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Contributing to Sustainable Development through PPP/CSR: Technology Innovation and Distribution

Rio D. Praaning Prawira Adiningrat, Managing Partner, PA Group

Global Economic Leaders Summit 2011

Organized by Jilin Provincial Government of China and Asia-Pacific CEO Association

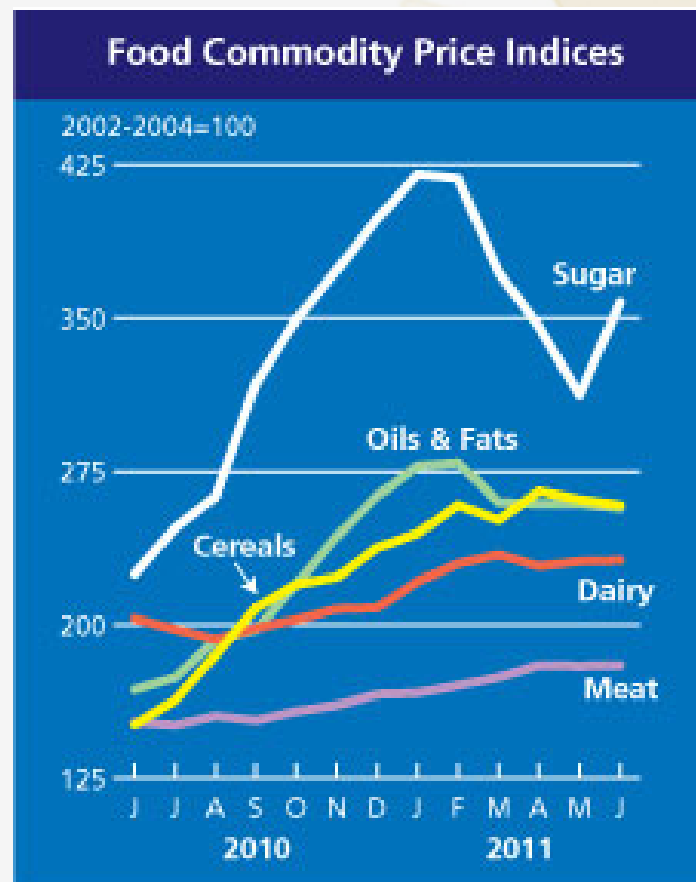
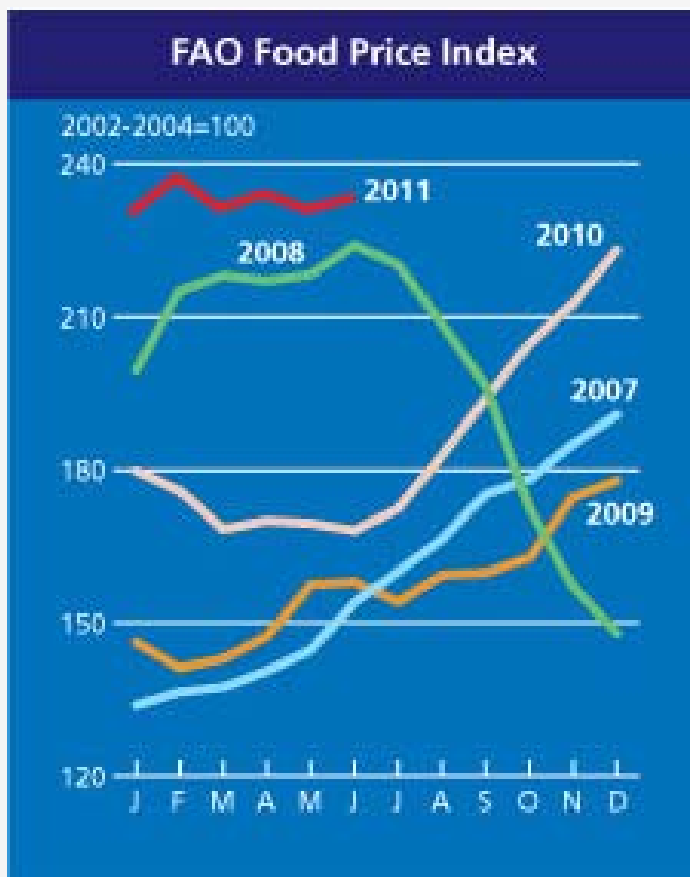
5 September 2011
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World Food Situation





