

# Nestlé 2011 Global Creating Shared Value Forum

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Transcript of "Panel Discussion: Creating Shared Value in  
Latin America: Opportunities, Obstacles, and Future  
Directions in Nutrition, Water, Rural Development"

Maria Cattai: Our next panel is called Creating Shared Value in Mexico and Latin America and we will introduce it again with a short two minute video. Could we please have the video?

(Video)

It's the first time I've seen someone from Latin America when I say immediately really taking that at face value. I come from a Mediterranean country and immediately is in a few hours from now. I'd like to call up the stage please, first of all, Ernesto Zedillo, former President of Mexico – now you don't want to come anymore.

Ernesto Zedillo: Particularly after your profiling. Latin Americans are lazy, huh?

Maria Cattai: We're worse than you are, don't worry.

Ernesto Zedillo: I'm going to give you a very bad time.

Maria Cattai: You're going to give me a very bad time? Needless to say, I will also say that he is now Director of the Centre for Globalization at Yale University. Peter Brabeck, Chairman of Nestle, Julio Frenk who is former Minister of Health of Mexico and now Dean of the Harvard School of Public Health, Carlos Fernández González, CEO of Grupo Modelo in Mexico and Luis Alberto Moreno, who is President of the Inter-American Development Bank here in Washington. Now I'm going to have a hard time.

Ernesto Zedillo: Yes, you will.

01:00:00

Maria Cattai:

So you heard a little bit from the last session that we set the stage and Ernesto, I'd like to do exactly that setting of the stage with you a little bit about Latin America. We saw some of the basic statistics but what has really made the difference in economic progress? Now what has made it to the state at which we are today and, looking ahead over the next decades or the next years, what has yet to be done?

01:00.33

Ernesto Zedillo:

Well, many things have made the difference but first we have to say where we are standing, and where we are standing today is considerably better than where we were, let's say, 20, 25 years ago where our region was a region which had a number of negative features.

01:00.44

For the most part we didn't have democracy; for the most part we had economies characterized by low growth, high inflation and increasing social polarisation because of the economic programs and political programs that we had.

01:01:25

Where we are standing today, well for the most part we have vibrant - and you know how it goes with vibrant democracies. We have economies that are performing reasonably well and I think we have a rather positive outlook towards the future.

01:01:52

Having said that, however, we have to be very careful about not being complacent. For example, it is true that the present state of our economies has to do a lot with reform efforts that we undertook a

few years ago, with sustained discipline in some basic aspects of economic management. But we also have to recognize that at least south of the Panama Canal the good economic condition also has to do with the fact that we are riding through a commodity boom.

01:02.44

So we are sort of at risk of overlooking that indeed part of where we are has to do with our own effort, but it also has to do with external conditions that on balance have proven to be positive for our performance.

01:03.04

And these, I think, if we think carefully about it should tell us that this is like a window of opportunity that we have. For what? To apply a stronger effort in continuing reforming our economies and our political systems.

01:03.25

Maria Cattai:

What are the key aspects of that reform? They are still unfinished or undone or pending or in difficulty?

01:03.33

Ernesto Zedillo:

Well, I would say, number one, we have to embrace in a more inclusive way the market economy. We still have a rather unjust duality in our economies; we have some modern sectors in the economy - which make certainly a big contribution to our economic growth - but then we have large chunks of our population that are still operating in the so-called informant sector of the economy and that fundamentally, under the present rules, institutions and practices, have a very small probability to participate in the global economy.

01:04.35

And this is, let's say, an economic description but it's also a question of politics and fundamentally it is a question of rule of law.

01:04.51

Maria Cattai:

You have talked so far really about the context, which is very governmental in straightening out - governmental in the sense of governance issues. What role have businesses played in making this transformation and change until now in Latin America?

01:05.14

Ernesto Zedillo:

Well, I think businesses have been very active, and I would say positive changes in this situation economically, I mean elements of change in this situation. It would be really hard to explain how the Latin American economies have globalised, have inserted themselves in the global currency of trade and investment without the private sector.

01:05.48

It is true governments have changed policies for the better, not everything that they have to do, but overall for the better, but then you need the private sector. And I agree both with Fred and Peter; on the one hand you need companies that look at their own growth, their profits, but on the other hand you need the companies with leaders, with managers that have a dynamic perspective about this issue. You don't care only about today's profits; you have to think about the objective that you want your company to be there in 10, 20 or more years, and if you want your company to be there, well you want

your company to be profitable year after year, if possible.

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But for that to happen you have to be conscious and deliver it of the kinds of interactions that you must have, not only with your shareholders or your employees, but also about the way in which you operate in society, local and global society at large. And this is not philanthropy; this is a strategic thinking which, by the way, some businesses that overlooked that then go bust. Look at what happened in the financial sector.

01:07.22

Maria Cattai:

Indeed, and in fact to all of the panellists from Latin America, one of the questions that I'd like you to think about in your answers is that Latin America is now an area of cultivation, if you wish, of multinationals around the world. They're becoming - those companies themselves - players, and the question I would like you to look at a little bit is what Peter referred to before, which is for their long-term sustainable life and growth are they really taking internally and are they really embedding in their practices the attuning to societal demands as well. One last question, Ernesto, to you.

01:08:07

Ernesto Zedillo:

You are really picking on me. We said chair value and come on guys.

01:08.16

Maria Cattai:

We have plenty of time and then I'm going to save this question for Luis.

Ernesto Zedillo: We Latin Americans are supposed to be lazy, as you said before, so why are you?

Maria Cattai: He's never going to let me forget that one. To hide not, we are also together on a...

Ernesto Zedillo: We are good friends actually.

01:08.36

Maria Cattai: Yes, we're on several other difficult ventures as well, so we can carry this feud out later on. But one of the issues that I do really want to ask you and Luis right after you, in some parts of Latin America there's a challenge from growing population as well. Do you find this a very positive trend in Latin America, still as healthy a population growth, or is that pressure going to increase, for instance, on environmental concerns or on the infrastructure that governments can provide?

01:09.13

Ernesto Zedillo: Well, first, the news, you know, one good and one bad. On average we are still in Latin America a relatively young population; but that picture is changing quite rapidly. Countries like Mexico and Brazil, which are more than half of Latin America's GDP, are approaching very quickly, I would say dangerously quickly, their demographic maturity. And this is really bad news in the sense that, unlike other emerging countries, we have not taken full advantage of what is called the demographic bonds.

01:10.10

So that is to say that we would be confronting rather soon problems of maturing demographics and

therefore the pressure on us to become more productive and competitive societies will be very soon there, because we have, to some extent, wasted these demographic bonds.

01:10.38

The other extreme, you have the cases like Guatemala is still with very high population growth and you say, well, in a way that speaks about an opportunity that will come. Well, it's true, but the opportunity will not come if the government and the Guatemalan people, first and foremost, but certainly also with the support of the international community, are incapable of addressing and solving the obstacles that they are facing to have faster and more equitable development.

