

## ***Celebrate the Challenges, Rethink the World***

**Speech Farah Karimi; 16 October 2013, Sustainability & Finance, 2013 ABIS Colloquium, Nijenrode**

Ladies and Gentlemen.

I'm very honoured to stand here before you: today's and tomorrow's generation of leaders - in business, in the financial sector, entrepreneurs, CEO's and governmental leaders.

My name is Farah Karimi and I am a representative of the non-governmental sector. I am leading Oxfam Novib, the Dutch member of the global Oxfam-confederation, in our fight for a just world, without poverty.

First of all I would like to congratulate you. You are living in an exciting and promising timeframe. Why? Because we can eradicate extreme poverty completely, within ONE single generation. And I'm so blessed as to see that generation in the eye, at this very moment.

World wide there is a growing, common belief in the end of poverty as we know it today. It is also the vision of the UN High-Level Panel on the Post-2015 Development Agenda. In their report in May the Panel made very clear recommendations to completely eradicate extreme poverty by 2030, combined with sustainable economic development, and inclusive economic growth, within our planetary boundaries.

This is a truly ambitious objective, and it might sound idealistic. But the Panel did not just make this up: they consulted 5,000 civil based organizations and 250 companies in 120 countries. The agenda reflects the changing roles of different actors in the world: the limited role of governments; the growing role of multinational enterprises; the urgently felt need for a reform of the financial institutions; and the growing influences of networks of civil based organizations.

Ambitious as it may be, this vision to end poverty, combined with sustainable economic development and inclusive growth, will be the basis for a new global agenda, which will be adopted in 2015 by the Heads of State all over the world.

So, there is this opportunity for fundamental change.

**The big question is: are we ready?**

The answer to this question lies with you, and your fellow-leaders around the globe. The answer lies with all of us, each in our own role and capacity: do we have the courage to change? To change our perspective on business, to change our sense of responsibility, to change business as usual.

Because that is what is needed. A new, shared sense of responsibility. Sustainability as a key value in business; the interest of people at the heart of our policies, and actions.

For too long, ending poverty was considered to be the responsibility of development organisations, aid workers, the ministry of Overseas Development Aid. And in fact, decades of development aid, or co-operation, have yielded substantial results. Hundreds of millions of people have seen their lives improve dramatically; better aligned humanitarian programs prevent masses of people from dying of hunger after extreme weather, or conflict induced

crises. And in my frequent travels for Oxfam, I see daily success of people being able to lift themselves out of poverty.

But still today, over 800 million of people go to bed hungry every day, and live an inhuman life in poverty. As the executive of a leading development organisation, this is an inconvenient truth for me. And I am sure it is for all of us.

Ironically, some aid critics use this reality conveniently to make a case against development aid. But it is not aid that is failing, it is our economical model, and it is our policies, which sustain poverty.

If we truly want to address poverty, we will have to understand these mechanisms and deal with them.

So let's look at one of them: Inequality.

In the last decade, the focus around development has been exclusively on one half of the inequality equation – *ending extreme poverty*. But there is another half to the inequality equation: *extreme wealth*.

In January, Oxfam published a paper '*The cost of inequality: how wealth and income extremes hurt us all*'.

The figures about inequality are staggering.

Just 100 people in this world, the richest 100, have a total net income of 240 billion dollar every year. In the US, just 1% of the population now possess 20% of the wealth. In the UK inequality is rapidly returning to levels not seen since the time of Charles Dickens. And in China the top 10% now take home nearly 60% of the income. South Africa is the most unequal country on earth and significantly more unequal than at the end of apartheid

In the last 20 years, 1% of the richest people in the world saw an increase of their wealth by 60%. The financial crisis did not slow this process down – on the contrary, inequality is growing faster than ever and the demand for luxury goods like sports cars, yachts and caviar is higher than ever.

The unchecked growth of wealth of a tiny minority of the world's population has historically been seen as either not relevant, or a prerequisite for the growth that would also help the poorest. The assumption was that wealth created, would trickle down to the benefit of everyone. This has proven not to be true.

On the contrary: rapidly growing extreme wealth and inequality are harmful to human progress.

