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Summary record of the joint meeting of the Second Committee and the Economic and Social Council on "Finding solutions for addressing sustainable development challenges and accelerating the achievement of the Millennium Development Goals"
Held at Headquarters, New York, on Wednesday, 6 November 2013, at 10 a.m.

Co-Chair: Mr. Diallo (Chair, Second Committee) . . . . (Senegal)

Co-Chair: Mr. Osorio (President, Economic and Social Council) . . . . (Colombia)

Moderator: Ms. Sade Baderinwa (WABC-TV)

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The meeting was called to order at 10.05 a.m.

Introductory remarks

1. **Mr. Diallo** (Co-Chair), said that more than a billion people still lived in extreme poverty and hunger. Inequalities and environmental threats persisted, with climate change and natural disasters reaching unprecedented levels of danger. Fortunately, tremendous human potential, financial resources, know-how and new innovative tools for social mobilization could be used to address and resolve those new challenges. National Governments and development partners must redouble their efforts through the end of 2015 to achieve the Millennium Development Goals (MDGs) and make the transition to a bold post-2015 development agenda.

2. **Mr. Osorio** (Co-Chair), said that only through strong, multi-stakeholder partnerships, including collaborations among Governments, the private sector and civil society, would effective solutions to sustainable development challenges be found. The search for solutions to those challenges provided an excellent opportunity for the United Nations to engage with the private sector. Governments and the international community could benefit greatly from private sector expertise, resources and capacities.

3. Since 2008, the Economic and Social Council had convened an annual Partnerships Forum that brought together many senior private sector and foundation representatives to discuss with Governments ways in which partnerships could be strengthened in support of the MDGs. The Council was seeking ways to facilitate systematic dialogue and knowledge exchange with the private sector.

4. **Ms. Baderinwa** (Moderator), said that new innovators were closing the gap between what Governments provided in the area of development and what citizens needed. Markets representing billions of dollars were forming around such problems as fighting malaria, providing inexpensive housing and educating the poorest of the poor. Global business leaders were forming partnerships with Governments. Traditional official development assistance (ODA) and national welfare policies, while part of the solution, could not by themselves solve intractable problems related to the environment, poverty, lack of education and poor health services.

Panel discussion

5. **Mr. Macmillan** (Deloitte Touche Tohmatsu Limited), accompanying his remarks with a digital slide presentation, said that the relationship between government spending levels and human development was not as close as previously thought. *The Solution Revolution*, a book that he had co-authored, explored what was happening outside the capacity or beyond the reach of Governments and government spending, in the space known as the solution economy, where non-governmental players in pursuit of improved public good occupied a rapidly growing set of ecosystems and markets.

6. Kiva, a platform founded in 2005 to attract investment to businesses in emerging markets, was an example of such activity. Through Kiva, individuals could make loans as small as $25 to entrepreneurs around the world. Thus far, the platform had attracted nearly half a billion dollars in loans to 600,000 entrepreneurs. Over a million people had provided loans, and the repayment rate was 99 per cent. There were over 500 such crowdfunding platforms in operation and over a million campaigns that had raised $1.5 billion. It was a new way to attract capital for social and business investment.

7. Safari.com provided access to financial services, money transfers and microfinance in Kenya, allowing users who had a national identification card or passport to deposit, withdraw and transfer money easily through mobile devices. Since the launch of the service in 2007, over 15 million Kenyans had gained access to financial services. Some 20 per cent of the gross domestic product (GDP) was transacted through Safari.com.

8. Participants in the new markets, who included individuals, public innovators, social entrepreneurs, impact investors, multinational corporations and megaphilanthropists, were leveraging new business models, including franchising and disruptive technologies such as mobile commerce, Internet-based Smartphone solutions and the slingshot portable water purifier. The latter, when combined with Coca-Cola's distribution network, had the potential to bring clean drinking water to more than a billion people.

9. Resources brought to bear on public problem-solving included citizens' time and intellectual capability, the brand and reputation of large businesses, public data and financial resources, which came

together in a public value exchange that led to greater liquidity between financial and social objectives. Citizen-to-citizen two-sided markets, pay-for-performance prizes and other approaches brought public value innovators together with capital and investment. Solution markets were organizing around social outcomes, sometimes organically and sometimes with the assistance and intervention of Governments.