01:11.24

So I would say it's not as simple as to answer yes or no. There are a lot of complexities, there is a lot of variance across the continent. But at the end of the day we are facing the kind of issues that were being mentioned before by Peter, how are we going to, on the one hand, fulfil legitimate aspirations of wellbeing, of prosperity, of consumption that people in the developing world have, and at the same time cope with the fact that resources are not unbounded.

01:12.05

And that of course has a very simple short answer to say but very complex in its execution. You need better policies, you need better institutions, you need unprecedented degrees of international co-operation and coordination and you need wise governments correcting market failures. But you also need, more than ever before, vibrant market economy, market economy that is not distorted by



wrong policies, market economy that is not captured by a special interest, a price system that really reflects scarcities and when there is a market failure. Because there is a problem of externality so the need to provide global public goods, you have a government - or a group of governments - that intervene so that the market can really provide the right signals for the allocation of resources.

01:13.17

And this is the theoretical exposition but that will take me back to discuss for 10 more hours things like agricultural policies in the rich world, the question of water and how I would say, no, water, we are not running out of water, we are running out of the wrongheaded approach to manage water resources.

01:13.45

We will not be able to afford to continue being stupid about how we manage water resources and if we stop doing that then I think we have no water problem in the world.

Maria Cattai:

Ernesto when you say 'we'

Ernesto:

I'm a global Mexican citizen of the world, when I say 'we' I'm speaking

Maria Cattai:

All of us

Ernesto:

Not on behalf but as a very tiny part of humanity

01:14.15

Maria Cattai:

I think maybe we should afterwards get onto that, how some of these are going to be, through what vectors they're going to be solved. Luis, you wrote

recently, I read an article of yours that said two decades ago the continent was filled with ruined economies, very much what Ernesto's been saying 'weakened institutions and pent up demands for justice, jobs, better public services and a more equitable distribution of national wealth, yet 20 years later it is entering the Latin American decade'. This Latin American decade, this has been a pretty profound transformation that Ernesto has sketched out the key ingredients of it but I'd like to ask you if you could look at more, the role that businesses have played in making that happen.

01:15.12

Luis Alberto Moreno:

Well thank you very much; it's a pleasure to be here, a pleasure to talk about these issues. I'm here with Peter and others in this ..... When I wrote that article it was in July of last year, and as I reflected, it's a lot of the things that you just mentioned. It's kind of that moment or opportunity that we have in Latin America when you, as you correctly said, you know, many of the problems the West has today are the problems that Latin America suffered

Pause because of problems with mic

01:15.59

So as I was saying before is that when I wrote this article I reflected on many of the issues that presciently you just mentioned. And I did it in the context that many of the countries in the West today are suffering many of the problems Latin America suffered with so many financial crises. In fact for instance, over a space of 25 years we had over 31 financial crises in Latin America, that was more than

once a year and none of which cost less than 10 points of GDP. And there were many lessons learnt in that process. I do believe that what you have had in Latin America over the past 20 years is a silent change but a very profound change, largely due to democracy; I think democracy it is by far not perfect in Latin America but it certainly is very different than the military governments that we had in the past.

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And the other part was that we were very innovative in some of the social policies that we applied over those years and that came about with some better social indicators that are way behind what we need to do and these are, I would say, the large part of the agenda going forward.

01:18.18

And so that opportunity is the opportunity of on the one hand a world which is going to require many more of the natural resources that few areas of the world have like Latin America does, be it either in food or in minerals. The fact that we did the transition from rural economies to urban economies and here population changes, you know, the history in Latin America and perhaps Mexico with one of the few exceptions is that as people moved from the rural areas into the cities, population growth tended to come down and so when you have today close to 75% of the population living in cities, you begin to have a very different kind of scope.

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So it allows for a very important moment I think and a huge opportunity to not only close so many of the gaps that we've had in the past but also to address many of the issues that you have just mentioned. We have a very rich dialogue in Latin America about

the media issues and we have a very rich group of economies that learn through all of these crisis and you know, certainly today we are benefitting from two winds to our sails; one is prices of commodities and the other one is cheap money and that is certainly a major challenge that we have today.

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But if we are able to focus on the key challenges for the future which have to do with productivity, and that means increasing our investments and in science and technology, which have to do with better quality of education, which have to do with picking up on the infrastructure investments that we were not able to do in the past - I think Latin America is poised at a moment where it really can make a difference and insert its way more into the global economy.

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Having said that, I think a very important part of this picture is what has happened with the Latin American businesses, I believe that many of our so called 'multi Latina businesses' learnt from many of the crises, a certain set of skills that allow them to navigate better moments like now and they were able to, like ..... which is a great example, and there are others like that who were able to globalise their products and also use their balance sheets to begin to do major acquisitions and develop markets and I think that is the part of the story that is being crafted today, is the amount of investment that Latin American companies are beginning to do outside of their own countries, initially within the region, and now beyond the region.

01:20.09

Maria Cattai:

You've even talked about the integration I know before the integration of emerging markets themselves and Latin American companies and Latin American economies are now linking between Asia and Africa as well, do you see this as a very strong trend that's going to continue?

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Luis Alberto Moreno:

Well certainly the one area that was the least and here President Zedillo was criticized a lot in Brazil for putting so much effort on Africa but the reality is that there is a huge proximity certainly for a country like Brazil with Africa and today you see a lot of Brazilian companies doing investments in Africa. But there is another story, for instance, we did a recent study asking the question: Is India the next big thing for Latin America? Well it's very different of course to trade that occurred between China and Latin America that basically was no more than, I think they got 3% of world trade, today it's about 9%.

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And India's trade has been more in the area of investment, especially in parts of Indian companies that are very competitive, take the case of IT services. Today Indian IT service providers have over 20,000 employees in many countries in Latin America and they are increasingly understanding that - despite that the differences in distance doesn't matter with IT services - time zones matter a lot and so you're seeing a lot of development of that and there's still very high barriers to trade between India and Latin America, there's lack of connectivity which has been developed with China but those trade patterns will only grow in the years ahead

01:22.02

Maria Cattai:

One question perhaps to all of you here; we talked about the urbanization of Latin America and in the last, I think it's about 3 years ago, the world shifted to being 50% urbanized which is quite a lot, never the less, there is a lot of rural areas in Latin America, what is the bank doing and what's its focus in terms of rural development?

01:22.26

Luis Alberto Moreno:

Well a number of things, first of all these issues of food security are going to become increasingly more important, where certainly in that regard as it relates to that on the one hand, I would step back and say that in agricultural production, not in all the countries, but in agricultural production you've seen huge advances in productivity, as you have seen in the manufacturing sectors in some countries, that's not the case in the services sector where we're lagging behind tremendously. What are we doing in this regard?

01:22.56

First in the work, our work naturally as governments have better physical balances, a large part of our work will be with sub-national governments and local governments and here is on the one hand, how to think in a holistic approach, for instance, to cities that today are populations of 1M to 3M, we've identified about 150 of those cities in Latin America which their rates of growth are way beyond 10%, that a city like Trujillo in Peru which is currently 1.2M, in 20 years could be the size of Lima.

