller credit institutions to pioneer micro-credits. A number of NGOs have allied with international retailers or labeling organisations to introduce 'fair trade' considerations in the supply chain. Others have allied with specific companies for specific projects (like water supply) in which the company brings additional technical and managerial knowledge. Nuon, for instance delivers solar energy to a number of the projects of Oxfam / Novib. ICCO, the Dutch development NGO, has aims at collaboration with international firms to upgrade the position of smaller firms in international commodity chains. The requirement for the partnership is that both partners share the aim to contribute to sustainable development.

Table 1 Exemplary NGO / State – Business Partnerships for Development

Organisation	Firms
Oxfam UK	American Express; Ben & Jerry's; Reed; The Times; Elle; United Utilities; Virgin Atlantic; Global Care; Wessex Water; Xerox; Yahoo!
Novib Oxfam (Netherlands)	Nuon; the Body Shop; Max Havelaar; ASN Bank; SNS Reaal sustainable pensions; Ordina
CARE USA	Cisco; Credit Suisse First Boston; Delta; Deutsche Post World Net USA; Rockport; Starbucks Coffee Co; The Timberland Company; W.P. Carey & Co; Weyerhaeuser Company
ICCO Netherlands	Vlisco; Bo Weevil; Oro Blanco and Kuyuchi; Agrofair; Passina-novo Amafrutas; Reef; AHOLD-ACDEP; Global Trading Anfani; Oiko credit; FSC; Fruiteq; Burgland Houtindustrie, VAR (waste disposal), Natura. FaiRSupport
Unicef	Euroflorist; KLM and Air France; Viteau Watercoolers; Djoser; Starwood Hotels
World Food Programme (WFP)	TNT; Benetton; the Boston Consultancy Group; Archer Daniels Midland (US)

For international governmental organisations, the partnership approach has provided additional funds for these often financially trailing organisations. It also resulted in the criticism that international organisations are ‘captured’ by commercial organisations, which might weaken their ability to deliver public goods and lower their legitimacy. For the corporations these ‘partnerships’ actually entail primarily sponsoring activities, which does not make them true partnerships. In some areas the alliance has added specific competencies to the organisation. The partnership between postal company TNT and the World Food Programme (WFP) is an interesting example. In this partnership TNT basically identified food shortages as a logistical problem – food is unequally distributed, not necessarily short in supply. Logistics represents TNT’s core business. The rationale for the partnership, therefore, was quickly drafted. Whether the partnership is more than a ‘sponsoring’ formula, however, critically depends on the degree to which TNT will be able to make the alliance really part of its core business. TNT comments that it does not intend to use the partnership to enter new markets in Africa for instance. If this is really the case, the sustainability of the partnership might be in danger as soon as the company runs into financial difficulties.

Vice-versa an increasing number of firms is actively seeking partnerships, not only for philanthropical reasons – which until recently have been a leading motivation – but for a large variety of business-related reasons as well. Table 2 gives exemplary evidence of the partnership approaches adopted by leading companies. The main focus of partnerships ranges from disaster relief – a relatively modest and ad-hoc form of partnership – to community development and sustainable agriculture – which are much more directly related to the core activities of corporations. It seems that European firms have embraced partnerships in a more proactive manner than leading American or Asian firms. The CEOs of European Multinationals tend to identify themselves more strongly with partnerships. Such an approach is strongly rooted in the European corporatist tradition in which societal actors see each other more as partners than as adversaries with conflicting interests. The more pro-active approach of European companies is relatively independent of the actual number of partnerships. American firms embrace partnerships more often and more reactively than leading Asian firms. This pattern corroborates with the general CSR strategies of these three varieties of capitalism, which is also supported by other studies (e.g. Muller and Whiteman (2008).

Table 2 Exemplary Corporate Partnership Approaches (2006/2007)

no.	Company	main focus of partnerships	partnership with...
1	**Exxon Mobil**	microfinance, health (malaria, measles), disaster relief	USAID, UNICEF, Kazakhstan Loan Fund, American Red Cross, U.N. Foundation, U.S. Centers for Disease Control, World Health Organization, Pakta Foundation
3	**Royal Dutch Shell**	community development	Niger Delta Development Commission (NDDC), USAID, International Institute for Tropical Agriculture, GLOBACOM
4	**BP**	microfinance	Save the Children, European Bank for Reconstruction and Development
6	**Chevron**	educational / training	USAID, Discovery Channel
13	**ING Group**	microfinance and financial sector development, education	United Nations Capital Development Fund (UNCDF), Oikocredit, Netherlands Financial Sector Development Exchange (NFX), UNICEF
14	**Citigroup**	microfinance, disaster relief	Working Women's Forum (Chennai), Association for Enterprise Opportunity (AEO), World Food Program (WFP), American Red Cross
26	**HSBC Holdings**	environmental-innovation oriented	universities of Newcastle upon Tyne and East Anglia, Earthwatch
28	**Aviva**	microfinance, water shortage	FORCE (local NGO in India), UN Environment Programme Finance Initiative, BTCV, Earthwatch, WWF, Business in the Community, International Business Leaders Forum (IBLF)
34	**BNP Paribas**	microfinance	ADIE (non-profit association specialised in microfinance)
41	**Nissan Motor**	disaster relief	Habitat for Humanity
50	**Verizon Comm.**	literacy	Save the Children U.S. and Fudeco (Save the Children - Dominican Republic)

Table 2 Exemplary Corporate Partnership Approaches (2006/2007) (cont.)

no.	Company	main focus of partnerships	partnership with...
53	**Nestlé**	sustainable agriculture, hunger, several partnerships in all MDGs…	WARMTH (War against Malnutrition, TB & HIV), Healthy Thai Children (a joint private-public effort with the Dept of Health and Ministry of Public Health), Turkish Education Volunteers Foundation + many more
57	**Credit Suisse**	disaster relief	Habitat for Humanity
59	**Tesco**	labour standards, disaster relief	Wine and Agricultural Ethical Trade Association (WIETA), British Red Cross
63	**Zurich Financial Services**	disaster relief	International Committee of the Red Cross
68	**Électricité de France**	community development	Care France, Fondation Nicolas Hulot, UNCPIE (Union nationale des centres permanents d'initiatives pour l'environnement)
71	**France Télécom**	education	Ministry for Education (Senegal, Jordan), UNICEF, USAID
75	**Deutsche Post**	disaster relief, health (medicine supply / distribution)	European Generic Association (EGA), the Business Humanitarian Forum (BHF) and the Deutsche Investitions- und Entwicklungsgesellschaft (DEG – the German Investment and Development Corporation), UNDP, OCHA, Red Cross and Red Crescent Societies
81	**Procter & Gamble**	drinking water	USAID, Johns Hopkins Bloomberg School of Public Health, CARE, and Population Services International (PSI), International Council of Nurses (ICN), UNICEF, Samaritan's Purse, World Vision, International Rescue Committee, CARE, Red Cross, and AmeriCares
82	**ABN AMRO Holding**	microfinance , financial sector development	Oxfam Novib, Netherlands Financial Sector Development Exchange ('NFX'), World Bank

Table 2 Exemplary Corporate Partnership Approaches (2006/2007) (cont.)

no.	Company	main focus of partnerships	partnership with...
96	**Suez**		Essor
493	**Marks and Spencer**	Health (breast cancer), recycling and packaging, business-community involvement, poverty, supply chain, environmental projects	Breakthrough, Closed Loop Recycling, Groundwork, Oxfam, Prostate Cancer Charity, Shelter, Woodland Trust, WWF

5. Critical Success Factors

The systematic evaluation of partnerships is only slowly developing (World Economic Forum, 2005; OECD, 2006; Hardcastle et al., 2006; ECSAD, 2006). The empirical basis on which the few studies that exist draw conclusions is still rather limited. Individual case studies abound, combined with often impressionistic and prescriptive statements based on the experience of individual consultants. The following tentative list of critical success factors for specific partnership projects can be accumulated from these studies (Table 3)

Table 3 Tentative list of Critical Success Factors for Development Partnerships

Partnership Design
Take time in particular during the start-up phase
Keep the momentum
Involve all primary stakeholders
Appropriate risk allocation and risk sharing
Thorough and realistic cost / benefit assessment
A results-oriented and appropriately detailed plan for achieving the goals and targets set up jointly for the partnership
A focus on important needs that can best be fulfilled through partnerships and that are recognised and accepted by all partners
A clear vision of the objectives residing over the partnership and to which all involved parties would be effectively committed
Flexibility is vital – there is no “one size fits all” approach

Table 3 Tentative list of Critical Success Factors for Development Partnerships (cont.)

Partnership Design (continued)	
	Project technical feasibility
	Technology transfer
	Multi-benefit objectives
Partner Commitments	
	Clarity of roles, responsibilities, goals and “ground rules”
	Commitment of core organisational competencies
	Sufficient and appropriate human and financial resources committed from all partners
	Application of the same professional rigour and discipline focused on achieving targets and deliverables that would be applied to governing, managing and evaluating other types of business alliances
Partner Relations	
	Respect for differences in approach, competence, timeframes and objectives of different partners
	Clear understanding of mutual benefits (win-win) to all involved parties
	Focus on achieving mutual benefit in a manner that enables the partners to meet their own objectives as well as common goals
	Good leadership
	Effective relationships and communication built on trust in the function of partnership and a shared commitment and ownership by all partners; this requires time and patience
	Shared authority between public and private sectors

Table 3 Tentative list of Critical Success Factors for Development Partnerships (cont.)

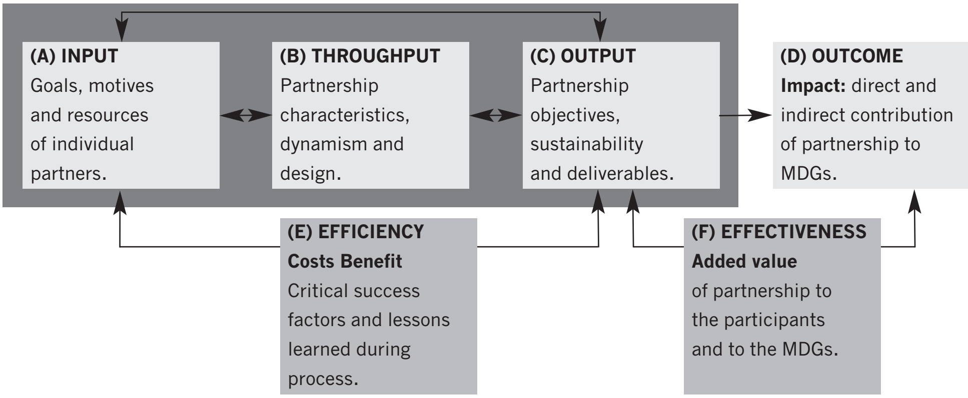
Measurement	
	Clear and enforceable lines of accountability
	Accurate and appropriate indicators to be used to evaluate and ensure a successful outcome and progress of the partnership
	Constant and effective monitoring, measuring and learning
External Factors	
	Political Support
	Sound economic policy
	Stable macro-economic environment
	Available financial market
	Favourable legal framework
	Government involvement by providing guarantees
	Understanding the needs of local partners and beneficiaries, with a focus on building their own capacity and capability rather than creating dependence

Sources: *World Economic Forum 2005; OECD, 2006; Hardcastle et al., 2006; ECSAD, 2006*

6. An Evaluation Framework

In practice, it proves difficult to draw general lessons from partnerships. Each partnership is different, with different partners, locations and objectives. Nevertheless, it can be observed that most partnerships go through largely similar stages, thus allowing for a comparable analysis of the various dimensions of the process. These might be labelled as (a) input; (b) throughput; (c) output; and (d) outcome. In addition, partnerships can be evaluated on (e) efficiency; and (f) effectiveness. Figure 1 gives an overview of these elements which need to be considered in furthering the theory and practice of development partnerships (cf. Caplan, 2003; Van Tulder, Kostwinder, 2007).