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The Prospect for Agriculture Worldwide

In the first half of this century, as the world's population grows to around 9 billion, global demand for food, feed and fibre will nearly double while, increasingly, crops may also be used for bioenergy and other industrial purposes. New and traditional demand for agricultural produce will thus put growing pressure on already scarce agricultural resources. And while agriculture will be forced to compete for land and water with sprawling urban settlements, it will also be required to serve on other major fronts: adapting to and contributing to the mitigation of climate change, helping preserve natural habitats, protecting endangered species and maintaining a high level of biodiversity. As though this were not challenging enough, in most regions fewer people will be living in rural areas and even fewer will be farmers. They will need new technologies to grow more from less land, with fewer hands.

Source: Food and Agriculture Organization of the United Nations



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The Prospect for Agriculture Worldwide

- Net investments of USD 83 billion a year must be made in agriculture in developing countries if there is to be enough food to feed 9.1 billion people in 2050.
- Agricultural investment thus needs to increase by about 50%.

Private investment essential

To achieve a global 70% expansion in agricultural production by 2050, private investment is needed in following aspects:

- Primary Agriculture:
 - Crops production: USD 20 billion
 - Livestock production: USD 13 billion
 - Mechanization: account for the single biggest investment area followed by expansion and improvement of irrigation
- Downstream Agriculture:
 - Downstream services: USD 50 billion

Means of investment:

- farmers purchasing implements and machinery
- businesses investing in processing facilities.

Public investment also necessary

Of the projected new net investments in agriculture, as much as USD 29 billion would need to be spent in the two countries with the largest populations – India and China.

To achieve a better functioning of the agricultural system and food security, priority areas for public investments include:

- agricultural research and development;
- large-scale infrastructure such as roads, ports and power, and agricultural institutions and extension services;
- education, particularly of women, sanitation, clean water supply and healthcare.

Total global public spending on agricultural R&D (Year 2000):

only some USD 23 billion; highly uneven

ODA to agriculture: Decreased by some 58% in real terms between 1980 and 2005, dropping from a 17% share of aid to 3.8% over the period. Presently it stands at around 5%.



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Conclusion I

The serious food challenge currently and in the future suggests that public sector and private sector should cooperate together to meet the needs of agricultural investment.