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And so how a city like that prevents many of the problems of big cities on fiscal issues which are critical; on sustainability issues; on ways that you do building codes so that you have lets type buildings where you can leverage the value of taxes paid by buildings towards climate change related areas. And then on the rural aspects is continuing to work on watersheds, to continue to work on ways to incorporate technology into better agricultural production and this of course, there's a huge array and very heterogeneous situation from countries that can't produce massive ...

01:24:18

Maria Cattai:

I know that the bank's also very, very concerned about access to water and I'd like to come back to everyone on water treatment and water issues and have you all joined in that - after I've seen with Carlos Fernandez also from that point of view. Before coming to the business people on our panel, Julio Frenk I'd like to turn to you and perhaps ask you about some of the development in Latin America that has taken place is also in the area of health and nutrition. You have some incredibly successful examples of how things were done and perhaps you could share one of these with us?

01:25.09

Julio Frenk:

Sure, first of all, let me say I think it's great that you featured a panel on Latin America because for many years, really Latin America was not a strong presence in the global dialogue, every time we talked about problems the attention was focused on Africa, South Asia, every time we talked about successes, the attention was focused on China and India and yet Latin America is still very much

present in both dimensions. Although it's by far the developing region that's furthest along in say the millennium development goals, the question of social inequality means that problems are still very much present there and on average we are, as I say, furthest along on the MDGs but if you calculate MDGs for indigenous populations or rural populations you would find a very different story that national averages do not reveal.

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So there's still a lot of problems on the health and nutrition and other dimensions. But probably most importantly, when we think about solutions, the lessons coming from innovation in all domains that both President Zedillo and Alberto Moreno have already spoken about, I mean innovations on political transitions, seeing what's happening in the Middle East, one would say that there are a lot of things that that region of the world could learn from the successful democratic transition in Latin America.

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And certainly I would say in social policies there is a number of really remarkable innovations that I think are hugely relevant, especially to other developed parts of the world, much more relevant than experiences that have emerged in developed countries, because these deal with realities that are closer to other parts of the developing world.

01:26.57

Julio Frenk:

I think it's great that we have this panel, listening to the first session today I was thinking in this interconnected world, the way of thinking about that interconnection is shifting, the traditional paradigm



was one where we saw problems flowing from South to North, and solutions flowing from North to South. I think increasingly we are understanding that actually a lot of problems do flow from North to South for example the examination of unhealthy and unsustainable lifestyles but a lot of solutions increasingly are flowing from South to North, solutions in political and governance solutions, and certainly in social policy which is the area where I work more.

01:27.46

A lot of innovations that are being adopted, one that I think is very much related to the central theme of nutrition - and was actually mentioned in the video - is a very successful point of view with questions under nutrition, poor health and lack of education that was introduced under President Zedillo and his administration the whole idea of conditional cash transfers which I think has been ...

Maria Cattai:

... Sorry, you're saying - conditional cash transfers?

Julio Frenk:

... cash transfers ...

Short exchange with somebody

Julio Frenk:

The idea of transferring money to people who fall below a poverty line is not itself new; in fact, it's more than a century old. But the idea of conditioning that on fulfilment of certain incentives to invest in the human capital of children, I think that was the

Maria Cattai:

But what kind of conditions are ...

01:28.47

Julio Frenk:

It's free and that reflects the original aim of the programme, one is conditional of having children attend school instead of putting kids to work. It's attending school, by the way with a great gender element there, gender equity element, because the transfer is higher for girls attending school than for boys, because girls are more prone to discrimination in access to education.

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Second condition is to attend a clinic for a package of preventive services, early detection and preventive services, including immunisations. You know Mexico is a member of the OECD, and we are always at the bottom of the table. But there is one indicator where we are at the very top of the table, which is the rate of immunisation - 98% of children under 5. We have one of the most complete immunisation schemes in the world. So that's the second conditionality.

01:29.45

And the third one is very relevant to the topic of nutrition - the adoption of a nutritional supplement for pregnant and lactating women and for young children. A programme was run with a lot of cultural acceptability of nutritional balance and so forth. The most important thing though - and President Zedillo, you just spoke of global public goods, and one of those is knowledge about what works, let's say a quintessential global public good.

01:30.09

Most important thing was that, thanks to a close collaborator of President Zedillo, I'm proud to say now an Alumnus of the Harvard School of Public Health [few words in Spanish], there was a

deliberate and very thoughtful imaginative process to evaluate this programme from the beginning, it was built into the design and basically because it had to be gradual just because of the size of the programme, there's now at the latest count 34 million people who benefit.

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But just because of the size and the financial transfers, it had to be gradual, so it was possible to take advantage of the gradualism to match communities where the programme would be introduced first - as opposed to others that would be introduced later; randomly allocate those who would go first and then go second; and then compare those communities

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And when you do that - this is like the way we test a new drug - you give the drug to some people and not to others, it is one of the strongest research designs we have because you can actually attribute the changes you see to the intervention and not to others.

01:31.20

And that evaluation is responsible for one of the fastest disseminations. There are a dozen countries in Latin America that have adopted, Mayor Bloomberg showing how solutions flow from South to North, introduce a pilot programme called Opportunity New York. India is now embracing the whole concept of conditional cash transfers to create incentives for women to deliver babies in facilities. But it was because it was very solid evidence that it actually works; the evaluations are amazing in terms of combating under-nutrition. And it has opened other issues because in development we are always

victims of our own success. But maybe we can talk about including the question of obesity - but certainly under nutrition has had a major impact in the dramatic reduction of ...

01:32.07

Maria Cattai:

Mexico is also interesting in that respect, and we discussed this already last night, of already having had problems of under nutrition but at the same time and sometimes in exactly the same areas of obesity. Tell me, how are you going to manage that issue which is perhaps even more difficult than under- nutrition?

01:32.34

Julio Frenko:

Well yes, here is also a story of good and bad news. The good news is the rate of under-nutrition has dropped and the bad news is that since 1980 the rate of obesity and over-nutrition has tripled; now 1 in every 4 children and 1 in every 3 adolescents is overweight or obese.

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This is part of - it is a very complex issue as we were talking about yesterday - and it requires both supply side solutions, but I think what the condition cash transfer illustrates is the power of the demand side solutions. And in fact there has been talk about adapting the same concept of creating incentives for healthy nutrition to deal with the problem of obesity. There is a new idea in Britain going - "A pound for a pound". So there's a conditional cash transfer, conditional on losing weight it's called "A pound for a pound".

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But more broadly I think it does require a very broad alliance where the themes we were hearing in the morning, where we need to get out of this mindset that more government is less society. These are not c.....; I mean it is smart government that creates the conditions for businesses and civil society to flourish. And in this case there has been a story of broad based alliances, the most recent just signed in 2010, which are broad based accords with very specific commitments on the side of food producing companies; on the side of schools for nutritional education; for changing the nutritional composition of food that's served in schools; for introduction of physical activity; for creating urban designing now with 75% of people living in cities.

01:34.32

Designing cities in a way that stimulates physical activity, the whole question of urban design. Introducing public safety so that people can actually walk in streets and not feel threatened by that, it's a multi-faceted approach that is a clear example of the notion or shared value that you really need everyone participating.

01:34.52

Maria Cattai:

And how are you going to be involving industry in this?