10. **Mr. Gupta** (Waste Ventures), accompanying his remarks with a digital slide presentation, said that solid waste management was one of the world's most pressing issues. In India, the weight of urban waste each week was roughly double the weight of the Empire State Building. Only 60 per cent of it was collected, and the only processing was done by waste pickers, of whom there were 1.5 million in India. According to World Bank estimates, there were 120 million waste pickers in the world, who made their living picking through dump sites to collect plastic and scrap, making less than $2 a day. It was a common informal-sector job in many countries.

11. Some municipalities spent half of their operating budgets on issues related to waste management. Waste Venture worked with the authorities to train municipal workers to collect waste. It then hired waste pickers to process the waste, form compost from organic waste and recycle dry waste free of cost to municipalities and state governments. Waste Ventures made its money by selling compost to farmers. It had tripled waste pickers' earnings and reduced the volume of waste by 80 per cent, thus cutting down on waste that would otherwise contribute to climate change.

12. Waste Ventures worked with 44 municipalities in a state in India that had a population of 85 million people. In the next three years, Waste Ventures could take on some 60 to 70 projects, covering only a fraction of the thousands of cities in India, as well as many more in other countries, that needed such solutions. Waste Ventures could not be the only provider and was therefore capturing data, including metrics on collection and composting, and using them to create other waste enterprise solutions. While some private companies wanted to create barriers to protect their intellectual property and maximize profits, Waste Ventures wanted to destroy barriers and encourage others to enter the market so that monumental issues could be solved.

13. The optimal role for Governments was regulation, rather than implementation. Waste Venture's arrangements involved no money transfers from the authorities to the company, facilitating a less risky environment. Instead, Governments provided regulation around the need for environmental processing, which Waste Ventures then fulfilled.

14. Money was not necessarily the solution, sometimes inflaming issues further, with very little to show for expenditures. Waste Ventures was able to implement systems at very low cost. Waste Ventures provided inexpensive solutions using minimal technology and creating employment for low-income people. Financing mechanisms and low-interest loans, similar to those that automobile manufacturers provided for their customers, were being designed for the purchase of such devices as solar power treadle pumps and drip irrigation systems.

15. **Ms. Ishmael** (Alitheia Capital), accompanying her remarks with a digital slide presentation, said that nearly half a million children died each year from indoor air pollution caused by cooking fuel. Realizing that traditional interventions such as aid and grants did not provide sufficient scalable opportunities to resolve such issues, she had decided to use her professional skills as a banker to address social problems, encouraging the participation of those who were looking to invest money and do good at the same time.

16. Government had limited resources and was not always able to focus on pragmatic solutions. There were, however, people and institutions with deep pockets that were seeking to invest for a social and economic return and wanted alternatives to traditional charitable aid.

17. One of her organization's projects had involved working with development finance institutions to invest in microfinance institutions (rather than giving them grants in the traditional way) and helping them to think innovatively about inclusive finance. Microfinance banks that had received those investments had begun providing new types of financial products to families so that they no longer had to keep their cash under a mattress.

18. While fewer than 30 per cent of low-income families in Nigeria had access to bank accounts, around 80 per cent had mobile phones. Development finance institutions and private businesses had therefore invested in a mobile savings and payment platform,

providing over a million clients with access to financial services in the past year. Because the activity was being run as a business, traditional venture capitalists had invested in it.

19. Most recipients of traditional grants to develop safe cooking fuel had been small-scale entrepreneurs who had received financial backing to develop cooking stove ideas. However, with so many children dying, a larger platform was needed. The organizers had approached a large oil and gas company with an idea for redesigning their product into smaller, more affordable units and reorganizing distribution with poorer customers in mind. Presented with the opportunity to solve the health issue, reduce deforestation and empower micro-entrepreneurs, a European development finance institution had participated in an integrated approach to the social problem. Another project had involved providing 600 inexpensive, well-designed, well-built rural classrooms in Nigeria, including sanitation and water facilities, so that children did not have to engage in open defecation at school.