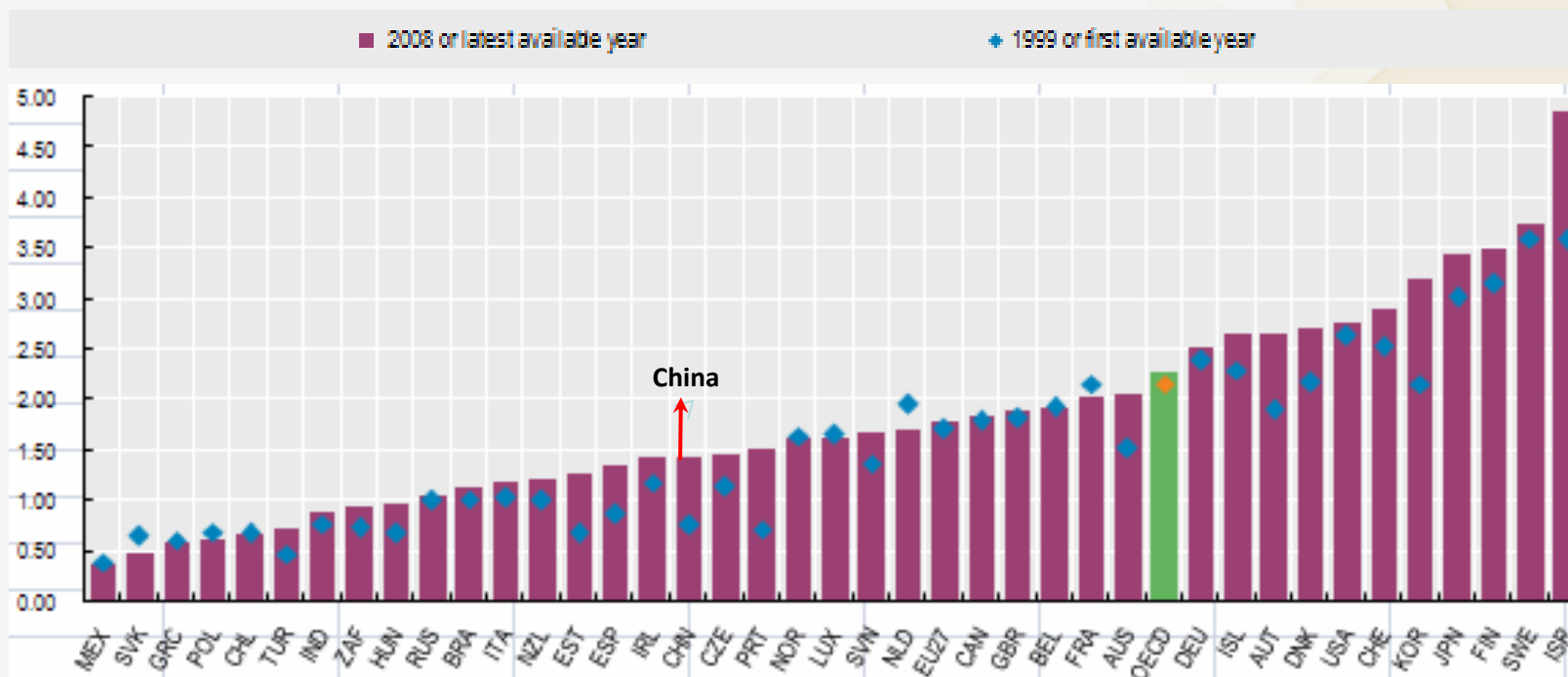


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Gross Domestic Expenditure on R&D