Julio Frenk:

The most recent such agreement and national accord for healthy nutrition with a dozen government agencies, because it is also not just health, it requires the entire set of government agencies and all the main companies participating in food with again, ten very specific objectives linked to both the supply and demand side in the companies.

01:35.32

That is just as recently as last year in the case of Mexico but it's the sort of broad based agreement that sees this question as almost a central issue for the economic agenda of the country. You cannot have a country continue to grow economically if people continue to grow physically in their weight. And it does require this sort of comprehensive participatory approach.

01:36.03

Maria Cattai:

I turn to you, Carlos. One of the participatory approaches is not only business, which of course, you are of course leading a major, major company - Grupo Modelo - but also of course society at large, you maintain that business - big business, important business has done its homework in this respect but I know that you have some questions about whether the societal aspect is actually following the lead of government in business. Can you tell us a little bit why you are sceptical and particularly related to water management?

01:36.41

Carlos Fernandez Gonzalez:

First of all I would like to thank Peter for the invitation to be here today, thank you all.

One of the beliefs I have Maria on this is basically that I do believe that governments do have commitments towards their society to do a better job. Businesses are working strongly, heading really to create this shared value but in reality sometimes the same society doesn't have really the clues or even the information to gather a good comment or having really the right perspective on certain issues.

Talking about water for instance, I would say that - well let me just say the following: a few months ago in Mexico we announced the agenda of Water 2030. This agenda really has different topics and talks about different aspects that are needed to kind of accomplish what is really the basic needs of water going forward in our country.

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Based on a dream, I mean, and the dream it's - we want to have sewage for everyone, we want to have drinkable water for everyone in our country, we want to see clean rivers going forward. And sometimes when you visit certain places in our country, you don't see that. If you don't have dreams then you cannot really target certain goals

01:38.13

So I'll say today of what is called the Advisory Council of Water in Mexico, which actually was created by President Zedillo more than 10 years ago with some business leaders and academics. We are working on this agenda to really cover those issues but when you sit down with NGOs or when you sit down with certain members of the society, and you explain really the challenges that we need to face and try to deliver, they don't have it; they don't have all of the information, sometimes I believe they even don't care, and they just want to make a comment.

01:38.57

Maria Cattai:

So your challenge is government and business you find are working on these issues together, how are you going to get society more involved?

01:39.05

Carlos Fernandez Gonzalez: I think that is the big challenge, and that is really what the visionary thinking about creating NGOs as a [phrase in Spanish] make a point. I mean you really need to get everyone on board and really understanding what are the concerns and the challenges we have to face. It's not just a political issue, it's not just a business issue, it's really a conscious for all the people that are really in the world.

01:39.34

Maria Cattai: But specifically, what is your group doing in water management, or in the agricultural sector? Your company is very close to these issues

01:39.47

Carlos Fernandez Gonzalez: Well yes, one of the key points here I believe is that companies have to work on a shared agenda. We have a partnership with Nestle down in Mexico that is very successful and basically I would say that most of the things we are focusing in are basically the things that both companies believe in.

01:40.09

We are investing heavily in treating water, we are investing in training on how the water should be used. I remember a few years ago, when we started in Grupo Modelo when we started investing in water treating plants, our board was asking questions about how much investment that was going to bring, and basically if we were going to be accomplishing what was really their rules or the norms Mexico had during that time.

01:40.38

I said we even surpassed those norms or rules that were based by the government, but investment was



very high. I mean we didn't have really during that time a return on investment for those investments, but the conscious going forward. And we were facing also the need of bringing our waste water and having it reduced in a way that we can create a benchmark. And I will say it today that if we considered the top 10 brewers in the world, we are today the benchmark on water usage vis-à-vis the output of beer.

But in a certain way we understand that, our employees understand that. When you go out there, they don't get it and the way we communicate that is very important.

01:41.36

Carlos Fernandez Gonzalez:

Just some figures - I think Mexico, in some way, has been doing very good things on the water, but we do have a lot of challenges now. For example, we have been able - nationwide running water is available in 92% of the households last year, up from 79% in 1990, for instance. Sewage is available in 90% of households in 2010, up from 64% in 1990. The single most important feature on water in our country is that it's not evenly distributed. And these are great advances and businesses have been really involved in that.

01:42.30

Maria Cattai:

I'm very interested that you maintain that while business and governments are working well together to make some things happen, you find that there's a lag with society itself getting involved. Usually in most of our countries we have somewhat the opposite experiences, that many in society are

demanding things before their governments and their businesses deliver them.

01:42.55

So that would be interesting to find out and perhaps discuss a little bit more ...

01:43.01

Carlos Fernandez Gonzalez:

Societies will never ask the government to be charged for something and that's the problem with water; that's today a big problem.

Maria Cattai:

Yes, they want it all free of course. We all want everything free but, as Peter said and I think many of you before, there's a limit to all of this.

01:43.20

Peter, to a certain extent, the concept of creating shared value began with operations in Latin America before it was called the nomenclature of creating shared value. It's sort of embedded in the history of the operations of Nestle in Latin America. How did that happen?

01:43.46

Peter Brabeck-Letmathe:

Well, I think before I explain how we came to this idea about creating shared value. When we approached Michael Porter and Michael Kramer afterwards, and we discussed the theory about it, we said, look, the best thing would be if you have a look at what we have been doing for more than 100 years in Latin America, and tell us whether this basic idea can be proven in practical terms.

01:44.14

And they went down there, the free ride, they could go wherever they wanted, and they came back with

a report which we published afterwards which was then Creating Shared Value in Latin America.

01:44.26

And the outcome was - and I think that's very important for the whole concept - is that any company, or any institution, can look at its value chain, and can find within the value chain that there are certain areas where you can optimise the creation of shared value.

01:44.48

And this is different for each company and each institution. And what we did was we analysed - or they did. They analysed the value chain in Latin America and they came back and said, look, if you really want to optimise the shared value creation, it's in the area of nutrition, of water and of rural development. And that's how we - out of the Latin American experience - we took those three priorities, which is in answer to the question which came from the website just before.

01:45.22

So that was the way how we were really nailing it down and said, okay, we are going to concentrate, as our company, where we can most help to achieve this creating shared value in these three areas. That was very important.

01:45.38

Maria Cattai:

And tell me, where - the actual examples, your first attempts at this, where were they located? Were they rural agricultural productivity, in water management, where did they start?

01:45.52

Peter Brabeck-Letmathe:

Well, they really started about 80 years ago when we decided to install ourselves with factories ..... in Latin America. We have been in Latin American since the 1880s/90s, but it was based on imports. It was really in the 1920s when we started the first factory in Brazil and then afterwards followed Argentina, and then we moved north.

01:46.18

So that was the beginning, I would say, and what we brought, we brought the system of milk districts which have been developed in Switzerland. And we brought this system where we were bundling a bigger amount of small farmers so that we could economically work with suppliers who would deliver us in the beginning 5 litres of milk per day - so very small farmers.