20. Experience showed that funding came from diverse sources, including European development finance institutions that had concluded that aid alone was insufficient for their purposes. However, national Governments in Africa had been slow to move towards market-based solutions or investments with a mission. Donor countries and recipients of ODA should think about how national Governments could create more incentives for financing such mission-driven businesses.

21. **Mr. Ragin** (Global Impact Investing Network), accompanying his remarks with a digital slide presentation, said that a partnership involving Governments, the private sector and civil society was necessary to achieve the MDGs. The sole mission of the Global Impact Investing Network was to help mobilize and catalyze private capital for social purposes, building commitment on the part of a wide range of institutional investors and others to support essential goals for human progress.

22. Impact investing sought to inject resources into companies, organizations and funds that desired to generate measurable social and environmental impact while earning a financial rate of return. Grant-making could play an important role in creating an enabling environment to support impact investing. Investors entered the marketplace with objectives ranging from a simple return of their capital, to a return with below-market aspects, to commercial returns consistent with the goal, economics and type of project.

23. Impact investors were often institutional investors from pension funds, financial service companies, civil society, Governments, development finance institutions and individuals with high net worth. They invested in many opportunities, including climate change mitigation loans and guarantees, infrastructure development, education, small businesses in key sectors and bonds that spurred innovation in the delivery of social and public services.

24. Private sector actors were essential to the achievement of social goals. If 1 per cent of private capital were committed to impact investment in the field of development over the next 5 to 10 years, a resource base of $2 trillion would be formed. By comparison, the entire asset base of every private foundation in the United States was less than one third of that, or some $600 billion.

25. Global Impact Investing Network sought to lower barriers that kept private sector capital from investing in solutions to social problems. Information and data tools for investors, such as a global platform with information on global impact investment opportunities, sectors and return expectations, allowed investors to proceed with greater confidence. The platform contained information on some 300 investment vehicles targeting social and environmental benefits and was an important tool for informing investors and other stakeholders of the substantial investment opportunities available to them.

26. Impact reporting and investment standards represented an effort to create a common language for investors and stakeholders to discuss social and environmental metrics used to evaluate progress and determine the benefits of impact investing activity. Social impact measurement matched investor intention to do good with concrete evidence that good was being achieved, creating common definitions of job creation, carbon reduction and other goals. A group of over 50 large impact investors, sovereign wealth funds, financial institutions and global foundations were working together to help build best practices. The recent Global Investor Forum, held under the auspices of the City of London, had brought together 400 institutional investors committed to impact investing.

Governments played a crucial role in impact investing as regulators, enablers and co-investors, releasing pools of private capital to support public purpose.

27. **Mr. Verbeek** (World Bank), accompanying his remarks with a digital slide presentation, said that acceleration towards achievement of the MDGs was needed. While the target of enrolling boys and girls in primary school with parity had been achieved, the same could not be said of efforts to increase secondary school enrolment. Initially, improving the lives of 100 million slum-dwellers had seemed ambitious, but it had, in fact, been easily met and, given that there were a billion people living in slums, it had turned out to be not very ambitious after all.

28. Regionally, the picture was diverse. While the countries of East Asia and the Pacific might meet all or most of the 21 MDG targets under the eight Goals, sub-Saharan Africa might find it difficult to meet any of them. At the national level, the disparity was even greater. While the target of halving the number of people living in extreme poverty had been met overall, the reality was that only 66 of 140 countries being monitored had achieved it. Only five or six countries had met the infant mortality objective. Perhaps they would be joined by another nine countries in the next two years, but for the most part, nothing would happen without serious acceleration.

29. The United Nations system had responded with acceleration initiatives on malnutrition, water and sanitation, and the Secretary-General of the United Nations and the President of the World Bank would be launching a new initiative to see how United Nations agencies could better collaborate to deliver on the MDGs and on promises to Governments.

30. The MDGs had been designed in reaction to the strong emphasis by the World Bank and other organizations on structural adjustment and growth, to the detriment of the human element. The purpose of the MDGs had been to restore people to the development process and enable them to participate in it.