Figure 1 – An evaluation model for Development Partnerships



[A] The input of partnerships consists of the means that are necessary to carry out the process, which can be either of a material (money) or immaterial (knowledge) nature. Furthermore, individual partners have specific goals and motives for joining the partnership that are strongly influenced by their societal background (profit or nonprofit, public or private) and by their morality or virtues. As to the latter, an investigation of intent and what has been conceptualised in the literature as 'virtuousness' (e.g. Bright, 2006; Cameron et al., 2004) is worthwhile as well in relation to partnerships. This is all the more interesting when linked to the role played at times of internal organisational developments such as restructuring (Bright et al., 2006). At the more instrumental level, it may be important to understand to what extent the partners are already convinced of specific types of failure before commencing the partnership. When actors are well-aware of these failures, the basis for a partnerships becomes broader, the willingness to cooperate bigger and the chance of success higher. Questions include: Why do partners perceive the project as necessary and what is their expected return on the project? Did partners have any choice about engaging or not? Where do the 'roots' of the partnership come from? Do companies see partnerships as part of corporate social responsibility or do they frame this differently, for example mere business-driven?

[B] The actual dynamics, execution and implementation of a partnership could be designated as the *'throughput'*. This appears to depend on (1) the number and nature of participants, (2) the roles that can be adopted by the participants, (3) the arrangement and degree of internal dependencies chosen, which in turn is influenced by (4) the position of participants as primary or secondary stakeholder in the project (cf. Fransen and Kolk, 2007). Depending on their goals and motivations, partners can decide upon particular roles to be played in the partnership, which affect whether the partnership in question may, for example, extend from being project oriented to serving broader and multiple development goals.

[C] The activities undertaken by the partners result in project *output* such as goods and/or services, but possibly also in redefined goals for the partners due to the accumulated experiences in the project. A first output criterion is the extent to which the individual objectives of each participant have been achieved. Did the partnership fulfil the original objectives of the participants or not, or did it perhaps even add to them? Did the project adequately address the sources of 'failure' that were at the basis of the partnership? A second output criterion is the extent to which the project objectives have been achieved. Did the partnership result in concrete and tangible results? What are the 'benefits' for each of the participants in terms of, for example, profits, members, legitimacy, exposure, moral capital? Is there evidence of institutional change due to the partnership, for instance did the partnership result in codes of conduct, trade-marks or other new rules of engagement between the partners that might have an impact beyond the concrete project and thus fill the 'institutional void' that many countries and markets suffer from? Finally, the sustainability of the project is an important criterion. Did the partnership bring about sufficient goal-alignment to make it sustainable? What are the possibilities to scale-up the project? The sustainability of the project can also be dependent on the 'exit' possibility for certain participants. A project might not be sustainable if it remains dependent upon the continued financial support of governments or other partners. So another question might be has the period of engagement of each individual partner been enough to guarantee the sustainability of the project?

[D] The changes, benefits and results brought by the partnership on the wider society can be seen as the final and ultimate outcome of the partnership process. Often these goals are formulated as5relatively vague 'inspiration' for the project, but not so much specified. A serious evaluation, however, needs to make this impact as concrete as possible. For partnerships for development, this can best be assessed by their direct and indirect impact on the Millennium Development Goals. To this end, quantitative measurements, for which approaches have been developed recently (particularly NCDO, 2006), could be combined by assessments of external stakeholders and project participants.

[E] Partnerships for development also need to be evaluated in terms of their efficiency and effectiveness. This is the dimension that is most difficult to measure and therefore most-often ignored. With regard to *efficiency*, seen as the internal value added to the partnership, this may be assessed using a cost-benefit analysis. What were the total costs of the partnership, and what specific costs (transaction costs, operating costs) can be attributed to the partnership? For example, more complex negotiations with a large number of stakeholders incur initially more costs upon the participants, but can later on – in the case of successfully institutionalised relationships – lead to considerably lower operating costs. Weakly elaborated contracts between the cooperating parties can result in serious additional costs if the partnership becomes problematic. It can also be studied to what extent the overall goal of the partnership has become aligned with the individual goals of the partners for joining the partnership. What critical success factors for managing a partnership do the partners distinguish themselves and how well have they been able to cope with them and learn from it?

[F] The *effectiveness* of partnerships can be seen as the added value and the impact of the partnership compared to individual activities of the different partners. In other words, does the partnership provide additional ways of achieving the MDGs that would not have been possible otherwise? Were other objectives possible through the partnership? Were more resources allocated than otherwise possible? Did the partnership project trigger other activities of the participants that proved relevant for obtaining MDGs? Is an alternative partnering or non-partnering approach possible that would have brought about comparable results? To what extent is the present experience reproducible? What would have happened if the partnership project was not implemented?

Such an analytical framework, while preliminary, offers a range of elements that can induce further research and also reflections for managers and policymakers involved in partnerships for development. To shed more light on the actual effectiveness of partnerships, a detailed investigation over time in which assessments are made at the beginning, during and at the end of the partnership seems appropriate.

7. Conclusion: a world to be gained

There is a clear logic to partnerships in support of development in general and the Millennium Development Goals in specific. A booming number of partnerships between governments and private companies, between companies and NGOs and between the tripartite partnerships already exist for a large variety of goals. But are they effective? This question is difficult to answer, due to a lack of systematic and internationally comparative studies (Cf. Kolk et al, 2008). The reasons for this state of affairs have been explained in this paper and the components of an evaluation framework were shortly indicated. There is a huge amount to be gained both in theory and in practice.

The following areas for discussion by speakers in the Max Havelaar lecture can be proposed:
1. Are partnerships a necessary and/or a sufficient way forward to achieve the Millennium Development Goals?
2. What do you consider the most important preconditions for successful partnerships?
3. Which projects are more prone to partnerships than others?
4. Do you consider particular types of partnerships more effective than others?
5. Can goal-alignment between the profit and non-profit and between governmental and non-governmental organisations be achieved through these partnerships?
6. What should be done with operational risks of partnerships, such as the problem of free-riders or the risk of 'capture', in which the partnership is only geared towards the interests of one party – for instance the commercial partner)?
7. What would be your preferred research agenda on the future of partnerships for business schools?

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MAX HAVELAAR LECTURE

PARTNERSHIPS REQUIRE HOPE AND RESPONSIBILITY

Noreena Hertz

I have to begin with a confession to the programme organisers. Tonight I did something that I normally would not do when I was going to give a big speech like this – I set my alarm clock for five o'clock in the morning and started watching TV. I think there may be some others in the room who may have done the same thing! Who also, at six o'clock in the morning, watched a self-proclaimed skinny kid with a black Kenyan father and a white anthropologist mother win a landslide victory to become the first black President of the United States? *[ed: The Max Havelaar lecture was held the afternoon after the American elections]*. I listened to his acceptance speech, and as I listened to Barack Obama's inspiring speech and his message of hope and opportunity I also really took in his explicit acknowledgement that this historic victory would never have happened were it not for the many millions of Americans – white, black, Hispanic, native Americans, gay, not gay, disabled, able-bodied, male, female, old and young who stood for many, many hours outside the voting booths, the highest turnout in American history in recent times because they would not accept a continuity with the past. They had decided that they wanted a new direction for their country; they had decided that they themselves would be the agents for change. And as I listened to Obama's acceptance speech my mind turned to where I would be later this afternoon, in this hall, and my mind turned to you – the audience – and I started thinking about you, not in terms of the jobs you do (I know this is a very diverse audience; some of you are students here at RSM and elsewhere, and some of you come from business, some from NGOs, some from civil society) but I was not thinking about you in those terms, I was not thinking about you in terms of your intelligence, your intellectual capabilities, your smartness, your engagement with these sorts of issues but in terms of how each of you, individually and collectively, are able to change our world and our destiny. We are all Americans today.

Trajectories of choice

The trajectory that we are collectively on is not a predetermined one, not a constant one. It is a dynamic force that we ourselves can change and shape, and this world needs changing and needs re-shaping, because the current trajectory is neither fair, nor just, nor safe, nor secure. Although the gains from globalisation over the past few decades are great – and technological advances have been great: vaccines exist that did not exist before; medicines; immunisations; developments in telecommunications (over a billion people now have access to television, internet, and mobile telephony that they did not have before); over two billion people in China, India and elsewhere in Asia have seen their lives improved over the past few decades – the gains have not been adequately shared. In fact, the gap between the richest and the poorest is bigger than ever before in history. Vaccines exist, but millions of people do not have access to them. A billion people at the lowest end of society are experiencing not only economic stagnation but their lives are perceptibly worse. In fact, it is such a stark contrast that if I had to sum up the world of today I would say that it is a world of exclusion, a world of extremes, a world in which societal and environmental justice has become so de-coupled from the global economy that last year the 400 richest Americans were able to earn the combined income of 161 million people in sub-Saharan Africa – a world in which 30,000 children die every single day from poverty-related diseases. Just to put that in some sort of perspective: it is as if one day everyone in Boxtel died, and then the next day everyone in Bussum died and the next day everyone in Oldenzaal died, and the next day everyone in Sneek died and the world did nothing. A world in which we are destroying our environment, watching our ice caps melt, watching the sea levels rise (something surely of concern here in the Netherlands) and yet we are sleepwalking into our future.