01:46.45

But for those farmers it was the first time they'd a stable income which allowed them afterwards to make a small investment, improve afterwards the quality, get another cow and things like this. Interestingly enough, 1988 we replicated the same system in China. When we were allowed to have the first company in China, it was not in Shanghai, it was not in Guangzhou; it was in Shaoxing Xian, which is up in the north, okay, far away from anybody. And there were no paved roads. The farmers were bringing the little bit of milk they had, normally on a donkey or by bicycle and they were 5 or 6 litre farmers. And they didn't even have heating; they were sleeping with the one cow, the sacred cow, in the same room; it was extreme poverty.

01:47.36 Today you go to this region and you have a fantastically developed milk district. And we were just asked three years ago to do the same thing now in Inner Mongolia and we are doing the same thing, because that's the way we did it without really calling it creating shared value. It was just the way we developed our industrial plant.

01:47.56 But perhaps let me say one thing on the general discussion. I fully agree that Latin America is a continent of the future, but I want to be cautious a little bit, a little bit like President Zedillo was. When I came to Latin America 45 years ago, it was also declared to be the continent of the future.

Member of the Audience: We are.

01:48.26 Peter Brabeck-Letmathe: You are. And if you go back and if you look, there is not really a Latin America. There are countries and they are quite different, one of the other.

01:48.40 If we have today an encouraging situation in Brazil where we have a good situation in Mexico, I think this has to do with the enlightened smart political leadership that those countries have had.

01:48.55 It was mentioned what Brazil President Zedillo did in his country when he was president, and I remember because that's how we met the first time. When I met him the first time he talked to me, not about our business we were doing; he talked to me about the political problem he had in Chiapa with insurgents and things.

01:49.15 He said, 'Peter, you have to help me because we will not get peace down there if you do not offer people jobs and income and those things. So why don't we do something? And we responded, I think, and we came and we helped the milk district out in Chiapa and I hope it was a part of the solution.

Member of the audience: He opened a plant in Chiapa de Corzo.

01:49.39

Peter Brabeck-Letmathe: In Chiapa de Corzo, the milk district, and we gave those insurgents jobs and possibility of income.

And think about what President Lula did. I remember I had the privilege to be the first, at that time, CEO for a multinational company who visited him immediately after he became president, and the only thing he talked to me about was zero hunger.

01:50.03

He said, Peter, I want you to help me to get this thing out there. He created, not only gave the visionary approach, but he created a regulatory environment which allowed us afterwards to build our first popular position product factory in the north east of Brazil, which was the poorest area.

01:50.26

And not only could we build this factory which allowed us to produce products which was really dedicated to the small income, we also established a distribution plant and that worked where we were using housewives on a part-time basis in order to distribute the products in this area.

01:50.45

So by having a vision, but afterwards working together in a constructive manner, helping to create

the regulatory environment, helping private industry to be part of the solution, you have two very good cases of enlightened political leadership which has allowed these countries to be different.

01:51.04

Now, you can look around and there are some other ones and they are not so far away from those who have been very successful, who are just on the contrary, even today.

01:51.13

The eighth biggest economy of the world back in 1955, is today somewhere, and our other friends which we know more to the north, does not see that there is an opportunity with private enterprise and still believes that a social problem can only be solved through a state intervention. Well, I don't think it's a sustainable solution.

01:51.40

Maria Cattai:

No, clearly not, but also the opposite which you just said: when business does go into an area to try things out, it really needs a government or a local authority to believe that it can do it and to help make it

01:51.55

I'd like to come to the advisory group of Nestlé on Creating Shared Value, who are sitting here in the front row, and ask you a little bit about some of your knowledge and experience, particularly relevant to Latin America. Who of you would like to start off on this, either nutrition, on water, on rural development? So I'll turn to you first of all, Joachim.

01:52.27

Joachim von Braun:

Thank you. I'm Joachim von Braun; I'm the Director of the Centre for Development Research in Bonn, Germany, and I used to be Director General of the International Food Policy Research Institute until a year ago.

01:52.44

That institute was deeply involved with Presidents of the US, you may recall, in the evaluations and in the evaluations of the conditional cash transfer programmes which have been portrayed. The Inter-American Development Bank was also critical then in following up in creating an innovation of tremendous relevance, not only for the region but for the whole world.

01:53.16

What I would like to underline is the value of research and the value of hard evidence; so that we can move forward with hard evidence based government policy. And I would wish that the shared value approach also gets a lot more hard evidence so that other corporations can follow good standards so that the creating shared value label is not watered down, but is becoming hard standard for corporations and societies.

01:54.04

Maria Cattai:

It's interesting that you asked this, Joachim, it's one of the questions that also came

Joachim von Braun:

So I would like to put this question back to our two corporate leaders in the audience, and what I would like to add to our other colleagues on the panel is - I think the ICT revolution, the information revolution has a lot more to give for bottom-up participation in rural and urban development in Latin America.



01:54.36 I haven't heard much from our panel on IT. Is there less talk on information communications changing Latin America than it is, say, in India?

01:54.49  
Maria Cattai: I'll come back to you. I'll take one or two more and then come back on that. And, by the way, one of the questions that came from the webcast was dealing directly and particularly with how do you measure, because anything that can be captured and measured can later on be better replicated and seen.

01:55:14 John, you've heard a few challenges, if I could put it this way, to the role of society in supporting political changes and business innovation. Go ahead, John.

55:49  
John Elkington: John Elkington, I work between mainstream business and social and environmental entrepreneurs. Actually the question that came to me had to do more with demographics, so people have been talking about population growth. And I think the ageing trend was mentioned by at least one of our panellists this morning and if you look at the - in the context of the need to enhance productivity as populations age - and I would love to hear views of the panellists on that issue of how ageing is going to impact Latin American societies and economies and what you then expect to have to do to compensate for all of that.

00:56:34 To your point Maria about civil society, the absence in some countries of civil society; I think that will

come, I think to your point earlier on about do companies in Latin America or other continents have to go through the life cycle of change that corporations have gone through, to some degree I think they do but to some degree it's much accelerated these days because the experience is out there; the internet links us to that experience. And I think it's the same with civil society, you would have said a few years ago that the Arab societies don't have very much of a civil society but by God they do.

00:57.11

Maria Cattai:

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Absolutely true. Anyone else in the front here, Bob?

Bob:

On the nutrition

Maria Cattai:

On the nutrition, absolutely, all right, we'll do nutrition first, go ahead Venkatesh.

00:57:21

Venkatesh Mannar,

Micronutrient Initiative:

Thank you. I've been a very strong supporter of the concept of conditional cash transfers, especially in nutrition. And I've been following of course the Mexico story with great interest. And in fact we recently pinched the head of the, evaluation of the .... Programme for the MI to see how we can apply this concept across Sub Saharan Africa and in Asia. And we've seen the real, that's a very good application of improving nutritional behaviours through conditional cash transfers. And I think you were asking Joachim about quantifiable ways of measuring these impacts, and I think nutrition is an extremely good area where most of the changes can

be affected primarily by behavioural change and I guess the cash transfer offers that incentive to be able to do that.