31. The post-2015 development framework would probably have a broader focus. There were far fewer poor people than there had been 10-15 years earlier. From 40 per cent in 1990 and 30 per cent in 2002, poverty had been reduced to 21 or 22 per cent in 2001. Far fewer people were living in extreme poverty, and GDP per capita was significantly higher. Countries had more domestic resources from tax revenue than they had had in the early 2000s. Originally, developed countries had agreed to help developing countries achieve the MDGs. However, developing countries currently had far more resources than they had had a decade or a decade and a half ago.

32. Resources were currently available in large quantities on international capital markets. Resource flows through developing countries totalled \$130 billion, up from \$100 billion in 2000. Foreign direct investment (FDI) had risen from \$34 billion in 1990 to \$730 billion. The private sector had much greater access to resources than official donors and could provide better development services.

33. New methods of service delivery must be continually explored. Solutions should be evidence-based and cost-benefit analysis of in-country interventions needed to be more rigorous. Results-based management was a must. If certain outcomes were not being reached, then strategies, tactics, programmes and policies would have to be rethought.

34. A data revolution was also necessary. Elaborated in 2000, the MDGs had used baseline indicators from 1990, because that was what had been available. The post-2015 development framework must use more timely baseline indicators from which to monitor progress. Data mining must be more innovative, with data coming from a range of sources, not only household budget surveys and district health service data.

35. **Mr. Neo** (Singapore), responding to the panellists, said that ODA was still essential for achieving the MDGs and would remain so for the post-2015 development agenda and the sustainable development goals. Innovative financing and global partnerships were merely complements to ODA and should not be used — as they already had been in some quarters — as an excuse to reduce ODA commitments to developing countries. There was a growing development assistance gap that must be addressed. Developing countries' need for ODA was increasing every year, but developed countries had recently been under pressure to cut ODA. It was naïve and disingenuous to suggest that global partnerships and innovative financing alone could ever close the gap. Since its peak in 2010, ODA had been dropping by 6 per cent a year. If the MDGs were to be achieved, those who had made commitments must meet them.

36. The best multi-stakeholder partnerships were extremely local, opportunistic and expedient, involving socially active people working together on a community problem. The United Nations was trying to encourage such action through its programmes and agencies on the ground. However, it was not clear that such efforts could be scaled up to the national or international level.

37. Private-public partnerships must be structured very carefully, and partners' motivations and driving forces must be clear. Private companies existed to maximize profit. An ideal outcome for a private company was to privatize profit and socialize much or all of the risk. That must be understood prior to negotiating structures for such partnerships.

38. By nature of their obligations to shareholders, private companies had a short-term perspective, operating from one quarter to the next or looking one year ahead. They were often not eager to make long-term investments. Safeguards and incentives must be in place in private-public partnerships. The track record of such partnerships was often poor, and, not infrequently, a Government had to bail out or nationalize a partnership. Private companies had extremely skilled negotiators, as well as the money to hire consultants who were even more skilled.

39. Some countries had experimented with innovative financing, including taxes on financial transactions and air travel, but what worked in a national context, or for some countries, might not be appropriate internationally. The fact that such approaches were innovative meant that they had unintended consequences, especially if brought up to a global level. They might affect small businesses and households. Multinational corporations, on the other hand, could take care of themselves and find ways around new taxes.

40. It was unfair for developed countries to lecture developing countries about a domestic enabling environment for their capital and financial services while raising tariff barriers and restrictions on products for developing countries.

41. It might well be the case that the current focus on innovative financing was merely part of a long cycle in the international financial situation. The world was awash in money owing to quantitative easing. Innovative financing and global partnerships might not survive when the wall of money receded and quantitative easing came to an end.

Interactive dialogue

42. **Mr. Escalona Ojeda** (Bolivarian Republic of Venezuela) endorsed the statement by the representative of Singapore. While Coca-Cola had an infrastructure for water distribution, its abusive water practices had, in some countries, led to a deterioration in water supply.

43. Solid waste resulted from unsustainable consumption. There could be no solution to the problem of solid waste until that was resolved. Such patterns of consumption and production were related to the unequal distribution of wealth, with demand determined by the income of the rich, who consumed nearly unlimited amounts of non-essential items.

44. International markets were a reflection of capitalism. They were anonymous, whereas participants in local markets had relationships, and the goods they dealt in were recognizable and known. It was hard to see how altruistic projects could be carried out in circumstances dominated by the lust for profit.