I want to ask a question of you in this room: who in this room feels that their lives are better than the lives of their parents? *[many hands are raised]*; who in this room feels that the lives of their children are likely to be better than theirs? *[very few hands are raised]*. How depressing that is! And yet how exciting that we in this room have the opportunity to change that. Yes, we – you and I. Each of us in this room has a part to play in not only changing our individual future but our collective one. Partnerships for development are not just a concept that academics talk about in their ivory towers, or something that business and non-governmental organisations and government elites can do amongst themselves. We can all partner up to make this a better world whatever we do, wherever we work, whatever we study, whatever background we are from. As citizens, it means recognising that we have the moral authority and the right to make demands of our politicians and make sure that these demands are met – demands that they do not follow xenophobic, fearful voices of populism but seriously investigate the causes of domestic ills, often inequality, often poverty – something we are seeing here in Rotterdam with the lines of food banks rising over the last few weeks as the economic crisis starts to hurt here too. Demands that they do not replicate the short-termism that played such a role in the financial crisis with their political choices, but be as others today have said; willing to make decisions that may be unpopular in the short term but be for our long term collective gain. Demands that they use their power and influence to better not only our lives but also the lives of those thousands of miles away.

Cows and economic crises

I think you have a few cows here in the Netherlands – is that right? Well, just reflect upon this: every European Union cow continues to be subsidised for over 2 euros per day, while over a billion people live on less than that. It is a travesty that the world's poorest people cannot sell their products to our markets because of our protectionist policies and our trade barriers. We must demand that politicians (and there are politicians in this room) put the lives of billions of people before those of cows. In these bitter sweet times of global economic recession, but now global political hope, I think we need to add to these demands a new one – that our politicians remain steadfast in their pledges to help the world's poor, and the environment, and not in our names make the lives of those whose lives are already terribly hard, even more unbearable. Not renege on our pledges to the environment with the excuse that today they do not have the resources to meet these commitments. Governments that were able to find hundreds of millions of dollars overnight to bail out banks are able to meet development pledges. It is not a question of available resources, it is a question of political will – the money is there, we must influence how our politicians spend it. And we must make sure that our politicians understand that our tacit partnering with them, in the sense that our voting for them or not voting for them at elections, will depend not only upon how they treat those most successful amongst us, but also on how they treat those at home whose lives are a struggle, and those overseas too.

Now, I appreciate that some of you might find it a bit hard right now, given the current economic crisis, to get your heads round the urgency to be addressing matters overseas. You may be worried about your own job security, you may be worried about whether you will get a job in this climate, you may be worried about your own income flows, the rising cost of living, the safety of your own savings, so, why, at such a time, am I stressing our need to still focus on those overseas? Why did Barack Obama make sure he included in his acceptance speech a reference to people in far-flung corners of the world? Well, I cannot speak for Barack Obama and explain why he included that, but why I think we need to keep our focus international is really for two reasons. First, because, and I am very clear on this, it is just a matter of chance, random chance, that I was born into a middle-class family in London, and not born in a poor village in Africa or a favela in São Paolo. So why – just because of luck – should I be accorded a whole host of rights and privileges that are denied others elsewhere? Because of where they were born or the different colour of their skin. And the second reason is that it is not in our self interest to allow the current level of inequity, inequality and injustice to persist. In this inter-connected and inter-related world when bad things happen in one place the consequences are felt elsewhere too. We saw this, too, in the case of the financial crisis where the greed of Wall Street affected the banks in Iceland, and then harmed communities here in the Netherlands that had entrusted their savings to those banks. We saw how quickly, in the age of globalisation, bad things in one place can create a domino effect all over the world. So take a parallel with the financial crisis in the health realm, HIV Aids, or think about a parallel in the environmental realm, global warming. Problems elsewhere in a global world fast become our problems too – our collective problems. Immanuel Kant's words from over 200 years ago remain even more pertinent today: we stand unavoidably side by side. But it is also not in our self interest to allow desperate people to remain desperate and without hope. At the most extreme this is because they can provide a fertile breeding ground for extremists, for fanaticists; at the less extreme they can just be rightly angry and express outrage, outrage and outpouring that does have real consequences that could not be treated lightly, especially in the context in which we now live. A world of global media and satellite communications, a world which is increasingly transparent and where people in the poorest places now see how others live, see the rights others are accorded that they are denied. I will never forget Owens Wiwa, the brother of the late Nigerian activist Ken Sero Wiwa, who told me this story of what it was like growing up in Oboniland in Nigeria. He said: "And then we got television, and then we saw what other people had, and then we got angry." Never before have injustice and inequity been so conspicuous. Never before has the chasm between social justice and the global economy been so wide. Never before have the excluded been so aware of their plight and never before has there been so much that we can do. Of course, it is not only as citizens that we can effect change. As consumers we can actively seek out where and under what conditions the products we buy are made, and withdraw our custom if they do not meet requisite human rights and environmental standards. In such a way we can actively show solidarity with those in communities far away who make the products in this room – the bananas, the ice-cream, the tea and coffee we drink. If it is too hard to find enough out about the supply chain we can actively seek out products which are clearly labelled, like the Max Havelaar Freetrade label, so that we know how they are made. A whole range of products is now available to us: bananas, coffee, tea, chocolate, cocoa, ice-cream and many, many more. The size of this market is now 2.3 billion euros, 70 times what it was only 10 years ago. It is a hugely increasing market – people are voting with their wallets, actively choosing the products which they know have real environmental, ethical and social standards, and actively not choosing those that do not, in a really tangible way: effecting change, affecting the supply chain, directly partnering up with communities from which we buy. It is essential to really remember that this has a real impact on real people's lives, because as the economic crisis continues to deepen it is possible that the price of Fairtrade products will go up relative to comparable non-Fairtrade ones, and when we are in that shop making the decision whether to pay an extra 10 cents on a bar of Fairtrade chocolate versus a bar of non-Fairtrade chocolate I think we need to think very carefully about whether we want to be just fair weather friends – there for others in the good times – or do we want to be there to be counted upon in the bad times too?

Impact through work

There is, of course, another facet in our lives through which we can have an impact, and that is through our work. Here, most of you in this room have something at your disposal, or, for those of you who are in the job interviewing process right now, soon will have. You have big organisations, big companies at your disposal – something I do not have. I can come and give speeches, I can write articles, I can write books, but you have at your disposal, or soon will have, hundreds, thousands, tens of thousands of colleagues, suppliers, customers, purchasers for you if you put your collective skills together, your collective brainpower, your collective resources, your collective compassion, you can really make a difference in terms of making this a better world. Now, you may think this is beyond one's job description, that thinking about such global issues or solving domestic ills is really something one should do in one's free time, and not something that happens in the workplace. That may have been true five or 10 years ago, but today the business case for giving employees time off to volunteer, for creating and designing new products that are sustainable or that meet the needs of the poor, for developing ethical and environmentally-sound products, for front-running regulations is very clear. To understand this important point I just wanted to spend a couple of minutes laying out for you the social, economic and political environment today, an environment very different to the environment of 10 years ago. You see, once upon a time, politicians were people who everyone deferred to. People's concerns were really just on their own immediate environment and nothing more was expected of corporations than that they delivered good products at a fair price, and realised profits for their shareholders. Then things started to change. Trust in politicians started to fall. Membership of political parties fell. It was not that people were not interested in politics, and really from last night's (actually this morning's) result we see that they are interested in politics, it is just that they lost faith in governments' abilities to deal with the complex political and global issues that they saw around them. At the same time people were realising this, they started realising that corporations were becoming very powerful. They heard statistics like: of the top 100 economies in the world a third are corporations; they heard statistics like the sales of Wal-mart and General Motors were greater than the GDP of central and eastern Europe; they saw McDonalds in 118 countries. Also, at the same time as they were processing this information, they started trusting and believing in non-governmental organisations, pressure groups, campaign groups like NOVIB, like World Wildlife Fund, like Amnesty International, like Greenpeace in ways that they had not done before. In fact they started trusting them more than they trusted government, the media, business or any political party. This combination of perceiving companies to be so powerful, pressure groups to be so influential in setting the agenda, in setting the terms of the game, and this loss of faith in government meant that they started putting new demands on business, new demands that corporations deliver on human rights, on the environment, on ethics, demands that really had not been made before; creating a whole new context within which corporations now had to operate, which the smartest companies are adapting to.

We have already talked about the rise of the conscientious consumer, the people who vote with their pockets. In the introduction Rob van Tulder mentioned a project I was involved in the setting-up of – Product RED. I have a RED American Express card and a percentage of what I buy goes to the global fund for AIDS. There are now RED Gap products, RED Motorola phones, RED Hallmark Cards, a whole slew of RED products. It is a partnership, a way that people can go and buy a product and say: I now have an American Express card in order to distribute money directly to a cause I believe is just. In this world of increasingly homogenised products it is important for companies to try and create brands which have a sense of community, which can inspire loyalty, which seem to be more than just a product that can be easily tradeable. Smart companies, of course, realise it is not just among consumers where they can see new markets appearing, smart companies realise that this changing environment is not a problem, it is an opportunity, an opportunity to get more customers, it is an opportunity to get better employees and to retain the employees they already have; which makes sense, people do not leave their badges at home when they go to work, do they? I remember when I was advising BP I spoke to one of their senior executives and he told me what it was like going home at night when his company was in the news for alleged human rights abuses in Colombia. His son would ask him: dad, why are you working for this company? – and how bad it made him feel. People do not like working for bad companies and they actually positively like working for good ones, as all the research now shows. When TNT started its partnership with the World Food Programme – stopping its sponsorship with golf and motor sport, and instead transferring that money and resources to this new partnership, to food and food crises – employees' internal ratings of the company went up by 70 per cent. Rabo Bank's volunteer programme is really important to thousands of their employees. The smartest companies really recognise that in this world of today, and increasingly in the world of the future, it will be a world in which demands are made of companies that they play a role in making this a better world. And partnerships for development – the theme of today's conference – are a particularly smart way that companies can do this, a way that has the potential to bring new ideas, new methods, new brainpower and, critically, additional resources to the field of development, a field which desperately needs all of these. For the businesses involved it offers the potential for a better reputation as a result, for having better employees as a result, for increasing their licence to operate in the countries they manufacture and sell to and increasing their profits. At the same time making this a better world – a win, win, win, win, win solution.

