

## **Business as a partner in Development and meeting Crises**

**Acknowledgements:** Chief Guest, Mr. Peter Hayes, President and staff of the Ceylon Chamber of Commerce, Members of the business sector, applicants of the Corporate Citizenship Award and friends –

Thank you for inviting me to speak to this distinguished group this evening. The accomplishments of the Sri Lankan private sector are impressive whether it be in terms of what you produce, how you do it, and who does it – or in term of innovative and inspiring demonstrations of business responsibility. It is an honour for me to be with you today on behalf of the United Nations family. The UN family in Sri Lanka appreciates its long and productive collaboration with the Chamber, whether it be helping implement the Millennium Development Goals, on HIV/AIDS or on work on preventing sexual harassment in the workplace .. or in many other areas. That this work is perhaps not surprising as the values on which the Chamber work are not so different than those of the UN.

The values on which the UN system is based on - of respect for individual rights and the right to development; of peaceful approaches; of tolerance and understanding; and of compassion - are similar to the values on which responsible businesses operate. For the objectives of development, of human rights and of good governance, the UN recognizes the value of the **private sector as a natural development partner and a part of the broader social leadership of the country.**

*We try to put this into action by setting global standards such as the **UN global Compact Principles, ILO's work on labour and Decent work, and UNDP's support to PS in embedding the MDGs into CSR practices.***

When I was first in Sri Lanka 24 years ago, the challenges Sri Lankan businesses faced were very different from those faced today – that is not surprise!. But the challenges today are also different from just a year ago when I attended your last awards ceremony. The “home-grown” challenges were considerable 24 years ago and last year too! They remain so today. But as one CEO told me last year – they are difficult but we are used to meeting such challenges! But the challenges faced internationally are **new ...and frightening**. With credit tightening, with markets shrinking, with more uncertainty everywhere about the future, and with governments playing more active and different roles, – what is the role for responsible business. Is responsibility a luxury?

Some key issues posed by my colleagues with the UN Global Compact in New York are relevant to answering this question.

**1 Retaining Trust.** Public trust and confidence in the private sector and “markets” has been seriously damaged – in Sri Lanka maybe less than other places – but this could change. By demonstrating a commitment to the tenets of corporate sustainability and the UN Global Compact, business has an opportunity to help markets regain the trust of stakeholders and the public. Such trust is a pre-requisite for business to have the necessary space to be successful for their shareholders and for society.

**2 The Continued Relevance of Voluntary Initiatives?** The bailout and rescue packages announced by governments mark a historic move by the public sector in asserting more control over financial and investment markets. Some of the measures in the new Sri Lankan government budget could be said to fit this category.. Does this mean voluntary initiatives like these awards are less relevant? No. In financial and non-financial areas,

lowest-common-denominator rules and policies will still leave space for innovation and value creation that go beyond the “common and low bar”. Meaningful and inspiring corporate examples abound in areas such as climate change, human rights, clean water and anti-corruption, to name just a few. There will always be a need for voluntary initiatives to reinforce and complement regulatory structures and to fill voids. They help business and help society.

**3 Will companies still “invest” in corporate sustainability during an economic downturn?** As a CEO quoted in the Financial Times recently noted, “Sustainability will remain critical to our business even during an economic downturn.” Issues such as climate change, human rights and corruption will not vanish as a result of economic decline. In fact, climate change, if not vigorously and proactively tackled now, is bound to become the cause of the next major economic disruption. But the business case for managing these and other issues is today abundantly clear. Why?

i. A commitment to corporate sustainability – as distinct from philanthropy – can mark a point of competitive and ethical differentiation vis-à-vis competitors. This can be especially relevant in economic downturns.

ii. The financial collapse demonstrates that due to economic integration a crisis in one part of the world can quickly spread to other regions. In the same way, many social and economic challenges (e.g., climate change) do not and will not respect national borders, placing a premium on an expanded view of risk management to include extra-financial issues.

iii. If the economic downturn leads to a critical evaluation of investments made in corporate responsibility, internationally there is likely to be a reinforcement of those efforts that treat environmental, social and governance issues as necessities for risk management and value creation.

Therefore, there is an opportunity now to make the case that a commitment to corporate sustainability is as important in tough economic times as in robust times – perhaps even more important. In fact, investments in sustainability made during this time of downturn will arguably serve to create competitive advantages when markets begin to recover.

**4 Are multilateralism and open, rule-based economies to be replaced by barriers to trade and commerce?** They should not be. The financial crisis has made clear that economic integration means that a contagion can quickly spread to other interdependent regions of the world. For Sri Lanka with such close ties through trade, through investment, through remittances and through personal links, this is very true. So one answer for any country could be to use protectionism as a potential safeguard.