45. Panel discussions should be better balanced. Greater diversity of opinions was needed. Such forums might also include presentations on community projects in Africa, Asia and Latin America.

46. **Ms. Baderinwa** (Moderator) said that the panellists were trying to find solutions. It was not, in fact, naïve to think that global partnerships could close the gap.

47. **Mr. Macmillan** (Deloitte Touche Tohmatsu Limited) said that the evolution of a solution economy was complementary to measures taken by Government and was not intended to replace activities by Governments. A solution economy was not designed to replace ODA or solve all problems. However, there were forms of multilateral partnering that were quite different from the bilateral partnerships seen in the past. The diversity of the new ecosystems was striking, as was the speed with which the new models and practices had arisen.

48. **Mr. Ragin** (Global Impact Investing Network) said that Governments certainly had a leading role to play in mobilizing private sector resources and creating an enabling environment for partnerships with the private sector and civil society.

49. The resources discussed were intended as additional support to solve problems, given that government resources would not be sufficient. The intent was not to supplant government efforts, but rather to complement and extend those efforts to produce demonstrable, evidence-based results.

50. Some partnerships were indeed fundamentally local, some were regional, and an increasing number were global. Achieving scalable solutions was central to the opportunities presented by partnerships. All parties must recognize that people had diverse interests. Solutions must be beneficial for all parties.

51. **Ms. Stibravy** (Observer for NGO Sustainability, Inc.) said that she had introduced the idea of solar cookers at the United Nations in 1991. Improved cookstoves and solar cookers would increase sustainability and protect trees. Cutting down trees and polluting the atmosphere with oil were not genuine solutions. Governments and the private sector had provided money for improved cookstoves in Nigeria. She was interested in partnering with Ms. Ishmael to improve the quality of life for those using such technologies.

52. There was an organization in Kenya that gave $500 to anyone who asked, with no conditions attached. People had used the money well. Given funding, the poor could be very innovative.

53. **Ms. Dixon** (Bahamas) wished to know if the "Every woman, every child" initiative might serve as a model for multi-stakeholder development partnerships, particularly in the field of energy.

54. **Ms. Ishmael** (Alitheia Capital) stressed that the work she had described involved clean cooking gas, not oil. Together with financial institutions and microfinance banks, her organization was looking at innovative projects to help women and children. Many of the projects under way reduced drudgery for women and children and freed up time for productive activity or a fuller existence. Some projects had led to increased numbers of girls going to school.

55. **Mr. Macmillan** (Deloitte Touche Tohmatsu Limited) said that the term "market" as used in the current context referred not to a financial market, but simply to forces coming together, in either an organic or managed way, to solve certain problems. An example of such a market was affordable housing for the very poor. Contests had been organized and funded to find ways to build a house for under $300. Capital investment would be needed to develop prototypes; private corporations or public organizations would have to provide significant funding; and property laws might have to be changed to encourage private landholding and the formation of the relevant ecosystem around the challenge.

56. The more specific and measurable the objective, the better. *The Solution Revolution* used the expression "changing the lens," which meant to view a situation in a new way or to think innovatively. It was important to think about which partners could play a particular role and the intellectual and financial capacity they could bring to bear.

57. **Ms. Miranda** (Peru) expressed concern at the lack of progress on Goal 8, global partnership for development. She noted a reluctance to make changes, despite information on the benefits of private investments in social and environmental issues. It was important to determine what the main obstacles to progress in that area had been and how, beyond tax, regulatory and leadership incentives, the private sector could be encouraged to make such partnerships more efficient. The role of Government in improving data and monitoring should be clarified. New ways to make Government operate more efficiently must be found.

58. **Mr. Verbeek** (World Bank) said that it was important for Governments to develop regulations on data collection, even though some data collection might be done by the private sector. If local market conditions were not taken into account, global partnerships would fail to deliver services. There were cases in which a project might work well in a local community, but not in the country overall or in other countries.