Partnering for development

It is not that the business of business is no longer business, of course it still has that, but as society evolves, what is demanded of business and what will ensure greater profitability, evolves and changes too. This is why we see partnerships being embraced by smart companies; whether it is Pepsi's new partnership with the World Health Federation, getting together with them to tackle the contentious issue of stopping marketing to children; whether it is TNT's association with the World Food Programme, which is not just putting money into it but actually using their brainpower to help logistics to get food to crises in a quicker way; whether it is Rabo Bank's partnerships with local banks in developing countries, or the credit that they give farmers in Tanzania to help them with their working capital needs; whether it is Triodos Bank's partnerships in micro finance, but also in helping coffee suppliers to be able to sell their products in the developed world; whether it is Eureka Meyers' partnerships in the area of micro finance, allowing the poorest of the poor now to be able to get their goat or their their hut insured; whether it is partnerships like Marks & Spencer with the World Wildlife Fund, or partnerships like Tesco's (a few years back in the UK it had a very successful partnership with schools, where it helped them get computers into the schools, when the government was not doing anything about it). Partnerships not only sound good, they really have the potential for delivering business, ethics, environmental change in a meaningful way. Let us be very clear here, they have the potential to do so. The outcome will not necessarily be that rosy. There is a danger – and we should be aware of this – that some companies will use the cloak of partnership merely as a marketing slogan. When Exxon partnered up with some godforsaken organisation to create National Tree Awareness Week that is not the sort of partnership we are talking about. Some companies may use partnerships as a kind of Trojan horse, to enter new markets and exploit them ruthlessly. Some companies will probably treat their partners as subservient, not listen to them, ignore them, try and impose their own solutions from above. We have seen how dangerous that is in the world of development, mirroring the path of the World Bank or the IMF. There is a danger that some companies will partner with others when it suits them, but break their partnerships when it suits them, regardless of the impact it will have on the people on the ground. There is the danger that any pressure group or non-governmental organisation or campaign group that partners with business will lose its objectivity, will lose its ability to criticise that business if it needs to and in the process we will risk losing the information we need to make our purchasing decisions, and also our own advocacy. All of these are serious concerns, yet all can be addressed: in the design of the partnership, in choosing with whom to partner, in the monitoring of the partnership (whether through international forums, conventions, frameworks or us as individuals taking on that role), by the credibility we assign a partnership, and the negative publicity we make sure that a partnership has if it fails to meet its promises. Also in our demanding of NGOs that they have clear guidelines with whom they partner with and our insisting that governments do not see this new model of development as a way to let themselves off the hook, and not meet their pledges to development, just because some businesses – some smart businesses – are stepping up to the plate in the right way. Partnerships for development can be a real source for positive change, but there cannot be a single solution to the complexities of poverty, state failure, malnutrition, under-investment and so forth that make up the problems of development. There cannot ever be a single solution, a sole panacea, it would be naïve to say that there could, but, if managed correctly, if overseen with caveats, I believe that they really do have the potential to be transformative in the world of development, to an extent so potentially great that I think it is our imperative to encourage companies, non-governmental organisations, multi-lateral institutions like the United Nations, like the World Bank, like the IMF, governments to cast aside their outmoded stereotypes of the others and seriously investigate the possibilities and opportunities that could come from working together in a common cause. Partnerships for development must never be reduced to catchy slogans in a company's glossy CSR brochure, or a web link on a UN website. To be real, to be transformative, takes commitment, concessions, a real willingness to listen and contribute and, yes, recognition that long-term gains may come with a short-term cost.

Final reflections

We have covered so much in this speech already, and already with the other speakers' speeches: we discussed how we as citizens can use our power to partner, or not, with politicians to effect real change, as the American public did so resoundingly this morning, with their historic decision to break with the past and vote for Barack Obama; we discussed how, as companies, we can take active roles in development; we talked about the business case for putting social, environmental and human rights right within the core of a company's strategy; we have talked about how we as consumers, but also as investors, can vote with our wallets and effect change and in such a way partner directly the communities that need our help; we have talked about the huge potential that partnerships have in not only increasing a company's bottom line but also in effecting global change. We have covered so much in such a short time, and I am sure that the discussion that follows will continue that, but I think what would be good now, would be for each of us to reflect for a minute or so on the extent to which (if we do work for companies) we are acting smartly enough; whether our companies are realising that this is a very new world they are operating in, and taking advantage of it and understanding the business case. I want us to think as individuals, whether we are thinking creatively enough about the roles we each can play in making this a better world. I want us to think about whether as consumers we enter a supermarket or a shopping mall and think enough about the impact of our purchasing decisions. I want us all to think about whether in our own jobs, our own roles (whether we are studying, whether we are at university, whether we are in the workplace, whatever position we have) in our personal or professional life we are taking these issues seriously enough. About whether we are thinking enough about the role that we can play in making this a better world. About the legacy that we can leave. For never before have injustice, inequity and environmental degradation been so obvious, and never before has there been so much that we can do. I would understand if some of you were sceptical, but do not confuse my ambition for us with a Utopian vision. History is not an army on a forward march; sometimes all it takes is one person to change its course; sometimes it takes the voices of hundreds; sometimes it may take thousands, but what these all have in common is that they begin in the imagination, they begin in hope. To hope is to gamble, it is to bet on the future we want, not the present we have inherited. But hope is not a lottery ticket that we can just sit on the sofa and clutch, hope is an axe that we have to use to break down walls of injustice and barriers to a fairer world. Hope just means that another world might be possible. It is not promised, it is not guaranteed. Hope is a call for action for each of us to take responsibility for the kind of world in which we want to live, for each of us to take responsibility for forging through a new narrative in the knowledge that if we do we can create a new global order in which the gains are not hoarded and the spoils are shared, that if we do it together we can change the course of history.

FURTHER THOUGHTS

THE CO-OPERATIVE FUTURE OF CAPITALISM

Noreena Hertz

There are some who say that this current global financial recession, this recession / depression that is being felt in London and New York, in Shanghai and Amsterdam, will not impact upon the nature of capitalism. That we have been here before – faced and navigated our way through economic downturns – and that capitalism emerged unscathed. And that five years from now, well capitalism will basically look like it did six months ago.

I understand this caution about predicting anything new, a reluctance to call the past era 'capitalism's demise'. But I do not agree with it. I believe the conditions are in place for a markedly different economic model to emerge from the carnage this economic crisis has wrought.

For I do not believe that what we are seeing today is just a variant of the Russian crisis, the dot com crisis, the Japanese crisis, crises that happened and had consequences but did not impact upon ideology or the fundamental trajectory of political and economic policy. This first full crisis of globalisation, this first collective lose-lose, this first blue and white and multicolour-collared recession is *so* profound, is going to negatively affect so many people all over the world, is so obviously a manifestation of what happens when private institutions are allowed to put their profits before all else, and is so obviously linked to the flawed ideological doctrine of the past 30 years, that I believe it has a good chance of catalysing a radical change of capitalism, catalysing a radical change of the relationships between government, business, and society. And this, I will argue, is an opportunity we must grab.

The problem with Gucci Capitalism

I have named the past era of capitalism 'Gucci Capitalism'. Gucci Capitalism was an ideology born in the mid-1980s, the love child of Ronald Reagan and Margaret Thatcher with Milton Friedman its fairy godfather and Bernard Madoff its poster boy. An era whose fundamental assumptions were markets should be left to self regulate, governments should *laissez faire*, and human beings are nothing more than rational utility maximisers.

It was an era that increasingly tilted the balance of power between corporations and society firmly in businesses' favour – partly because corporations had got so big. Before the crisis a third of the 100 largest economies in the world were corporations, partly because there was an increasingly accepted narrative that proclaimed that business was good and government bad, and partly because the cosy network of typically white, older men who rotated between roles in government, business, and regulators were more likely to play golf together than hold each other to account.

It was a period that promoted an almost religious belief in the market's ability to not only be a distributive mechanism but a deliverer of equity, justice and even freedom, despite the mounting evidence that in reality that wasn't actually happening and that in the very countries that adopted Gucci Capitalism most wholeheartedly, a gaping chasm was emerging between the economy and social justice. Under Gucci Capitalism, British bankers took home salaries as much as 100 times that of an ordinary worker. In the US, Hedge Fund mangers could earn over a billion dollars. All this while in both countries social mobility did not improve in 30 years.

It was a time in which not only society was ravaged, but the environment too. Over the past three decades we witnessed more storms, more torrential rain; more heat waves than ever before – weather changes that have already caused huge loss of life, forced migration, generated famines and resource wars and if left unchecked will cause much more of the same and on an even greater scale.

Yet in the era of Gucci Capitalism, thanks to the corporate lobby and with the Bush Administration at its helm, it took until last year for there finally to be mass admission that climate change was even happening and that man and industry were responsible for it.

It was a period in which Gordon Gekko's "Greed is good" mantra from the late 80's movie 'Wall Street' remained the motto for the next two decades. Risk was promoted by politicians and lauded by society, but responsibility was not accordingly aligned. It was an era in which success increasingly became something that was only measurable with money, and in which it became more shameful not to have the latest pair of Nike sneakers or Gucci handbag than to be in debt. In the United States the average number of credit cards per person is nine.

No wonder in an era with this as its underlying ethos, regulators were too weak, bankers too powerful, checks and balances were not in place. No wonder in this era, the narrative that to be successful one had to have a bigger house, the newest line of the most fashionable brand, was actively fed by bankers, mortgage brokers, credit card companies, and advertisers alike. And no wonder with this the driving force in society, it wasn't a matter of *if*, it was a matter of *when*, the whole pack of cards would come tumbling down.

Once it did, the hollowness of its firmaments, its lack of foundations, were revealed for us all to see. Gucci Capitalism was as lacking in real values, as focused on meaningless consumption, as intent on making business the most dominant force in society, as superficial as its name suggests. No wonder it is now under attack from the left and the right with one of its most prominent cheerleaders, Alan Greenspan, now claiming to have been blinded by its ideology.

But attacks and bouts of self-awareness can be short lived. Is there enough evidence to point to the emergence of a significantly different alternative economic model?

From Gucci to Co-op

I believe there is, that the conditions are in place for a new form of capitalism to rise from the debris of the past – Co-op Capitalism, with values of cooperation, collaboration, and collective interest at its core.

There are five key reasons why I believe this is so.

First, the public are angry and the media is on their side. While initially this public anger was directed towards bankers, at their pay, at their bonuses, at their irresponsibility and 'devil may care' attitude, I believe that this anger will soon be directed at big business more generally: at companies who pay their executives millions while laying workers off. At companies who are still recording significant profits and yet are unwilling to share any of that bounty with those of their customers who are finding life tough. At investors who take over companies with little of their own monies, by pledging the companies' own pension funds, and then walk away with impunity. We are already seeing a rise in public protest in the form of demonstrations and web based campaigns and boycotts. Anticipate more of this in coming months unless political and business leaders make it explicit that they are on the public's side.

The naïve assumption of Gucci Capitalism that businesses were inherently good, or that in some way there was a necessary correlation between profitability and what was good for society, has been revealed to be overly simplistic. It was not just a coincidence that alongside "The Wealth of Nations" Adam Smith wrote "The Theory of Moral Sentiments". Even he, the founder of free market economics, understood its limitations and the need for a "night watchman" to stand guard over it. Co-op Capitalism will make this recognition explicit.