00:58:17

Just one other thing I wanted to mention here is that - and I guess Mexico and Brazil are examples - high level political commitment, right from the President, giving priority to issues like nutrition and health and that has resulted in the huge changes that we've seen in nutritional indicators in both these countries over the past 10 to 15 years. And I couldn't stress more the importance of that message coming right from the top. Thank you.

Maria Cattai:

Let me take the microphone down here to Bob Thompson

00:58:49

Bob Thompson:

Thank you, Bob Thompson, The Chicago Council on Global Affairs. One of the points that I don't think came out adequately in the panel is the tremendously important role that Latin America is going to play in the future food supply of the world. Whereas the Northern Hemisphere has very, very little additional land that can be brought into production, we've seen huge expansion in Brazil facilitated by the investments they made in agriculture research that made it possible to open up the soy bean production in the Central West of the country.

00:59:20

But there's very little question but what with the projected doubling of demand for food in the world, we need to feed two more China's between now and the middle of the century, that this is going to be

both an opportunity but also a challenge in some of the countries where agriculture has consistently under-performed relative to its potential.

00:59:40

Maria Cattai:

And you would say that agriculture in Latin America is not yet performing as high as it could? Is that what you're ... ?

Bob Thompson:

That's my point; but Brazil has had spectacular performance as a result, particularly of good public policy and their investments in ag research. But you've got even more fertile soils further south in Argentina which consistently ties one arm of the farmer behind his back by taxing exports and providing every disincentive possible to use some of the best soils on the planet to help provide the future food supply

01:00:16

Maria Cattai:

And I think .... would like to say a word as well, go ahead

Q:

Yes, my name is ..... from Mahidol University, Thailand. I have been involved in a poverty alleviation plan, and have reduced successfully malnutrition. Like Peter commented, what we need is enlightened political leadership, how can we create this species? We need that. For us also we need strong political leadership.

A:

You need bioengineering, you need genetically modified politicians.

Laughter

01:00:52

Q:

GMPs. I mention this because we have success story because of food and nutrition and public health and the poverty alleviation plan to create macro-environment throughout the community. And then we have mass mobilisation, using nutrition as an indicator for development. And then of course we involve part of society to participate in that, to have mass mobilisation to reach the unreached. Thank you.

Maria Cattai:

Anyone else on the Advisory Board like to say a word, Robert?

01:01.27

Bob Black:

Bob Black from Johns Hopkins School of Public Health. In the first panel Peter and Frederick mentioned the great inequities in the United States and in Latin America and in fact growing inequities as economies develop. So I guess my question is - to what degree can creating shared value address that and what other mechanisms are going to be necessary to address the inequities? And as a further question, how do we bring the lessons back to the USA where as we'd said the inequities are enormous?

Maria Cattai:

You know it's always been something on my mind, Peter, and Paul as well, whenever we've talked about creating shared value, we've talked about creating shared value in areas where societal needs are absolutely paramount but in some of the more developed parts of the world, I wonder if the concept of creating shared value is not equally if not important at times to get through?

01:02:25

Ruth Onian'go: I am Ruth Onian'go from Kenya. I want to thank you for the excellent presentation, Sir. Unfortunately, I haven't heard the word 'woman', nothing about women.

Bob Thompson: I mentioned women

Maria Cattai: In passing, yes indeed

01:03:02

Ruth Onian'go: Where do women fall in your development agenda when it comes to nutrition and we talk of nurturing and imparting these good habits right from the beginning as you develop. Tell me what role the women play in what you are doing?

Irwin Rothenberg, Tufts University: The statement was made earlier that a very important aspect of the success with the Opportunities Programme.

Member of the audience: Please say Progresa.

Irwin Rothenberg: The Progresa.

Q: Give me a break

Irwin Rothenberg: I can only pronounce one of those words.

Explanation of the Progresa

01:03:59 The central issue is that there were measurements, there was a very careful effort at measuring the outcomes and the benefits of this kind of

programme. And I would also use that to reinforce the observation that Dr ..... made, that how important it is that we have these measurements and evaluations in these programmes in order to be able to then communicate to the different sectors what really does work.

01:04:42

And I wonder - if we're talking about sustainable growth and long-term growth, and that the kind of measurements that we did before 1995 about the market and so forth were not really adequate to current concepts - what metrics should we be using in the growth and business sector that indicate that we really are making a sustainable growth progress? And I think that it gets into the whole question again about giving a high priority to evaluation in metrics and measurement.

01:05:27

Maria Cattai:

Thank you very much. We will take one more question here and then we will come to the panel. Last question for this round, go ahead please.

Q:

Again, raising the contrast between energy and water, in energy business is linked closely to the resource of property rights, sub-service mental rights in the United States the result which encourages business to have a greater ability to create shared value both on the demand side by rationing the scarce resources of today, but also by supply management, by encouraging to exploration and development of broader supply, increasing supply for tomorrow. In the United States horizontal

drilling is now making it possible for us to be the Saudi Arabia of natural gas.

01:06:16

In water, the situation is very different; it doesn't allow business to play a shared value of sustainable role. Water is largely a politically controlled resource throughout the world which means to the extent business plays a role it'll be on the demand side, it'll be seen as a pricing of a scarce resource, NGOs can quite readily see its role are negative rationing rather than positive supply creation.

01:06:40

It seems to be, and that's the point I was raising before, that business, if it wishes to play this creative role in the future must push for the expansions of the institutions that make it possible for business to become the creative resource on the expansion side, that's the way capitalism has made a better world, not by rationing yesterday or making today's world efficient but by creating a better world for tomorrow.

01:07:05

Maria Cattai:

I will add to that interesting question. Unlike governments and democracies, business is not elected to do this. So what would be the proper and not distorted way in which business can push for change because there is the other side of it?

Now I know we have some other questions here, but it is an awful lot to retain in our minds so what I will suggest is that we look at a few and then I'll come back. If the microphone can transit to this side and then we have about two or three questions over here afterwards. President Zedillo



01:07:43

President Zedillo:

Well, let me tackle two of the questions. Let me go first to Bob Black's question because that gives me the opportunity to give a little bit of the intellectual history of Progres a Oportunidades, why or how it started.

01:08:06

Before being President, I was Minister of Education in Mexico, and one of the issues I found there is that we had a hard bone [?] of the educational problem that somehow despite many efforts we have failed to get to that hard bone and that hard bone was how to retain - not only get families to take children the first year of primary school to school - but keep them in the school until at least they finish primary school.

01:08:45

We saw consistently that in the poorest areas of Mexico, even if you had a good school, even if you had teachers, even if you give them some support for their books and everything else, the rate of failure was extremely high. Of course, I was very concerned about this - this started when I was candidate to the Presidency - I said I need to talk to people who are more intelligent than me, because this is one of the issues that I really want to work on if I win the presidency and I called Josie ... who you mentioned was an old friend of mine, and Santiago Levy. And I said guys do some moonlighting for me and we start thinking about this issue.

01:09:41

When I came into office, I called them back and I said - you will have your job in the government but I want you to work over time with me on this idea.

Actually, this programme had no office in the government; well it had one office in Los Pinos, the president's office. For a number of months we were working and our first concern was we need to do something is, I would say, scientifically well designed and I like to say this in my new work which is academia or not so new, it's been 10 years now that I have been a professor.

