

CONSULTATION MINISTRY FOREIGN TRADE & DEVELOPMENT:

Comments by Herman Mulder

OVERALL THEME: “MAKING POLICIES & MARKETS FIT FOR PURPOSE” (and it starts with shared ambition)

1. PURPOSE: universal, integral implementation of the SDGs, Dutch-lead with solution-partnerships

The SDGs are not only the “single framework for an international approach to tackling the most prominent global economic, social and environmental challenges”, as the consultation document rightly points out, but it also forms, equally important, a framework of goals and targets for national (and EU) policies and practices on the same issues.

Although agreed (and committed) by governments, it is by design “from us all, for us all, by us all” as it may only be realized, as a comprehensive and integrated “strategy for the commons”, to be realized by collective action of the public and private sectors and society-at-large: “getting far together”.

The speech of PM Rutte at the UN on 26 September 2015 was clear: “the Netherlands in fully committed to making the next leap forward”, and “Our commitment to jointly promoting development, in the framework of the UN, one of the main reasons why the Kingdom of the Netherlands seeking a seat on the UN Security Council for the 2017 to 2018 term”.

Thus, political and societal commitment to lead by example, in the best Dutch tradition of multi-stakeholder collaboration and partnerships, both nationally and internationally, this year!

Many major initiatives are currently taking place on specific high priority areas in the SDGs/“Paris”- context: climate/energy, circular economy, human rights. It is important to recognize the integral nature of SDGs as multiple issues and interests need to be recognized and balanced in an inclusive and transparent way. Linkage with leading international (“do no harm”) frameworks, such as notably OECD MNE Guidelines and the UN Guiding Principles for Business & Human Rights, is essential. A relevant, yet non-existing SDG#18 may be: “Leave no SDG or other material issue behind”.

2. FIT: collective action of the essence

The monetized annual, additional investment challenge worldwide till 2030 is estimated at \$7trillion, of which 15-20%, may be funded by ODA+ and the remainder of \$6trln through the private sector. Of this \$6trln p.a. PRI estimates that 33% of this amount may be generated by its financial sector signatories (with collectively some \$65trln asset under management: AUM), or equal to an average annual, additional asset allocation of becoming “SDG-supportive/proof” in the value chain of some 3% of AUM by each institutional investor. For the Dutch pension- and insurance sector, with AUM of \$2+bln, this would equate to \$60+bln per annum.

The question is whether the conditions and appetites created by governments “to crowd in” the private sector have been sufficient to be comfortable that the agenda will be realized. In our view, not (yet).

Notwithstanding appeals in the 2015 Addis Action Agenda on new official financing instruments (paragraph 45), infrastructure (paragraph 47), blended finance (paragraph 48) and many subsequent reports from various international bodies and private sector organizations, the pace of tangible implementation is too slow, mostly focused on climate (SDG#13, #7), also considering long lead times with required large-scale investment in eg. infrastructure (notably in developing countries). Also, there is a mismatch in the investments required: most funding goes, by tradition, to investments in developed countries, as the risk appetite for investments in developing countries is lagging.

3. MARKETS: remove obstacles, provide incentives

Even with pro-active industries, financial sector actors and philanthropists taking all kinds of thematic, SDG-related initiatives (such as : green bonds, climate bonds, health bonds, gender bonds, development/social impact bonds), markets, as the place for the private sector, to direct its operations and investments, are in many respects not aligned with the priority and urgency of the implementation of the SDG agenda. A few examples are: collective action is required but competition law is often an obstacle, subsidies create distortions and taxes are counter-productive, long term capital is required but regulations favor short term commitments, accounting/reporting is based on financial capital only (not considering other types of relevant capital, such as: natural, social, etc.), risk-based and impact-sensitive due diligence and using leverage in the value chain is only done by the largest corporations, the government itself as an important market actor (contracting agency, procurement, asset owner) is not seen as a role-model for the private sector.

4. POLICIES: cabinet-wide priority and synergies

The 2017 Regeerakkoord makes only once explicit reference to the SDGs; one can argue that the Regeerakkoord more implicitly contributes to the implementation of the SDGs, but the important explicit narrative for collective action by everyone, including the private sector, has gone lost.

As comprehensive, universal and integral as the SDG Agenda is, so must be the logic, the full alignment and the consistency of the implementation, to start with the (central) government itself. The implementation is a cabinet-wide task which should be policy-coherent (or rather: -synergetic), cost- (or rather: resource-) efficient and output- (or, rather outcome-)effective. A coordinator for the national implementation housed with the ministry for Foreign Affairs/Foreign Trade& Development Cooperation looks somewhat odd; so is the limited, solely international scope of the current consultation process. Some other countries seem to have more advanced governance structures (Japan).