As a percentage of GDP



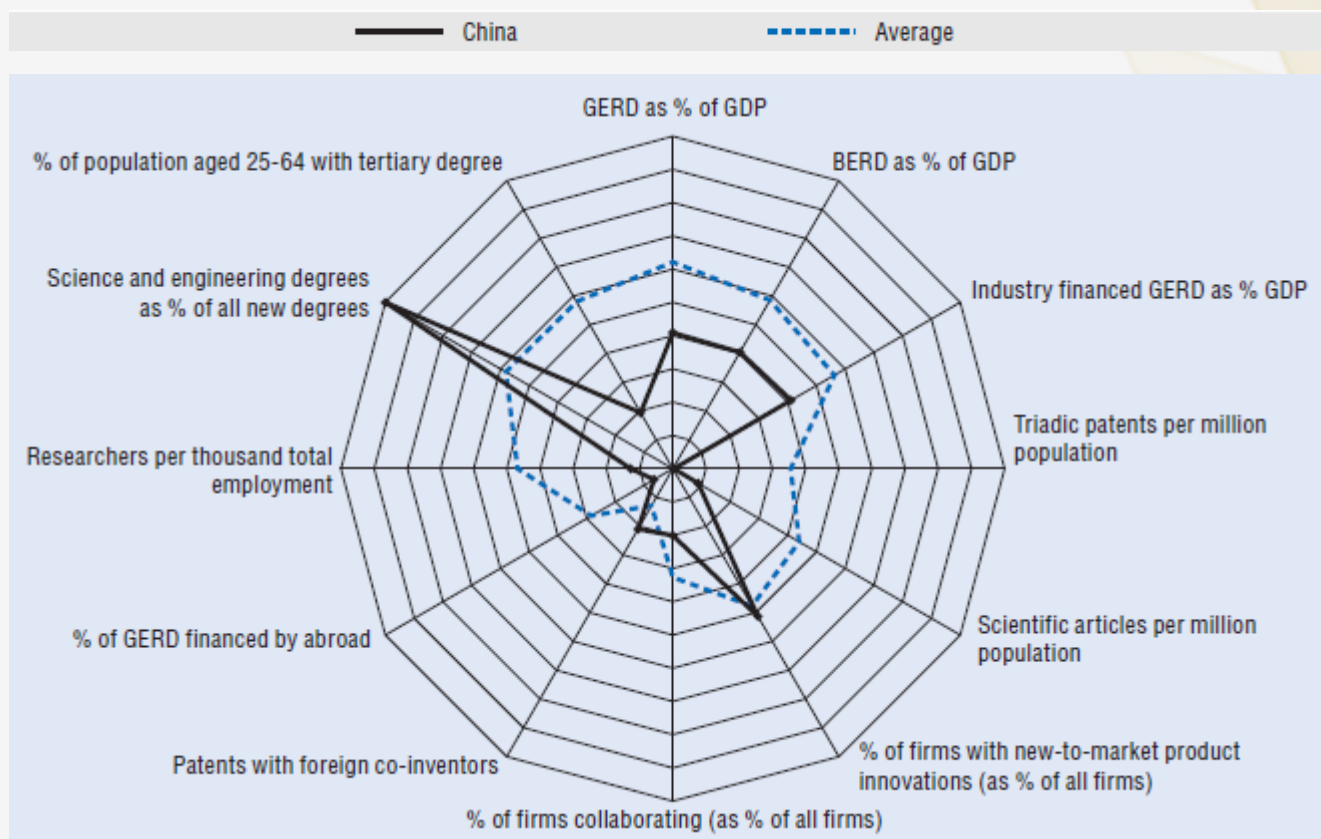
Source: OECD Factbook 2010: Economic, Environmental and Social Statistics - ISBN 92-64-08356-1 - © OECD 2010



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Science and Innovation Profile of China



Gross expenditure on R&D (GERD); Business Expenditure on R&D (BERD)
Average: the average level of OECD countries