In its Global Risk Report the World Economic Forum, remarkably endorsed this statement, when it rated inequality as one of the top global risks of 2013

### **What makes inequality so destructive?**

Whilst a certain level of inequality may benefit growth, by rewarding risk takers and innovation, the levels of inequality now being seen are in fact economically damaging and inefficient. This level of inequality limits the overall amount of growth, while at the same time growth fails to benefit the majority. Consolidation of so much wealth and capital in so few hands is inefficient, because it depresses demand, a point made famous by Henry Ford and more recently the billionaire Nick Hanauer in his much-discussed TED talk, which I can recommend to you.

There quite simply is a limit to how many luxury yachts a person could want or own. Wages in many countries have barely risen in real terms for many years. Instead, the majority of the gains are to capital instead. If this money were instead more evenly spread across the population, then it would give more people more spending power, which in turn would drive growth, and drive down inequality.

### **Extreme Wealth and Inequality is also politically corrosive**

If, in the words of the old adage, 'money equals power' is true, then more unequal societies represent a threat to meaningful democracy. This power can be exercised legally, with hundreds of millions spent each year in many countries on lobbying politicians; or it can be done illegitimately, with money used to corrupt the political process, and purchase democratic decision-making. Joseph Stiglitz and others have pointed out the way in which financial liberalisation led to huge power for the financial industry, which in turn has led to further liberalisation and lack of public control on the financial sector. An unprecedented financial crisis followed, and billions of tax-money were used to bail out the banks. Money that was much needed for public services, education, and health care.

### **There is even more harm in Extreme Wealth and Inequality: it is socially divisive**

Extreme wealth undermines societies. It leads to far less social mobility. If you are born poor in a very unequal society you are much more likely to end your life in poverty. As Richard Wilkinson, co-author of the Spirit Level, has said, the American dream is more real in Sweden than it ever has been in the United States. Social mobility has fallen rapidly in many countries as inequality has grown. If rich elites use their money to buy services, whether it is private schooling or private healthcare, they have less interest in public services or paying the taxes to support them. Crucially, inequality has been shown to be not only bad for the poor in unequal societies but also the rich. Richer people are happier and healthier if they live in more equal societies.

Whatever the combination of policies pursued, the first step is for the world to recognise that extreme inequality is leading us nowhere and will need to end as the goal. The benefits are huge. For the poorest – but also for the richest. We cannot afford to have a world of extreme wealth and extreme inequality. In a world of increasingly scarce resources, reducing extreme inequality is more important than ever. It needs to be reduced, and quickly.

But are we ready. Are we ready to let go of the old ideas about growth and development? Are we ready to take a holistic approach to poverty and address inequality as one of the root causes?

We can reduce poverty, like Oxfam's partner BRAC in Bangladesh has proven. As one of the key-actors, they drove down extreme poverty with 50% in 10 years time. But then, just recently, we witnessed the consequences of irresponsible behaviour in the garment sector, leading to the death of dozens of workers in a fire. The outrage about this scandalous incident was massive. Our minister of Development and Foreign Trade even made it one of her priorities to improve the conditions of workers in the garment sector, by working with the various fashion labels and traders to develop credible social standards.

And this, ladies and gentlemen, is the essence of the change that is needed. Eradication of poverty can only be achieved, when we eradicate the underlying injustices and inequality.

The call for corporate social responsibility is not new. But as citizens around the globe can witness the consequences of how business is still too often done - in real time via newswires and internet - the call for justice and an end to exploitation is becoming louder and louder.

The big challenge ahead of corporate leaders today is to embrace this call for better business. It is not enough to adhere to 'do no harm' principles; it is time to simply do more 'good'.

This is what is going to be asked from the corporate sector, and the financial institutions, which finance their business: To invest in inclusive development, rather than in destructive growth. To adopt structural policies for corporate social responsibility; to be transparent and accountable; for international companies to pay taxes in the country where they do business, extract natural resources, produce their goods – rather than evading taxes via Tax Havens; to invest in renewable energy, rather than using their money to lobby against so much needed climate regulation.

In our globalized world, we see a decline in the role of governments, and a strong uprise in the role of multinational corporations and the financial sector, where a strong concentration of power is vested in a handful of companies and investors. And with power comes responsibility.