5. MAKING: a collective implementation action plan

Based on the above following recommendations may be considered:

1. PURPOSE:

- 1.1 conduct a quantitative 2019-2030 scoping study of the opportunity of the SDGs in the entire Dutch value chain, considering both the NL societal benefits and business returns; this would be a NL-specific follow-up of the 2017 BSDC Report “Better Business, Better World”; target; December 2018);

- 1.2 initiate a media-initiative to “crowd-in” citizens into the SDG agenda; expand Gateway as the meeting-market-place for all SDG-related initiatives; target immediately;
- 1.3 actively and financially support solution-partnerships, such as Human Cities Coalition, other; target: September 2018;
2. FIT:
 - 2.1 incorporate the SDGs in the body of the sector-covenants (not just in preamble, as is the case so far), with specific commitments per sector by notably the industry (including, explicitly, the large companies and the front-runners) and the government (as enabler);
 - 2.2 certification, benchmarking, indexes and the role of sector organizations may be required to crowd-in the SMEs; support creation World Benchmarking Alliance; target September 2018;
 - 2.3 evaluate together with the Dutch financial sector how a proportionate “3% of AUM” (for pension funds and insurance companies \$60bln per annum), or more, may be realized; target December 2018;
3. MARKETS:
 - 3.1 identify and address obstacles and create incentives/support-measures/instruments for the private sector to be proactively crowded in; target September 2018;
 - 3.2 link InvestNL to the SDGs (including patient, catalytic capital, i.e. beyond traditional “additionality”); target: operational January 2019;
 - 3.3 expand ECA-instruments with development of (SDG-/Development-/Social-) impact guarantees (against fee: cost-neutral for government “through the cycle”);
 - 3.4 create a 5-year private-public Euro 200mln SDG Impact Facility “Symfonie” (as initiated by SDG Charter and Maatschappelijke Alliantie) to mobilize and pool, complementary and supportive to an InvestNL mandate, blended and innovative funding and expertise for SDG-challenge purposes; target September 2018;
 - 3.5 support the evolution and readiness to integrated reporting linked to the SDGs;
4. POLICIES:
 - 4.1 all-stakeholders-inclusive policy-making, with regulations where required;
 - 4.2 active international diplomacy and leadership (EU, OECD, G20, UN, BIS); for example: NL could be the lead promoter for the World Benchmarking Alliance (being set up by the CEO of Unilever and others), which will allow the “naming & faming” of companies which do best (this is an extension into other sectors of the Access to Medicines Index, which is supported by BuZa); direct links with specific (such as gender) and all SDGs to be considered in this context;
 - 4.3 prepare the grounds for an Update of the OECD MNE Guidelines in 2021;
 - 4.4 support for private sector platforms (such as RSPO, RTRS);
5. MAKING:
 - 5.1 support national multi-stakeholder SDG-promotion/-study/-monitoring network (SDG Charter upgraded, linked to SER?); target September 2018;
 - 5.2 support open source platform & studies on addressing rights’-based and SDG-critical externalities in product pricing (from lowest price to consumer to best value to all relevant stakeholders), integrated P&L, to enhance policy- and investment decisions.

(Note: at Nyenrode Business Universiteit a multi-stakeholder initiative “Making Markets Fit for Purpose” is under way, lead by Prof. Nijhof/Mulder/Simons)

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Herman Mulder is, inter alia:

Former MD, Head Global Structured Finance ABN AMRO Bank (1995-1998)

Former DG, Co-Head Group Risk Management ABN AMRO Bank (-2006)

(initiator of the Equator Principles in 2002)

Former independent member National Contact Point (NL) OECD MNE Guidelines(2007-2016)

Former Boardmember and Chair of the Global Reporting Initiative (2007-2015)

Advisor to KIT/Royal Tropical Institute on Land Governance Study for IMVO-covenants (2016)

Former Board member Utz Certified(2007-2013)

Board member NCDO

Chair Board SDG-Charter Foundation

Co-founder, Chair True Price Foundation

Boardmember Het Groene Brein

Fellow Nyenrode Business Universiteit

Boardmember Human Cities Coalition

Steering Committee member UN Global Compact-NL

Steering Committee member Worldconnectors

Co-initiator/moderator of SDG-Investing initiative (2016: www.sdgi-nl.org)

Member BuZa/IOB Expert Panel on Dutch ICSR Policy

Knight in the Order of Oranje-Nassau (2005)

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(for further reference: www.apollocapitaladvisors.com)