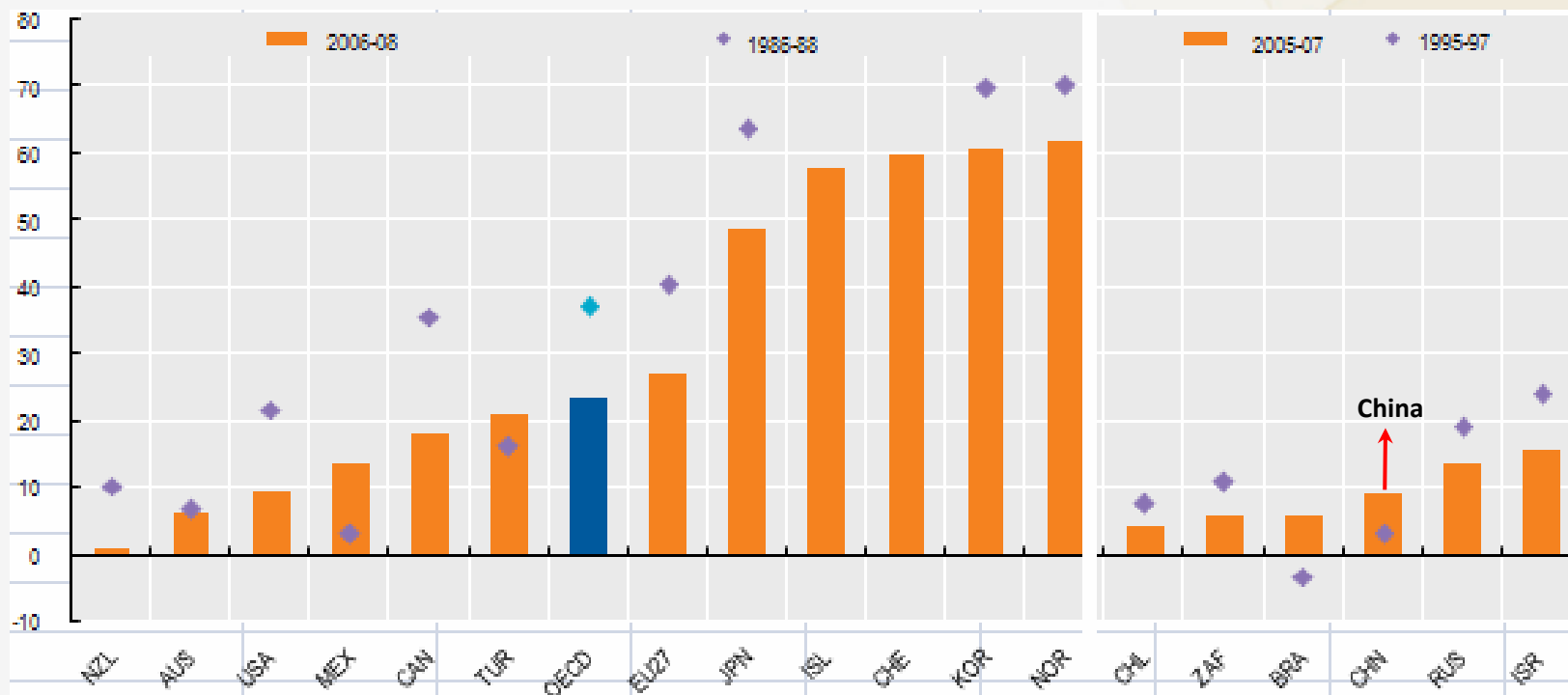
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Public finance - Agricultural support and foreign aid - Government support for agriculture

Agricultural Producer Support Estimate by Country

As a percentage of value of gross farm receipts



Source: OECD Factbook 2010: Economic, Environmental and Social Statistics - ISBN 92-64-08356-1 - © OECD 2010



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Conclusion 2

Chinese Government face difficulties and challenges in meeting the high demand for R&D and technology innovation by itself. It needs the support from the companies and from the developed countries.



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European Innovation Drive

Key elements: five “headline targets”

- Raising the employment rate of the population aged 20-64 from the current 69% to 75%
- Raising the investment in R&D to 3% of the EU's GDP
- Meeting the EU's 2020 objectives to cut greenhouse gas emission by 20% and source 20% of its energy needs from renewable sources
- Reducing the share of premature school leavers from the current 15% to under 10%
- Reducing the number of Europeans living below the poverty line by 25%



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China's Own Drive for Innovation

Highlighted in the 12th Five-Year Plan, and also in the:

National long-term Science and Technology Development Plan (2006-2020)

- Become “innovation-oriented society” by 2020
- Invest 2.5% of GDP in R&D by 2020
- Reduce dependence on foreign technology (Circular on Promoting the Accreditation of New Indigenous Products in 2009)
- Raise technological advancement contribution to economic growth



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European and Chinese ambitions can be linked through a PPP/CSR *strategy* approach

New Definition of CSR!

“CSR starts where all existing laws and regulations end; it is an organic link between enterprising, profit-making and social development that is conducted as a win-win solution in areas where a company requires something from society that cannot be bought and requires investment in society through a double business plan.”*

*Outcome of the Indonesian Presidential MDG Envoy/Paramadina University/PA CSR conference, Jakarta, 12 December 2011



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PPP/CSR

Public-Private Partnership (PPP)-Corporate Social Responsibility definition:

Contractual profit-oriented collaboration between the public and private sector in order to fulfill public sector's responsibility in providing public services to the citizens while acquiring reduced corporate rates through a combination of Corporate Social Responsibility and Development Aid/third party funding.