59. The role of ODA had changed in the past 10 to 15 years. Previously, ODA had been seen as a financing mechanism for realizing the MDGs. However, commitments had not been met, and it had turned out that ODA was not the solution to all problems related to accelerating the MDGs. Nonetheless, it could play an important role, leveraging other resources and providing support to fragile States that had difficulty attracting private sector flows. Over the years, ODA had, in fact, become targeted more towards countries that had difficulty gaining access to external resources.

60. **Mr. Gupta** (Waste Ventures) said that the global partnership for output-based aid was promising. In the

waste industry, contracts with municipalities that were paid with development aid were often based on units of waste collected and then dumped. Simple tools were being developed to measure units of waste collected, composted and recycled, as well as increases in waste pickers' wages. Thus, environmental, social and economic incentives could all be measured, and firms made money only if the targets were reached. If they were not met, municipalities could halt the services.

61. ODA and bilateral assistance were not mutually exclusive. At a time when tackling a very corrupt industry had been too risky even for impact investors, Waste Ventures had received seed funding from the Government of Sweden. Without that aid, the work could not have begun.

62. **Ms. Ishmael** (Alitheia Capital) said that a number of factors were making it difficult to scale up projects to achieve broader impact. Over the past decade, some international development finance institutions, especially those that invested in private equity or venture capital, had experienced mission drift. Such institutions sometimes conflated mission-driven investments with charity, which caused them to lose interest.

63. In addition, some African Governments were not getting involved in mission-based investing, focusing instead on large infrastructure and power projects. Institutions preferred large projects that covered the entire continent of Africa, but projects for specific countries must not be excluded. Reallocation to bottom-up projects would be much more effective. Partnerships must include the people on the ground, the professionals doing the work and the development finance institutions, and they must avoid a narrow focus on large infrastructure projects. National Governments must be involved in order to ensure a more integrated approach.

64. **Ms. Luna Camacho** (Mexico) asked what government incentives were necessary to increase investments in social projects and what sort of post-2015 development agenda would provide the best guidance for global partnerships.

65. **Mr. Verbeek** (World Bank) said that government accountability was important for social expenditures and programmes. With bottom-up programmes, citizens knew that their Government had made international commitments to deliver on the MDGs. Through democratic or interactive processes, citizens could keep a Government accountable and pressure it to deliver. Information on progress towards targets must be publicly available.

66. **Mr. Azeredo** (Brazil) said that the MDGs were geared to the developing countries and eradication of extreme poverty, while the sustainable development goals had a much broader focus. He requested further elucidation regarding possible competition for financial, political and private sector resources between those two aspects of development, given the limited resources available.

67. **Mr. Ragin** (Global Impact Investing Network) said that investors frequently felt that impact investment opportunities were in short supply. For much of the private sector, there was misinformation or insufficient information about opportunities for engagement. There was no shortage of resources in the private sector, but rather a lack of awareness on the part of investors as to how their resources and needs could be melded with an effective strategy.

68. If providing information to investors on opportunities for generating public benefit became a priority, available capital would be engaged. Governments had an important role to play in helping people understand where those opportunities were, through regulatory environments, provision of various forms of credit enhancement and appropriate partial guarantees.

69. **Mr. Verbeek** (World Bank) said that the MDGs and sustainable development goals complemented each other. They were not in competition. At the global level, there might be indicators to monitor their implementation and associated resource allocation, but national priorities for development and national resource constraints would determine implementation and achievement of goals at the country level.

70. **Mr. Gupta** (Waste Ventures) said that practitioners could serve as a conduit for investor resources that were perceived as limited. Microfinance, which was one of the most scaled sectors, had served as a model. Appropriate regulations were helpful, decreasing risk and smoothing entry for investors. The Government could provide vital assistance for the private sector and encourage impact investing.

71. Practitioners in the sector should not be focused solely on building a firm, but rather on building a sector. Efforts should be channelled into creating a

model that could be adapted to local conditions, while remaining profitable and having a positive social and environmental impact.

Closing remarks

72. **Mr. Diallo** (Co-Chair) said that through innovative partnerships and new approaches, countries could improve people's lives, making the world a better place for all. United efforts could set the pace for cooperation and policymaking in the future. The forum provided by joint meetings of the Second Committee and Economic and Social Council was a truly effective platform and could serve as a springboard for action.

The meeting rose at 12.40 p.m.