The second reason why a new model of economics looks likely to emerge is because a new mandate for government to intervene is now present that simply was absent over the past three decades. In a recent survey conducted in the United States, the most traditionally hostile environment to government intervention, over half of those surveyed now say that the free market should not be allowed to function independently. This is a seismic shift. Again, it is banks that are the first to see the impact of this with interventions ranging from nationalisations to the capping of executive salaries. Although I don't predict such wholesale micromanagement by government of the private sector as a whole – nor would I condone it – I would warn any company that could be perceived to be acting against the public good that it now risks standing in the line of fire.

Obvious industries to be targeted first are the fast food industry and big pharmaceutical companies. With health costs soaring, and governments needing to rein in expenditure, I predict more pressure on fast food companies to take responsibility for the obesity crisis, and on pharmaceutical companies to deliver affordable medicines.

Under Gucci Capitalism, mandating corporations to do things for a greater public good was rare. Under Co-op capitalism, mandates rather than voluntary measures will increasingly be the norm. No wonder some of the smartest companies are pre-empting this and swiftly pledging to make necessary changes unbidden.

The third reason why the time is now ripe for a new form of capitalism is because the downside of globalisation has finally been exposed. Just how quickly the financial crisis infected country after country – Taiwan is now expecting a fall in GDP of 11 per cent – shows us all too clearly how in an interconnected world we stand or fall together.

Under Gucci Capitalism, I felt it always quite likely that the chances of collective fall were higher than collective ascent. That was because the only body that was protected in the international arena was business. The World Trade Organisation made sure that companies could sell their goods all over the globe, and there were real rules and regulations, and courts and fines to be paid if trade barriers were suddenly set up to prevent this.

While the rights of global business were well catered for under Gucci Capitalism, no comparable mechanisms were set up to address the global problems that businesses were culpable for: climate change, infringements of labour and human rights or health and safety requirements, or the negative consequences of relocating business in terms of job losses and ghost towns. Instead these were dealt with, if at all, by a patchwork of all too many and all too weak separate bills and bodies that lacked teeth, clout and resources.

Discussions are already underway with regards to the creation of a global financial regulatory system. The financial crisis has revealed the limitations of trying to regulate a global industry nationally. But this is just the beginning. If Co-op Capitalism is capitalism's next incarnation, expect the establishment of new WTO-type global institutions or the integration of new toothsome global rules into existing institutions, this time with a mission to address the myriad of *problems* that are generated by business and affect the general public both domestically and overseas.

The fourth reason why we are heading towards a new era of capitalism is because a new configuration of geopolitical forces is emerging as a result of the rise of China, Brazil and India and the emergence of the G20, a new credible and cohesive body that is powerful, demands to be heard, and has limited if any allegiance at all to Gucci Capitalism. I anticipate a period of horse trading in which voice gets traded for co-operation, with measures such as limitations on CO_2 emissions being given up in exchange for greater power within such institutions as the World Bank and IMF.

But it's not just that this new power bloc is likely to directly challenge the intellectual hegemony of Gucci Capitalism. Combine this with a new US administration, which already, pre-crisis, talked about spreading the wealth, and is committed to a multilateral ideal, and the fact that Continental Europe having been hit particularly hard by the global recession, has a strong incentive to distance itself from an ideology that it did not spawn and never sat that well with its inherent communitarian values, and we have all the ingredients in place for a significant ideological shift.

Fifth and finally, it is not just at an intergovernmental level that we see the signs of more co-operation. The assumption of Gucci Capitalism that we as individuals were selfish, super-individualistic beings who only cared about maximising our wealth, salaries, and resources is proving to be more an expediency and a failing of mainstream economists than an accurate depiction of mankind.

Hope for a new era

While it is true that over the past two decades there has been a perceptible pressure to keep up with the Joneses, and a growing obsession with material worth, this may be more a case of nurture than nature. Anthropological studies show that societies that have less, share more. Whilst recent work in behavioural economics has confirmed that benevolence is not alien to human nature, so whilst it may have been true that under Gucci Capitalism there was a tendency to bowl alone, it might just not be the case that we are essentially individualistic.

More likely is that we are entering an age of pulling together, as was the case during the Great Depression and the Blitz, and that this will be one of this era's key defining characteristics.

It's early days to show mass manifestation of this, but there are a few things we can point to: the meteoric rise of the global "free cycle" movement whose members give stuff away for free rather than sell their goods on eBay; the rise in Japan of the notion of job sharing – where rather than sacking swathes of employees, employees are choosing to work less hours so as to soften the collective blow; or the fact that 800,000 baby caps were knitted by Britons for babies in developing countries, not before but since the financial crisis began.

All are manifestations of a new era of capitalism in which cooperation, sharing and collective interest rule.

But history is not an army on a forward march. And I believe that we are now at a most critical juncture – a dangerous one even, when leaders in business, in government, in society have a choice to make; to embrace the Co-op agenda, with its calls for multilateralism, and global institutions to protect our environment and our citizens. It is an agenda that has a renewed idea of government as an institution whose primary allegiance is to humanity as a whole, however rich or able, and a renewed idea of business as a force for innovation and improving the state of the world – one that needs reining in where the pursuit of profits conflict with society's interests, and helping out when the short term finances for innovating for our future are not there.

Or instead, to choose a very different path, the path of naked self interest, the path of dog-eat-dog, epitomised by the traders in the City of London at a local level, or internationally by the decision of nations in the 1930s to, instead of coming together during the Great Depression, to beggar their neighbours and ultimately themselves. A path, which all those leaders currently calling for economic protectionism should be clear about the consequences of. For if China sees its imports banned, it will be less likely to agree to concerted CO_2 emissions reductions. If the UK attempts to only give jobs to British workers, its already-haemorrhaging manufacturing base may find itself with nowhere to export to. This is a path that treads a thin line, as history should remind us, between economic nationalism and xenophobia. This is a critical juncture, a dangerous one, because the stakes are so high and there's all to fight for.

My hope is that our leaders have sufficient vision, and we the public have sufficient ambition, to turn the wreckage before us into an opportunity to join forces to push for a more supervised, more equitable, economic system. One that tends to fair rules, social justice and sustainability and reconnects the economy with what is right and just. That we chose to pull together, not apart, to co-create a better future, and really mean it when we say yes "we" can, and put the emphasis on the "we" when that is what we say. That we choose the open source version of capitalism, the multiplayer version in which one only wins when *all* parties work together in pursuit of a common good. That we choose to shop, not at Gucci, but at the Co-op.

THE CORPORATE PERSPECTIVE

Giles Bolton, Head of Ethical Trading Policy at Tesco (UK)

It is a great pleasure to be here, and very nice to be invited. Noreena has already mentioned the election last night and as I was coming here, I was thinking I was probably going to be one of the only people in the room not so chuffed about Obama winning. Because most of you will have been up half the night, as Noreena has, and you are probably all quite exhausted. And on top of that she is a very good speaker, and I have to follow her. So bear with me, please try and stay awake! My answer is that I am going to try and be quite quick.

Rob has said some brief things about me, I'll try and add a bit of colour. I came out of university and I really wanted to work in aid. I saw myself driving into beautiful red earth villages, solving problems and singing songs with the locals under a gorgeous sunset. Then, quite apart from realising this was a bit patronising, I became a classically disillusioned aid worker. And now I find myself in a grey concrete room on a very grey Rotterdam day – I mean no offence…

I think that some of the powers we have as voters and consumers are in many ways similar to the ways Noreena has just set out. I think we have tremendous power and, in the course of trying to write an accessible book about why aid and trade rules and globalisation do not seem to be working better for the poorest communities, I became particularly interested in the power that consumers have – and that responsible retailers can have alongside them – which is how I came to be at Tesco.

So that is the bit about me, I will now tell you the more interesting stuff about the company I work for. A bit about Tesco, the basic facts.

- It is the world's third largest retailer after Wal-mart and Carrefour, and the largest retailer in the UK.
- We have more than 30 million weekly customers worldwide.
- We have a good reputation to protect: in the UK we have been recognised as the Most Admired company for several years[1].

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1) Management Today

- There are 3,600 stores across 13 different countries and we now have operations in China, India and the U.S. as well as the other countries – we are in the world's largest economies, in other words.
- Last year our group sales went over 50 billion pounds sterling which is a big moment for Tesco. This is about 70 billion euros, I would guess.

I am going to talk about partnerships for development and what makes them really work for a commercial company. I am going to speak on three themes. First of all, the importance of common ground; we might call it commercial sense. Second, the importance of customers, and I say that particularly as working for a retailer who, as you saw, has over 30 million customers each week. We have our customers making tens or hundreds of choices every week with us, so customers are particularly important for retail companies. And third, the importance of what we do in our core business.

Common ground

So, first of all, common ground – or commercial business sense. For commercial partnerships to work there must be genuine common ground and common interest between the different partners. PR lip service initiatives will end up changing little, but more than that they make the customer and the shareholder suspicious. Noreena gave some useful examples of the stuff which is lip service – I could not possibly comment.

What common ground are companies like Tesco interested in? Partnerships must fundamentally make business sense if they are to be effective and if they are to be lasting. But it is really useful to try and unpack business sense – because it does not only mean immediate profit. I will try to pull out four things that it can mean, that are not immediately associated with profit.

- The first one is choice – and I hope that you will be pleased, Coen, that there is a Fairtrade logo on one of the pictures I have used. Choice is very important. Our customers come to us because they think they can get what they want when they come and shop with us. Providing people with a choice is therefore vital for us.
- Second, we have a real interest in ensuring we have a stable supply base for the long term. If you only have short-term relationships, you do not necessarily have that stability to serve your long-term interests as a company. More than 1,500 of our suppliers have been with us for more than five years. Incidentially, this stability can also link back to providing the choice customers want. The picture here on the screen above me is of our Localchoice milk: customers told us they wanted us to work more with local farmers in the UK, so we did it. And it means both good sales and a supply base still there for the future.
- The third issue on common ground is a simple one of reputation, and I have always really, really liked the following quote because it shows you how bad reputation can get – which can be a strongly motivating factor for companies. This is what the Nike CEO said in 1998 after, you will probably recall, a lot of scandals about sweatshop conditions, mostly in Asia: "The Nike product has become synonymous with slave wages, forced overtime and arbitrary abuse". That is not good for any company's bottom line.
- The fourth common ground is our shared interest in addressing things that we are all affected by. The Sustainable Consumption Institute is something that we have started up with the University of Manchester. Tesco has invested 25 million pounds sterling – so that's 35-40 million euros – over five years to fund this new Institute. It reflects a belief that the problems of climate change on the environment are so large and critical for us all, that whether you are a company or an individual we all have an interest in understanding this issue better. Particularly relevant for us is what actions can help drive truly sustainable consumption.