01:10:20

We have spent \$10 million doing basic research to design the programme. We reviewed the literature; we looked at all of the evidence in Mexico; we produce papers, conceptual papers; we design pilot test and only when we were confident that we were approaching something that made sense we said - okay, let's try this to see how it works. And then it was the stroke of genius of P.... who said we are starting really from zero. What if copy what scientists do in the laboratory to test medicines and things like that and how this approach of randomised framework was developed from the very beginning of the programme. And we produced this fantastic database because what we did, we went to statistical units which had very common features without this information from the censuses.

01:11:34

And we said - we don't have more need to go for all of it so we will pick random, as Julio was saying, these will have the programme, these will not have the programme and then in a short while we will be able to see whether the programme is working on women.

It is not only as Julio said, we have three kinds of incentives of conditionality or elements to help

people, keeping children in school, going to the doctor, and also to provide for these basic nutrients. I think in a way, the most, or one of the modern revolutionary features of this programme - particularly for the Mexican culture - was the role of women.

01:12:24

First question, we said we will give more money to families per girl. There was explicit discrimination against men; we said we will pay more for girls. There was a very clear scientific reason; the rate of failure of women to finish primary school for economic and social and cultural reasons was much higher than for boys. So our theory was, if people are going to react to the economic incentive, then we will correct this issue by giving more money for girls.

01:13:10

And the other - and this really got me into political trouble. We said we will not give the money to the nominal head of the family, which is the men, the money will be given to the lady in the house and of course you can imagine when I used to go to places to work with people on the programme and explain the programme, what kind of faces and attitudes I received from my macho countrymen. I was never a very popular guy but this made me even less popular.

Laughter and comments

01:14:13

This is a little bit of history and now this is like a new trend, every new social problem somehow should have a design so that you can test it and you can gather information.

Of course, the next chapter of this story is that two or three years after the programme was launched, there was all this concern that the new government will come and get rid of the programme. In fact, my successor campaign saying that I will get rid of that problem but we had some tricks in our bag, we are going to call international experts 1 year before leaving office to assess the problem because we have this wonderful database.

01:15:05

So your institute was involved, and you got all of these incredible professors from American universities who got the information, went and produced this paper that you edited in a very nice volume which today continues to be like state of art on progress. So when the new president came - and he had very intelligent people in his Cabinet including Julio - and I don't want him to tell me this story but when President Forbes probably asked him, what do we do with this thing, and I guess people like Julio says I have bad news, Mr President, I don't think it is a good idea to get rid of Progresas because now it has been valued by very prestigious international people and they happen to believe that it is a very good programme so I think you will be in deep trouble if you get rid of Progresas.

01:16:09

I want to believe that it was not Julio but probably another minister who said, but I have brilliant idea Mr President, change the name.

So now, agriculture. You know, of course we have a big challenge but fundamentally I think we should be optimistic. If we had said 50 years ago, what will

happen in the worst population is 7 billion in 2011, and we would have said it is going to be a disaster, we will have millions and millions of people dead and yet, that didn't happen.

01:17:01

In fact now, Julio was saying we have a problem of obesity of course, more than one billion people that are under-nourished in the world but I think we should trust the human capacity of innovation. But we should help innovation by allowing another formidable human invention to work - and that is the price system.

01:17:28

And nowadays, I think in agriculture, the prevalence of absurd, wrongheaded policies, particularly, somebody was mentioning Argentina, but do you know what the Argentinean policies pale, they are really a child's game vis-à-vis the European and the American agricultural policies.

01:17:59

So, I would say that there are many challenges that have to be overcome, but one of them is for the Europeans and the Americans to get serious about reforming their own agricultural policies. If that is gone by the way, then we can solve things like the Doha Round and many other things that make the greatest rights in addressing this concern about food, what's it called now, food security which I don't like the term because it sounds a little bit aggressive, it is allowing people to provide with their own effort, to buy the food but the food will not be affordable or will not be there if we continue to parade in highly distorted agricultural markets.

01:18:54

Maria Cattai:

Thank you very much, President Zedillo. That question on metrics by the way, what metrics is about 4/5 times now and we don't have that entire metrics yet to show that we are actually breaking through into sustainable growth and so on. This is a very interesting one that we will come back several times.

I would like to ask other people on the panel here if you want to look at any of the issues that have been raised, and I will add before taking the last round of questions.

01:19:25

From the webcast, Colombia is watching it says, they are hosting a live webcast in Risaralda that is being followed by 40 people, including local government representatives, opinion leaders, NGOs and employees. A special hello to the Latin America. Especially Luis Alberto Moreno. Always good to hear from Colombia.

01:20:08

Many of the questions that have come in are very, very much along the same lines that you have expressed here and one of them we will perhaps come back afterwards to the Mexicans on this panel. They say - given the tough country challenges right now in Mexico, what can be accomplished particularly using creating shared value concepts. So they would like to know right now, what can be managed?

01:20:38

But let's look at some of the other questions, who would like to answer them. Use of ICT. Ageing of population, ageing you have a little bit looked at. Growing inequities and bringing those same

concepts to areas where there are growing inequities even in the most developed countries and of course, the question that you have raised again Sir, on the business role in pushing for, let's say the proper structures to manage in the public space, energy, oil, water and so on. So who would like to take a stab?

01:21:23

Luis Alberto Moreno:

With the question of technology, we are actually releasing a study, a seminal study that the bank does every year precisely on this, is the impact on technology and development.

I will start by a story asking one day President Kagame from Rwanda, I said -'what do you attribute the things that changed Africa the most over the last decade? And he said '2 things, China and cellular telephones' and you know, that's food for thought there but in any event, I think what is fascinating for Latin America, is 1) you have the highest cellular telephone penetration anywhere in the world today in Latin America.

01:22:06

We have perhaps, as an emerging region one of the ones that uses the most social networks, Latin America, 50% of Latin America, this is an astonishing number. By the way, it's hard to get really good statistics on this because as Mr ... will tell you, when you do evaluations, it's very hard to know the amounts of computers that came in, the access to bandwidth which, by the way, is one of the largest impacts that countries can do is to invest in bandwidth, because it gives more access. But

when you translate that into real applications vis-à-vis development.

01:22:47

For instance, take the case of transfers of funds which today we are one of the regions of the world, that as a percentage receives the most money transfers from Mexicans living overseas or Colombians or wherever in the US or in Europe and yet most of those transactions given today are cash-to-cash and not account-to-account. And part of the reason is that technology has not at least in the way of services, provided some of those services that people can understand and bring about. But certainly, there is a lot of work on this area and a lot of things have been talked about, the notion of having computers for instance, they want laptops or the other computers that are very inexpensive for children in schools and what does that mean in terms of education. Well if you don't have the teachers understanding the use of computers if you don't develop the software and I think this is perhaps the most important part, is the software applications that are needed.

01:23:47

Maria Cattai:

Well talking about software, there are 1,500 people following us right now online so, we've got to answer some of their questions as well otherwise, they are not going to be following us online.