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Key Elements of CSR

- CSR is an *integral* part of a successful and sustainable business strategy, pre-empting social and environmental problems while optimising conditions for long term profitability
- It is an *organic link* between enterprising, profit-making and social development
- The more *organic* this link is, the more long-term profit is secured
- Organic implies that the inter-relationship between company and society is *systematically managed on the basis of in situ research*
- CSR research helps *steer* the realisation of basic conditions for long term profitable enterprising
- CSR is an integrated *management tool* for long term profitability and development while supporting short term goals in the areas of government relations and corporate communications
- A corporate CSR strategy *cements* corporate accountability to shareholders and corporate responsibility to all other stakeholders



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So who benefits from CSR?

Everyone and everything

- The *private company* and its *shareholders*
- The *public sector*, through public-private partnerships
- The *local community* in the area of the firm's operation
- The national and *regional policy* makers as a CSR strategy will assist them in obtaining their development goals
- The company's *employees*
- The company's *consumers* at large
- The CSR based relationship between regulators/legislators and the firm promotes transparency and excludes corruption
- The international community as structured local/regional CSR projects fit in with global development goals – leading to co-funding of civic society projects.



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PPP/CSR

Key Advantages

1. Speeds up bureaucratic procedures
2. Internationalises local projects
3. Helps avoid corruption
4. Puts people first



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Conclusion 3

Double business plan-based CSR ensures sustained long-term corporate and societal profitability; Governments of South can facilitate together with Governments of North through new forms of PPP/CSR oriented development aid.



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Sustainable Development

Problems of global scarcity

- **Water:** It is projected that by 2025, 1.8 billion people will face an absolute scarcity of water (48 million people in China lack access to clean water)
- **Food:** By 2030, demand for food will rise by 50%. Yet, growth in agricultural productivity is falling.
- **Ageing:** The proportion of the Chinese population aged 50 or above is expected to increase from 21% in 2005 to 32% in 2020. The country faces a scarcity in working-age people.
- **Energy:** There will be a 1% increase in oil demand each year between now and 2030



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Challenges and opportunities

On the one hand, the problems raised here will be incredibly difficult to overcome.

On the other hand, they present us with a challenge and even with great commercial opportunities.

Areas for Cooperation

- Waste management technologies
- Biotechnologies
- Food-chain technologies
- Health care/prevention/disease



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Preparedness Example

Drought/poverty/malnutrition



In situ research



Alliance national/ international science institutions/ local-international industries



Joint intergovernmental funding of technology development and implementation



Creation of man-made aquifers/ bamboo plantations



Renewable bamboo-based food/ furniture/ construction/ energy/ confection materials with low carbon footprint



Optimal socio-political marketing position for participating food/ construction/ engineering etc. companies



Netherlands



Oman



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Prevention Example

Ban of all fish export



In situ research



Alignment Governments/ buyers/ sellers



Donation/ investment of and in new measuring instruments and clean water facilities



Joint 'pre-inspections'



Growth of fish export



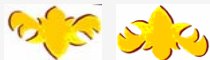
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Foundations supported & initiated by the PA Group



- **Sultan Qaboos Academic Chair for Quantitative Water Management, Utrecht University, The Netherlands**
- **Construction of Children's centre, Yamada-machi, Japan**
- **Water Management Project, Yunnan, P.R. China**
- **Yayasan Lambrineu, Lhok Nga, Banda Aceh, Indonesia**
- **Support to earthquake-stricken school in Baolin, Sichuan, P.R. China**
- **Tasik Children Foundation, South West Java, Indonesia**
- **Kofi Annan Business School** in cooperation with Vlerick Leuven Gent Management School in Belgium and Hogeschool Utrecht in The Netherlands, now with 15 universities from North and South



**Yayasan
LAMBRINEU**

Tasik Children's Foundation





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Thank you!