So, these four ways illustrate the important common ground and commercial business sense that exists for companies in trying to look for partnerships that are not simply about immediate profit.

Customers

The second theme I want to talk about is the importance of customers. For retailers in particular the best impacts, the most powerful impacts, are achieved when customers can be mobilised alongside our own efforts. This is not about retailers not taking their own responsibility, but this is about maximising the impact we can have. Partnerships benefit, in particular, when there are very direct links between product and cause. We know this from the feedback we get from our customers.

Here are some of the recent partnerships we have carried out in the development sphere: we supported Pampers, the biggest supplier of nappies in the UK, to run an initiative with UNICEF during which every pack of nappies customers bought meant one immunisation: so it was one pack, one immunisation for a child in the developing world. Customers really responded very highly to that and, interestingly, market research showed that it really improved perceptions of Pampers as a brand. We also worked this year with Save the Children on school uniforms, and I am are pleased to note that the textile industry in East Africa is growing up, and we are having some school uniforms made in Kenya for our UK stores. For each uniform that our customers buy, they will also be providing a school uniform for a child in Kenya. Again, it is a strong tangible tie-up for customers.

Partnerships can also be a bit broader. I do not know how many of you have heard of Cath Kidston, a British textile designer, but we have partnered with her and with our charity of the year this year – which is Marie Curie, a cancer care charity – to make reusable bags. The customer gets a reusable bag, good for the environment, and some of that money goes towards supporting our charity of the year. We have had a huge response, selling around 500,000 of these bags since June that has raised 250,000 pounds sterling so far for the charity.

The key point here, which I mentioned earlier, is about how much we can achieve when we work with customers. For example, on plastic bags, many people's greatest environmental concern, we were the first people to move to reward customers for using fewer bags. Since June 2006, that has saved more than two billion bags, and we are well on the way to three billion. That is the huge impact which customers can have working with us and we can have working with customers.

There is another, even stronger set of examples, however, that gives an idea of how much can be achieved if you empower customers – what Tesco Chief Executive Sir Terry Leahy calls 'a revolution in green consumption'. Tesco is the leading supermarket in the UK on green climate change initiatives. We have done an awful lot in our stores, in our supply chain and in our distribution systems, and in 2007 all those initiatives combined saved 66,000 tonnes of CO_2 (which equals the emissions of over 11,000 houses), but also last year we reduced the price of energy-efficient light bulbs and we quadrupled sales. We sold 10 million of them as part of a "we're in this together" climate change campaign coordinated by a climate group which is a combination of different organisations. If those 10 million light bulbs are used on average for two hours a day, then they have saved 100,000 tonnes of CO_2, equal to the emissions of 35,000 cars or 17,000 houses. So you can achieve much more when you find ways, as a responsible company, of working with customers as well as being the responsible retailer that they want.

Core business

I have talked about common ground, I have talked about the power of working with customers on particular initiatives, but the most powerful impact which companies like Tesco can have on development is actually in the third and last of the things I am going to talk about today – and that is our core business. Partnerships are powerful, but our most important partnership is with our customers on our day-to-day trade.

Why do I say that? I am really interested to hear about the MDGs later today, and what I always find fascinating about the Millennium Development Goals is how the number one goal – which is halving the proportion of the world's people in poverty – is hopefully going to be met. As a former aid worker I can categorically assure you it is not really to do with aid programmes. It is because of China's progress and, to a certain extent, the progress of other countries in Asia, such as India. And it is being done through trade.

More than 300 million people pulled themselves out of poverty in China in the last 25 years, largely through export trade. It is an extraordinary power, it is a transformative power for development and it is something which is then facilitated by the everyday business of trading, by companies in America and Europe in particular, which has enabled that to happen. I am not saying we should take the credit for it but I actually think it is an incredible privilege to be involved in something that has had that impact – an impact that you have had, that we have all had. Through our custom we have helped provide that opportunity for people to pull themselves out of poverty.

It does not mean, however, that we are not responsible for thinking about the way trade happens, because the question must surely be: how do we maximise the benefits of our trade? That is what customers are interested in. They tell us what they want: they want to be sure that the things they buy are having a positive impact overseas.

Here are four questions that I think help shed light on whether companies and big corporations, are serious about trying to maximise that development.

Question one: are we measuring the impacts different ways of working can have on development and on poor people? As an example, we source a lot of textiles from a lot of companies from India and from Bangladesh, and we have been carrying out work there on the parts of the supply chain which go to home-workers, to try and figure out exactly what the impact of different ways of working with home-workers, different ways of sourcing from home-workers, can have on their lives – because it is what our customers would want us to do.

Question two: are we taking a long-term view for our business, that understands that stable supplier relationships and workforces are good business sense, not short-term ins and outs – short-term buying? In Tesco, we are working to develop stronger, longer, larger relationships with developing country suppliers, that share our values, because in the long term that is good news for our business.

Question three: what are we doing specifically on the issue of labour standards – by this I mean wages, health and safety, working hours and so on – to ensure that jobs, which are generally a good thing in developing countries, are also good jobs? We are looking at ways of strengthening our programme for labour standards. We are, for example, doing more audits, in our case independent audits, and unannounced audits of our suppliers to make sure we are clear about working conditions. We are putting new resources into strengthening support to suppliers. We are working in South Africa for example with NGOs, unions and farmers to find a new way of strengthening a South Africa-specific code for labour standards.

Question four – and this is very, very important if businesses are to maximise the potential impact they can have – what are we doing together as an industry? Because we can, even for a large company such as Tesco, achieve much, much more when we work together as an industry to address common problems. In this area there are several initiatives which have started up in the last 10 years or so. There is the Ethical Trading Initiative in the UK, of which we are a founder member, which seeks to drive a common standard. There is something called the Supplier Ethical Data Exchange, an IT-lead initiative, which means that suppliers can put their ethical audits onto a single database to which companies can share access, so suppliers do not have to have 10 different audits from 10 different companies. They can share and be more efficient and we can build credibility behind the same set of standards. There is something new starting up called the Global Social Compliance Programme which we are helping to drive, and which we chair, which has Wal-mart and Carrefour on board, among others. It is trying to develop common standards, so we can all work for the same aims.

Concluding thought

I am going to leave you with two things that I think are incredibly important to remember, and not to lose sight of.

The first is: remember that trade is, and has always been, the great motor for international development. Fairtrade is one of the answers, I think it is an important part of the answer. But it is not the only answer.

The second point: it is encumbent upon us to think about how we maximise the effectiveness of more conventional terms of trade, not least for ensuring that workers are treated decently throughout the world. We must drive that great motor of development to maximise its effectiveness.

THE CIVIL SOCIETY PERSPECTIVE

Johan van de Gronden, CEO of World Wide Fund for Nature (WWF) Netherlands

I'd like to invite you on a little journey over the planet. First, I'd like to say a few things on the fair trade organisation, and then look at the health of the planet. With all the brainpower combined in this room, we should be able to diagnose the health of the plant in a couple of minutes. Then I'll ask the teasing question: 'Do we do enough? Do we respond at scale?'
First of all: congratulations to the Max Havelaar Foundation. They've done a great thing, they've proven the business case: you can do business in a different way. You don't have to do business at the expense of nature's resources. You don't have to do business at the expense of others who have less to spend than you have. You can actually do business in a fair and decent way, you can grow your market to more than two billion dollars, you can do well and you can build your brand. So congratulations with what you have achieved over the past 20 years.
Now let's diagnose the planet's health. WWF released its 2008 Living Planet Report last week in many languages, also in Dutch. We actually looked at some of the Dutch import-figures. Holland is a small country. We have been a trading nation ever since the 17th century. Being a small yet densely populated country, we do of course we need to rely on nature's resources outside our country to sustain our economy and lifestyles. We can't be autonomous in that sense. We need about four times the bio-capacity of the Netherlands to sustain our lives. This won't be news to you.

Another calculation: hypothetically, if all people on the planet live their lives consuming the way we do, using energy as the Dutch do, which is 97 per cent fossil fuel dependent by the way, we would need two planets. So one way or another, we are living beyond our means.
There are two main graphs in the Living Planet Report. One goes up, the other comes down. The one that's going up, significantly so, is humanity's ecological footprint. The footprint expresses the natural resources we need: arable land, building space, sea and fresh water, to sustain our lives. It's, in short, what we draw from the regenerative capacity of the earth, or the biosphere, every year. The biosphere of course is dynamic. Ecosystems are living, they can – to a certain extent – be restored. Somewhere

in the 80s however, we broke through the sustainability barrier, drawing more from nature's resources than the planet could regenerate. Today our ecological debt has hit 30 per cent.
And what about biodiversity? In my lifetime, on average, we've seen populations of indicative species in tropical regions being halved. The world average biodiversity loss stands at 30 per cent over the past 35 years. Shocking figures. To drive the message home in a graphic way, we displayed 1,600 pandas on Museum Square in Amsterdam at the presentation of our Living Planet Report 2008, indicating the estimated number of giant pandas still living in the wild. The fate of the panda, our icon and logo, symbolises in many ways the declining health of our planet.

Do we respond at scale? I just congratulated the Max Havelaar Foundation and I meant it. But they now command three per cent of the market in the Netherlands… It took them 20 years… It made me think of Sigmund Freud, who coined the phrase 'repressive tolerance', hinting at marginal phenomena we allow to clear from our conscience, while the mainstream remains unaffected.

So what does this mean? If you have enjoyed a good education, a double income, and you choose to live a responsible life, you may buy niche products in the supermarket. And the owner of the supermarket may feel a responsible entrepreneur because he offers "OK Bananas" as a sustainable alternative next to the other produce. The point is, do we affect the core business of the retailer in a meaningful way? We'll have to, if we want to turn our ecological debt around.

Let me share with you two examples of WWF, because we are facing exactly the same challenge as the Fair Trade organisation does. We have two types of experiences on the kind of branding that the Fair Trade Organisation tries to achieve. The one issue we confronted, was the deplorable state of the world's fisheries with the introduction of the Marine Stewardship Council (MSC) certification scheme. The other is the timber trade, where we were one of the founding partners of the Forest Stewardship Council (FSC). Both organisations started as a partnership of WWF and the private sector – in the case of MSC with Unilever in 1997. In 2006, you could still only buy four MSC-certified products in the Netherlands. Today you have a real choice with over 200 different MSC-certified products on the shelves. For years many supply chains, many supermarkets didn't even talk to us…. Today most of the supermarkets in the Netherlands have made a pledge to WWF that they will choose the sustainable route in the next three years. And the CBL (Centraal Bureau Levensmiddelenvoorziening, the branch organisation of food-suppliers) has pledged that by 2011 the only wild fish products to be sold in the Netherlands will be certified as sustainable. Here, we are turning the corner.