This is why Oxfam chooses to actively engage in a dialogue with companies and financial institutions, and publically hold them accountable for their policies. We critically assess whether the companies' supply chains are socially and environmentally responsible. And when it comes to financial institutions, we investigate whether or not their investments are responsible.

We challenge companies and financial institutions publically, and confront them with the consequences of their policies, or the lack thereof. But we also work with them to find ways forward and help them improve their policies.

These dialogues can be intense at times, but we have also seen promising steps, which aim to uphold human rights, protect the environment and build a sustainable future for all.. Last year, Oxfam launched a global campaign called *Behind the Brands*, focusing on the 10 largest food and beverage companies, like Unilever. We are in fact quite critical of the overall social and environmental performance of these big companies, which are all sourcing many of their ingredients from developing countries. But we are receiving overwhelming support from policymakers, politicians and the public for this campaign, and the companies themselves have proven to be sensitive for our call for sustainable business. Notably, the three main chocolate producing companies – Mars, Nestlé, and Mondelez – were very fast in acknowledging the need for comprehensive policies, to improve the position of women on cocoa plantations.

The outrage about injustice is growing and the call for a sustainable future is becoming louder. And this call is also addressed at financial institutions.

The financial sector is under massive criticism, since the financial crisis rocked the western world in 2008. Whilst western countries are still struggling to find solutions, and are suffering from major financial losses, the developing world is also confronted with stagnation and loss of opportunities for growth.

As a consequence of this crisis, the financial sector is under huge pressure to redefine itself as a service provider, rather than a hard-core commercial sector, aiming to maximise profits for stakeholders.

This was certainly Oxfam Novib's view, when we launched the Eerlijke Bankwijzer, or the Bankwiser, in 2009. With billions of loans and investments in our economy, banks can play a crucial role in the implementation of sustainable business. By monitoring their policies with regards to human rights and environment, and actively involving media and the public, we try and invoke a race to the top. We don't want the banks to just do enough, but to do the best they can, and more.

And, I must admit, we were surprised by the responses to the Bankwiser. Banks have proven to be very sensitive to the ratings in our yearly updates, and especially to our case studies, in which we investigate the actual implementation of policies in sensitive sectors, like arms production, fossil fuels, or industrial farming.

We urge the banks to take responsibility, and engage with companies, which earn their money in ways that are immoral, illegal, and simply rejected in our society. Banks can put pressure on companies, much more than we can as citizens, or even our governments. Money is power – and banks do have power. The decision to invest in a company, - or not; to apply conditions to loans – these are very relevant steps. And you know what: Dutch banks seem to agree:

In four years time, the Bankwiser recorded dozens of new and improved sustainability policies. But at the same time, the actual implementation of policies is still weak. For example: several banks do little or nothing to avoid that investments or loans contribute to land grab in developing countries – which affects hundreds of thousands of people, who are robbed from their land and their livelihood.

Change is needed, and the financial sector is in a unique position to make this change happen. This summer, a worldwide coalition of investors made a firm call to governments to implement a strong climate policy. Governments' policies to tackle climate change weren't strong enough, inconsistent, and have even contributed to job losses, investors said. More consistent and ambitious climate policies of governments will give investors more confidence to invest billions in, for example, renewable energy.

Based on all our work with the private sector and with financial institutions, I think there is a meaningful shift in awareness about the need to change, for a better future for all.

Business schools, as educators of new generations of business- and government leaders, could - and in my view should - play an important role in encouraging this sense of responsibility and urgency about the global challenges facing us. And notably, they could inspire the new generation of leaders to seize the moment and join the common, global effort to build a sustainable future for the current, and future generations.

I am convinced that as the current and future leaders of private sector, governments and NGO's, we are in a unique position to take on poverty and inequality, and to accomplish this mission of a better world for all.

And frankly: we must. The financial crisis, the food crisis, the climate change crisis and a looming water crisis, are just symptoms of a deeper and systematic crisis.

Too often, and too long have we ignored these symptoms as they were developing. I would like to invite you to apply the title of this colloquium: let's celebrate the crisis and rethink!

Rethinking is the essence of science, of intellectual progress and of innovation: rethink and challenge the consensus.

Our expectations are high.

Thank you.