But decades of experience demonstrate that a commitment to a level playing field in trade and investment, based on multilateral rules, offers the best hope vis-à-vis wealth creation, development and peaceful economic integration in the long run. However, markets on their own cannot deliver prosperity, let alone justice. The poor and workers do not have “golden parachutes” to break their falls. Therefore, to be legitimate and sustainable and to protect the most vulnerable, a strong political resolve will be needed to provide for the necessary safeguards. Responsible businesses internationally and nationally need to be a partner in this, so that social costs are minimized, so that in the future open doors to international trade and investment stay open.

**5 Are public-private partnerships still relevant?** Yes. There is a strong case to be made that addressing critical issues, such as poverty and climate change, can simultaneously spur growth and tackle long-term challenges. Development assistance and investments in public-private partnerships are crucially important in difficult times to protect societies and economies from inherent systemic risks. In this context, commitments made to global development objectives, such as the Millennium Development Goals, must be honored.

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Ladies and Gentlemen,

The shocks in the global and local business arenas, prove that insulating businesses against the internal and external issues of sustainability is not easy. In order to make businesses less vulnerable, **a new approach to responsible business is needed..**

Global financial market crises, the possibility of losing GSP + status, the uncertainty related to the on-going conflict, and issues of business **confidence makes these vulnerabilities immediate.**

As a result it is more urgent to strengthen the relationship between values and ethics in corporate behaviour and to ensure good corporate governance and accountability structures. Now there should both more need and more space for the Private Sector to adopt Corporate Responsibility policies that add more value to Sri Lanka, its developmental needs, and the possibility of a peaceful and stable socio-economic environment.

Because Corporate Responsibility is not just about how a business distributes its profits, **but how it goes about making those profits**. This requires business to take a long term **view of their impacts on the wider community and the environment and to embed Corporate Responsibility into the business process and corporate values; and to maintain** relationships that are not dependent, that are not independent - but rather that are **inter-dependent** to ensure synergy and long term success.

In meeting the larger challenges facing any society and in creating the framework for society and business, **the role and responsibility of the Government is paramount. But this does not mean that as stakeholders, the business community should step back and not be involved with Government in strengthening such frameworks.**

In this context, **businesses are in a key position, as the engine of economic growth, to talk to Government, to ask questions, challenge and drive the necessary change. Businesses can help create the condition within each firm and within society for more long term value-added and longer term, smoother economic growth.**

CSR awards:

The Corporate Citizenship awards, (where I was part of the panel of judges), I believe provide an excellent platform for businesses to think and rethink the way they do CSR, and how it relates back to a value-based notion of their business.

An award, **although a testament to achievement and recognition by peers, is not the end of the road. It is merely a beginning of a long journey.** With recognition comes the greater challenge, to continue to embed responsibility into business processes.

The award provides an opportunity for Sri Lankan companies to show they are as “responsible” as any, and for companies that are linked to multinational networks, that their work in Sri Lanka is the most “responsible” in their world network. I think that will be shown in the awards today and I congratulate the recipients.

#### The Voluntary Agenda for Responsible Business:

Responsibility however, cannot and should not be coerced. **It is only a voluntary decision that is at the heart of every company and its leadership as the ‘right thing to do’.**

With this in mind, today, I am very happy to receive the Voluntary Agenda for Responsible Business. This new initiative relies on the voluntary participation of its members. It is developed by the business community for the business community because it has realised that inaction is not an option.

I congratulate you for this and we, the UN and its other civil society supporters are proud to have been a part of it. We will continue to support you in realising the full potential of this achievement.

#### Conclusion

Since I am a United Nations Official I would normally end a speech by quoting a senior UN official, like the Secretary General. But since this is the month of the American elections and since this month people seem most interested in what the American President Elect is saying – let me quote Barrack Obama on the role of responsible business now. In response to questions on corporate responsibility and the economy he said, “ **...we need more responsibility, but we need it not just when there is a crisis**”

**Real change, demands constant action - proactive action as opposed to reaction. Can we, in Sri Lanka, do that?** I guess if Obama were here, he would say, yes we can!

The impetus to do good through CR and good practice is already there. The tools necessary for this, such as the Voluntary Agenda, Decent Work Framework, Global Compact Principles, examples and lessons from other countries, are all readily available. Building on the past, Sri Lankan businesses can become an even bigger part of the solutions necessary to create a more prosperous , just and peaceful Sri Lanka.