But as you know, the owls of Athens awake at dusk; wisdom comes late in the human life… we're left with 10 per cent of the ocean's resources, and only now we're beginning to take up the challenge. Last week the Dutch auditor-general released a damaging report on the Dutch fishery-policy in the last 20 years, saying that it failed in almost every respect. So by now we start to see that there's really a need for change. The question is: can we really afford – for every branch, for every sector, for every product – to go this deep before we bring about fundamental changes?

FSC is a fairly well known trademark in the Netherlands. 17 per cent of the timber-market is now FSC-certified. By the same token it says that over 80 per cent of the market is not FSC-certified! In 1991 the Dutch government said it would ban all not-sustainable timber and all illegal timber from the local market. We're known for our 'polder-model' ('consensus-based-solutions'), for our Dutch way to talk things over and over…. We're still talking…. And we're still trying to change the wood-market on a voluntary basis 17 years later. And the Dutch government still has to release a binding regulatory-framework to make sure that all timber you buy in this country is from responsible sources and thus does not contribute to the world's devastating deforestation.

So my question is: are we too sweet? Too cuddly? Too constructive? Are we not too much oriented towards voluntary partnerships… Too patient maybe?
It's also a question to myself. WWF, as the leading green charity in the Netherlands, enjoying support from every sixth household, is known for its constructive, non-confrontational, solutions-oriented approach. And yet, time is running out. The success of MSC products now finally penetrating world markets sets a shining example. But there remains so much to be done, on so many commodities and supply chains. Transformational change often comes at a frustratingly slow pace.

We released the Living Planet Report 2008 with a very well known picture: nowadays it's rather common, but when it was made – 45 years ago – it was sensational. The first full picture of a rising earth, taken from space by cosmonauts aboard Apollo VIII.
In those 45 years, our footprint has doubled, the earth has become a more fragile place. We are now six billion people, heading towards nine billion in 2050. Imagine for a moment we would apply the same sort sort of passion and innovative thinking that took man to the moon to our supply-chains, to our businesses, to our lifestyles, wouldn't that surely bring the balance back to our economic enterprise?

Let all trade be fair and responsible in another 20 years!

THE GOVERNMENT PERSPECTIVE

Stella Ronner-Grubacic, Ambassador of the Millennium Development Goals,
Dutch Ministry of Foreign Affairs

I am grateful for this opportunity to speak about a subject that is certainly topical these days and perhaps the most-often discussed in the International Cooperation department of the Foreign Ministry at this moment: partnerships between the government and private companies and the degree to which they can contribute to development cooperation, more particularly the MDGs. I have been asked to deliver this speech on behalf of the Minister for Development Cooperation, Bert Koenders. He regrets that he could not be here today, but asked me to give all of you his warmest regards. He looks forward to hearing the outcome of today's discussion, and welcomes suggestions. Professor Van Tulder launched the discussion by raising a number of pertinent questions in his background paper for this afternoon and other speakers have already shed their light on this subject from the academic, commercial and NGO perspectives. I hope that I will be able to add some relevant elements to this discussion from the government's point of view. Before I go into detail about our approach to public-private partnerships and our thinking about them, let me say that we started our partnership approach not long ago, and every day we are still learning. So I would ask of you not to expect to hear from me all the answers to Professor Van Tulder's questions today. What I will try to do is share with you some of our experiences with public-private partnerships, outline some of the dilemmas that we face and propose a possible way ahead for the near future.

At the outset, I want to give you the wider context in which our policy-making about public-private partnerships evolves. This conference is taking place in turbulent times. The past few weeks have been dominated by a financial meltdown, with an enormous, direct and indirect impact on banks, governments and individuals. Let me quote what Kofi Annan, Michel Camdessus and Robert Rubin wrote in the FT (Financial Times) on 31 October, when speaking of the lessons taught by history and their personal experiences: 'One [lesson] is that when crises occur, the least responsible are usually the worst affected and the least able to cope.

'The second is that crises can provide the momentum for reform and radical change.' Indeed, there is a great risk that the weakest shoulders will bear the heaviest burden; the financial crisis is likely to hit the poor in Africa disproportionately hard. However, as was stated by British Prime Minister Gordon Brown in his address to the United Nations high level event on the MDGs in New York a little over a month ago: this is no time to renounce on our previous commitments. Actually, the Netherlands government shares his vision that this would be the worst time to turn our back on the millennium goals. In 2008, we are halfway towards the MDG target date. I was in New York exactly a month ago, with Prime Minister Balkenende, foreign minister Verhagen and Mr Koenders. 192 world leaders had gathered there to take a critical look at the progress made towards achieving the MDGs. The conclusion was that we have made some progress, but that we still have a long way to go.

In search of innovative partnerships

Since coming to power a year and a half ago, the Dutch government has recognised that extra effort is needed if we are serious about our commitment to achieving the MDGs. More specifically, the government is convinced that new, innovative partnerships are needed. In the words of Mr Koenders, as expressed in a policy paper published in October 2007: 'in order to achieve the MDGs, contributions are needed from 'thinkers, doers and providers'. At the ministry we are fully aware that these roles cannot and should not always be played by the government alone: other actors are needed, and their contributions are equally important. That is why the policy paper I just mentioned speaks of development and poverty reduction as 'our common concern'. It implies also that we consider the Millennium Development Goals our shared goals, goals that cannot be achieved by governments alone. We have come to the conclusion that in order to achieve them we need to cooperate with the private sector, NGOs, universities and research institutes. We are looking for a variety of partners, conventional and those less so. Even more so, we are especially interested in unusual partners – and we are looking for them in the commercial sector as well. For the ministry, working with the private sector is no longer an issue that is open to discussion; it is part of the 'acquis' of development cooperation. We have embarked on partnerships as a means of achieving development. And we have already gathered some experience in doing so. At the moment, the ministry is involved in various partnership agreements, which have resulted from an event held in a small place in the Netherlands, called Schokland, in June 2007. Companies, organisations, universities and individuals signed innovative agreements (we call them 'Schokland'or 'millennium' agreements), adding a new dimension to existing partnerships between various public and private bodies. Let us take a closer look at some of the agreements, since some of them definitely deserve your special attention.

First: Green Light for Africa. The main objective of this partnership is to provide 10 million people with access to sustainable light by 2015. In its first stage, this activity is being carried out in Ghana. The ministry and Philips are each investing three million euros; Philips is putting its money into the design and development of a high-quality, rechargeable solar lamp, and also into training and distribution. The ministry is investing in raising awareness, training small entrepreneurs, setting up micro-credit institutions and establishing a sustainable, open trading system that benefits small traders most of all, while at the same time being accessible to other suppliers as well. We see this as a valuable contribution to the Millennium Development Goals, because the lack of light means that millions of people in rural Africa cannot work in the evening and children cannot do their homework. Hospitals, factories and other businesses can barely operate effectively. Access to modern energy is a precondition for development. So, through this partnership, we are jointly investing in creative solutions, combining the creativity and entrepreneurship of Philips with the experience of African organisations and the expertise available at the ministry and our embassy. I want to underline that the ministry's contribution to this activity does not take the form of a subsidy to bring down the price of the lamp. Granted, the price of the lamp has been an issue. But Philips have shown itself willing and able to redesign its product and come up with a cheaper version that better suits the needs of people in rural areas.

Another example of a partnership with huge potential is the Health Insurance Fund (HIF). This public-private partnership consists of two key elements. The first of these is the establishment of a fund to promote private healthcare insurance for the poor. Premium payments are temporarily subsidised for low-income groups who would otherwise be unable or unwilling to take out insurance. At the same time, the Fund is helping to improve the private healthcare infrastructure through the creation of a private investment fund, taking the pressure off public healthcare services and generating a new source of healthcare funding. The Health Insurance Fund offers low-income groups basic healthcare insurance that also covers treatment for HIV/AIDS. The Fund's main beneficiaries are people who were previously uninsured but who nevertheless spent part of their income on health care that was often of poor quality. They now spend the same amount on an insurance premium, subsidised by the HIF. The result is a more efficient healthcare system with a sustainable source of funding, enabling hospitals and private clinics to respond to insurance-backed demand.

As in the case of Green Light for Africa, we could not have set up this partnership without the expertise and experience of the private sector; nor do we think it could have taken off without our own contribution. The examples of public-private partnerships I just gave show that PPPs come in different shapes and sizes. Any partnership is a voluntary agreement between actors from the public and private sectors. But how they are set up and how they work may differ enormously. It is important that we keep this in mind as we go on.

Overcoming Dilemmas

At the ministry, we are definitely very pleased with these examples of PPPs. But I will make no secret of the fact that assessing and executing these public-private partnerships has sometimes been a rocky ride for the ministry. Innovation sometimes meets with resistance. This is not strange, since it requires a new way of thinking and working from all partners probably, but certainly also from the Foreign Ministry. Questions have been raised about the sustainability of partnerships, but also about whether PPPs are suitable for all sorts of development activities. We also have to keep an eye on the capacity of the ministry and its embassies. Do we have the required technical knowledge at our disposal? Is it cost effective? At what point do we risk crossing the line between financing development aid and subsidising companies?

Despite these dilemmas, we decided to extend our experience in this field and to encourage these types of agreements by earmarking 50 million euros from the development aid budget for what we have labelled the 'Schokland fund'. The underlying idea is that one euro from the public sector would generate the same or double that amount from the private sector meaning that additional funds would be generated and – possibly – create a multiplier effect. And this is ultimately what we need to achieve the MDGs by 2015.

It is too early to present you with an evaluation of this Schokland fund. That does not mean, however, that things have come to a standstill or that we have stopped thinking about our partnership approach; are we attracting the right partners? Are we getting the best proposals? How can we be sure that we are not faced with ‘second best’ ideas? How many of the applicants view us merely as a source of funding? These are some of the questions we continue to ask ourselves.

Ladies and gentlemen, while working on development co-operation, and engaging with the private sector, we must never forget one thing: companies always have one main objective: profit. Whatever the involvement of a company in a developing country, it is generally not for ethical or moral reasons. Some of you may say: what about Corporate Social Responsibility (CSR), something that more and more companies worldwide are engaging in? We welcome companies’ growing interest in being socially responsible in their business activities. But at the same time, one should not turn a blind eye to the fact that CSR may also be inspired by the desire for positive PR, especially ‘at home’. In other words: being socially responsible is not necessarily the same as engaging in business activities that contribute to MDGs.

The challenge for my ministry, therefore, is to get companies to develop a greater sense of the need for economic growth in developing countries and to convince them of the opportunities that it will bring them. Starting from the key concept that partnerships respond to our objective of innovative financing and having a multiplier effect, where does that lead us? It may very well lead us back to an increased focus on the core activities of companies. The best public-private partnerships may very well turn out to be those where a company, taking its core activities as a starting point, identifies opportunities in, for example, the African market. Seeing Africa as a market, and being inspired by the problems and opportunities that it presents, is very likely to be the most promising way to develop public-private partnerships. This may not be as hard as it seems: the government’s policy agenda on poverty reduction and the objectives of the private sector are more similar than is often believed. Even those with very little purchasing power can still be potential customers: it is up to business to develop products that will appeal to these potential clients. And we know from experience that companies often have enough reasons – and a very good sense – for doing exactly that; think of Philips and the insurance companies involved in the HIF. This does not mean, however, that the government is always aware of this. There are a lot of activities undertaken by companies in developing countries – some of them extremely interesting and worthwhile – that we are not involved in. Would we like to change that? Not necessarily. The ministry does not wish to be involved if there is no need.

Redefine traditional roles

What it does mean, however, is that in a changing, globalising world, governments need to re-think and re-define their roles in development. Government budgets alone will not solve global poverty. Instead of coming up with one-way, ready-made solutions, we have to be more creative and, together with our partners, come up with tailor-made solutions for development. We need to look at the problems and the main causes behind them. We need to decide whether a given problem is related to the market or to energy or capacity and then find the right partners to solve it. We need to develop a different mindset. Government policy must adapt to a new reality and adopt a more integrated, flexible and project-based approach. Actually, the need for a creative and flexible approach on the part of both governments and businesses is also underlined by the wide-ranging consequences of the financial crisis in the United States and other parts of the world. The enormous stress on worldwide financial systems has encouraged governments in the developed world to take on an activist role. For development cooperation, the agenda is to help maintain investment and capital flows to Africa and elsewhere. We have to be anticyclical. Wherever possible we have to cooperate with the private sector to maintain economic growth and job creation at the levels we have seen over the past decade. This will not be easy.

But we see, once again, the need to take the problem as the central issue to deal with and not the institutions, or existing rules and procedures.

Ladies and gentlemen, we are not blind to the idea that this may require a different way of going about development cooperation. Partnerships and millennium agreements should be clearly understood for what they are: they are investment agreements of some kind; they represent a *joint investment* in development. We need to adapt our thinking and our way of operating to bring this concept more in line with our 'traditional' development aid and policies. Preferably, we should carry out this process of adjustment and adaptation together. Since we are dealing with partnerships, our review should take into account the perspectives of the different partners. Let us share our understanding of partnerships, and find a common language. Several attempts are now being made to do this and I would like to take this opportunity to thank Prof. Van Tulder for his involvement. In this respect, I should like to mention that the Minister for Development Co-operation has recently announced plans to set up a 'Business club for MDGs', consisting of people from different walks of life: multinationals, but smaller and medium-sized companies as well, from different sectors, including agriculture and finance, and from different levels: CEOs and people who actually have experience of working at grassroots level.

In order for the MDGs to be achieved, we need to stimulate economic growth and equity in developing countries, and we need to do this together, in partnership. Governments have to admit that companies are the source and the engine of economic growth. At the same time, as in any good business relationship, we need to remain critical of each other. We do not form partnerships for their own sake. Partnerships are not the aim, they are a tool. They are a means to the end of development – and a mindset. We should use existing examples and look at their assets: ideally, their ability to create leverage by involving non-traditional (private) partners and to generate additional resources and their potential to be upscaled and to multiply results. And we must develop more modern ideas to deal with this. Simply because that is what modern development co-operation requires from us and that is how it will look in the future. Let me end by borrowing one more quote from the FT article by Annan, Camdessus and Rubin: 'Big problems are the opportunity for big thinking'. That should inspire all of us.

Personalia

Noreena Hertz. The 2002 publication of *The Silent Takeover: Global Capitalism and The Death of Democracy* marked Noreena Hertz's break-through as critical thinker on the role of business in society and as one of the intellectual leaders of the critical-globalisation movement. She then turned her attention to the Middle East Peace Process, where she headed a 40-member research team of Palestinians, Israelis, Jordanians and Egyptians. In 2005, *IOU: The Debt Threat* was published, a popular treatise on the dangers of irrational lending. It gave her additional influence on the development agenda. Hertz's books have been published in many countries. As of 2006, Hertz is a fellow and associate director at Cambridge's Judge Business School. She was selected as a 'Young Global Leader of Tomorrow' by the World Economic Forum in 2004. In 2006, Hertz played a leading role in the development of (RED) – an innovative commercial model to raise money for AIDS victims in Africa. The singer Bono was also closely involved in the project and has described Hertz's writings as the inspiration for the (RED) project. In 2008, *Harpers Bazaar* chose Hertz as "one of the most powerful women in Britain" and described her as "one of the greatest communicators of our generation." As of 2008, Noreena Hertz is visiting professor at the Rotterdam School of Management.

Giles Bolton has been closely involved in Africa and development for more than 10 years as an aid worker and diplomat. Between 1996 and 2007 Giles Bolton worked for the Department for International Development, including posts as head of the British aid programme in Rwanda, where DFID was the largest bilateral donor, and as deputy head of the International Trade Department, leading on the WTO Doha Round. The, as he calls it himself, "frustration and hypocrisy of overall western efforts in Africa" led Bolton to leave government in spring 2007 and publish his first book, *Poor Story – An Insider Uncovers How Globalisation and Good Intentions Have Failed the World's Poor* (Ebury, April 2007). It is a highly accessible guide to poverty, aid and trade – and to why rich countries almost never deliver what they promise. In 2008 Bolton became head of Ethical Trading policy at Tesco. A remarkable transfer, which makes him particularly knowledgeable about today's topic: partnerships between public and private parties. Tesco has many partnerships with NGOs, which are an integral part of its business model.

Johan van den Gronden. Since 2006, Johan van den Gronden has been CEO of the World Wildlife Fund Netherlands. Before that he was Special Advisor for the United Nations on Transition, member of the Foundation for Dutch development, a director for the United Nations Development programme in Denmark, director in southern Africa for the International Procurement Agency and consultant with Coopers & Lybrand. Johan van de Gronden has extensive international experience in the area of develoment cooperation, strategic management, financial planning and control of big field projects. Instead of confrontation as other environmental organisations do, WWF chooses 'seduction' and collaboration, for instance with corporations like Albert Heijn for sustainable fisheries. Van den Gronden is therefore, more of a peaceful diplomat than confrontational negotiator. This is the main reason why he has been invited for today's Max Havelaar lecture that is focused on 'partnerships'.

Stella Ronner-Grubacic started her career at the Netherlands Ministry of Foreign Affairs in 1990, after obtaining her Master's degree in European Studies at the University of Amsterdam. She first worked in the UN Aid department and then at the Embassies in Belgrade and Paris. Later, she was seconded as a spokesperson to the mission of the OSCE (Organization for Security and Co-operation in Europe) in Belgrade. During the Dutch chairmanship of the OSCE (2003) and the EU (2004) she became spokesperson for the Foreign Minister. In 2005, she was appointed head of the Western Europe department at the ministry, to be promoted to the position of ambassador for the Millennium Development Goals by Minister Koenders in June 2008. The Ministry of Development is under particular scrutiny these days for its supposed lack of effectiveness, but partnerships have been embraced as an interesting modern road towards new development. The Netherlands takes a leading role internationally in this area.

Coen de Ruiter was director of Max Havelaar Foundation until April 2009, the Dutch branch of the Fairtrade Labelling Organizations (FLO). Max Havelaar enhances trade under fair conditions for farmers and their organisations in developing countries with the aim to alleviate poverty and stimulate development and empowerment. He has a background in business economics at Erasmus University. He worked for 11 years in commercial jobs for Unilever when he decided he wanted to work on the edge of commerce and ideals. His thorough belief that trade has a very important role to play in development brought him to the Fairtrade movement.

Marilou van Gold Brouwers is Managing Director International Investments at Triodos Bank. This is the division that runs Triodos's microfinance investments. Trained as a business economist at Erasmus University she has worked for Triodos Bank for more than 15 years.

George Yip has been Dean of the Rotterdam School of Management since 2008. He is a research specialist in global strategy and marketing and a true cosmopolitan. Born in Saigon, Vietnam, he lives in Hong Kong, Burma, England and the United States. Educated at Cambridge University, he obtained an MBA from Cranfield University and Harvard Business School. He held professorships in Strategic and International Management at a variety of universities. But he also had a business career in marketing and product management with Unilever, as account management for Lintas, and as Senior Manager and Director with Price Waterhouse, MAC Group and Capgemini Consulting.

Rob van Tulder is professor of International Business-Society Management, Rotterdam School of Management, Erasmus University. Van Tulder acted as consultant for various international organisations, NGOs, ministries and companies. He is the coordinator of the research project on 'International Business-Society Management', the SCOPE databank project that compiles the lists of the largest transnational firms in the world together with UNCTAD, and co-founder of the Expert Centre on Sustainable Business and Development cooperation (www.ecsad.nl) that coordinates research on development issues of five business schools in the Netherlands. Van Tulder's latest books include "International Business-Society Management: linking corporate responsibility and globalization" (Routledge, 2006: www.ib-sm.org) and 'Skill Sheets: an integrated approach to research, study and management" (Pearson international, 2007: www.skillsheets.com).

MAX HAVELAAR LECTURES

The Max Havelaar lecture is a recurring annual event. It serves five interrelated goals:

- Provide a platform for the presentation of state-of-the-art scientific insights into how sustainable business and development cooperation can be combined;
- Discuss the advantages and disadvantages of the involvement of corporations in poverty alleviation in a systematic and non-ideological manner;
- Address the complexities of sustainable development rather than engage in simplifications in order to come up with realistic – and obtainable – approaches to addressing in particular Millennium Development Goals;
- Discuss the strengths and weaknesses of specific approaches such as trade marks, codes of conduct, reporting or governance measures;
- Provide an arena in which innovative ideas and structured dialogues can be launched.

Each year, a leading scholar is invited to hold the key lecture which is accompanied by statements from leaders of the business community, civil society and government. The lecture is held at the Erasmus University Rotterdam, as a legacy to Jan Tinbergen, the former Nobel Prize Laureate in economics and leading thinker on sustainable development. The lecture is open to the public.

The Max Havelaar lecture is organised as a cooperative effort between three institutes: The Max Havelaar Foundation (www.maxhavelaar.nl), Rotterdam School of Management, Erasmus University (in particular the department of Business-Society Management; www.bsm.org) and the Expert Centre on Sustainable Business and Development Cooperation (ECSAD; www.ecsad.nl). The first Max Havelaar lecture was held in October 2007. More information on present and future lectures can be found on www.maxhavelaarlecture.org

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