So, I am going to ask all of you some short questions as well, but who would like to come in on some of the ones that have already been asked briefly. Do you want to say anything Julio and then Peter?



01:24:12

Julio Frenk:

Three quick things first, I think the whole question of evaluating programs, the genius in the Progreso Oportunidades was that it took advantage of the design of the programme. It was not an afterthought and I think very often we leave opportunities on the table. But shared value involves shared learning and this is the only way we are going to get evidence based policies rather than policies that are based on ideology or on short-term interests.

01:24:41

Second on the ICT, this is the great opportunity for leapfrogging and Africa, I think is the best example. I think in dealing with some of the official issues where a lot of it is actual human behaviour, it is just the availability of information reminders and the use of some of the instruments even now for conditional cash transfers to do the actual transactions is an enormous and unlimited.

01:25:04

I do think the demographic picture is really changing in a very fast way. The changes that Europe took a couple of hundred years have happened in the span of 20 - 25 years in Latin America. It is a good example of the sort of downstream effects of good nutrition. The current ageing of the population starts with a decline in mortality, infant mortality which is largely driven by improvements in nutrition. And that generates the necessary incentives for families to limit the family size, that changes the structure of the demographic pyramid and then creates this moment that President Zedillo was referring to of the demographic dividend, when you

have less young people as dependents, and you still are not at a stage where you have a lot of elderly people and that is the moment when economies grow.

01:25:55

This is one example, a text book example of how improvements in nutrition and health lead to economic growth because most of the economies have grown exactly at the moment of the demographic bonus or the dividend.

Our problem in Latin America is that we are exporting a big part of that demographic bonus particularly to the United States through the migration of young, healthy, productive people and that's a problem and how to capture that back I think is a huge problem.

01:26:24

The last issue is on women, I think women are the key decision makers, they are also, we tend to think of women as part of the problem with mortality, all of that which is true. But women are the drivers of the solutions and I think the design of Progresa is one example.

01:26:42

Women are now the largest part of the health workforce so we don't mobilise women and offer the equality of not just opportunity of decision making in the household which is what the cash transfer programme did, but also the occupational and leadership opportunities, I think we are going to miss out on the fact that they are currently, at least from the health and nutrition front, the largest part of the solution.

01:27:08

Maria Cattai:

From our audience online, they were also interested in how social networks can be used to directly engage the massive potential of our globe's people in addressing these issues and although that's beyond just this panel, it is something that I think, all companies and all groups that are interested internationally do do that. It's interesting that some governments don't do it enough internally with their own people engaging them.

01:27:45

Peter, very quick question, and then some of the others that came over. What percentage of food commodities does Nestlé source from small farmer holdings and other sustainable sources? Do you have any project that have a 100% commitment of sustainable sourcing?

01:28:01

Peter Brabeck-Letmathe:

I think this is a very important aspect. In the milk area I would say basically the total milk supply comes from small farmers, there are some bigger ones in between but basically our milk supply comes directly from the about 500,000 farmers which whom we are working worldwide.

01:28:20

In the area of coffee and cocoa which are the other two crops, this is a process, this is a way to both. We have in the area of cocoa for example; we have launched a cocoa plan since now about 10 years where we are increasingly working with the local small farmers. In the area of coffee this has been a longer tradition. I would say in the coffee area we should have about 10 - 15% of total acquisition which comes directly from small farmers. And in

those cases we have immediately a plan which has to do with on the one hand technical assistance plan. We give to those farmers, for example, seedlings for higher quality and higher breed and youth.

01:29:06

But we also do at the same time and again, Mexico is a good example; I had the privilege to be down there in the coffee plantation areas, we give micro ... and ... which I think is an important one, is we hope to both together with the government, schooling systems so that the children have access, and if we talk about IT, I remember when they integrated the school, the first thing which was in the school were computers, and it was funny to see how the small children were the first ones who used these computers, not necessarily perhaps to look. But today if you go in Columbia I'm sure Luis Alberto will know that better than me but if, when I went last time to Columbia I was surprised to see how every farmer, coffee farmer had a small IT thing and knew exactly the coffee price of the exchange.

01:30:01

I mean, this is today absolutely on a daily basis so here's no way that inter-media can today cheat and things like this because the IT they have instantaneous access to what the coffee price is to them on a worldwide base.

01:30:14

Maria Cattai:

And this is particularly a relevant, I have at least 5 questions from different people around the world here dealing with exactly how you mobilise small farmers, small holdings, small scale farmers to be able to understand how they can take advantage of

these possibilities offered through your programs. There is also one in Brazil when Nestlé created the soluble coffee technology, this helped Brazilian Government with high stocks of coffee beans, is this an example of creating shared value?

01:30:50

Peter Brabeck-Letmathe:

Well it was an example, I mean, that the reality is that it was the Brazilian government in the 1930s, there was an overflow of coffee production, they were using the coffee in order to fire their locomotives, the trains and they approached Nestlé and said, - look is there anything you can do to help us to make this coffee available for a longer period of time? And that's how instant coffee has been developed, it was based on a request by the Brazilian government.

01:31:22

Maria Cattai:

Are there any other questions that you would like to look at?

Peter Brabeck-Letmathe:

I would just like to come back to one issue because it was Franco there on this water. He said - well capitalism is here to create supply and this is what you can do the best. Well, there is only one problem here and this is very different to the other things. Water supply is fixed, 4,200 square kilometres per year; this is a sustainable water supply. The rest is, if we are exploiting unsustainable water supply which is like the oil, water which has reservoirs which are underground which has been used, like the big one where what Libya is doing - which is pumping out in the middle of the Sahara. So a 4.5 meter pipeline, the fossil

waters which existed at that time when the Sahara was still a lake and all the thing and pumped them up to the north.

01:32:18

But they are not replenishable so replenishable water supplies 4,200 cubic kilometre and that's it. Therefore the solution has to come not from the supply side; the supply side there is not solution - it has to come from the demand side. We are using this water in an absolutely non-justifiable manner. 35% leakage just in the municipal water supply in the developed country, 70% in the undeveloped countries.

01:32:48

If you look at the irrigation systems, you go through the world to see irrigation systems running at 12 o'clock at midday where we know 70% of this water is being lost before it even gets to the plant. There are studies being made by Alexander Zander for example, who is one of water specialists, that we are using 150% more water than the plant really would need. Now we have the technology to get to the plant what it needs, but who wants to make an investment if the water is free of charge? Nobody.

01:33:27

If the water becomes a price like happened in Israel of course, like it happened in Singapore, like it happened lately in Australia all it needed you have an incentive to make those investments.

So we have to work and I think this is a big change and I know governments are not so happy about, they like to talk about big projects and things like this, you know. You can building a big dam but what you are doing is trying out the thing

afterwards, ok. That is the reason why the .....are not bringing any water down any more because there were perhaps too many dams on the upper side.

01:34:03

So, it's not the supply side, it is the demand side that we have to work. And there are solutions. That's the other thing that the study clearly proved, there are solutions, we could bridge the gap that we have but it would take a different political framework than what we have today.

01:34:23

Maria Cattai:

I am going to go over there, but just before I do, if you have the microphones, please to this person to begin with.

01:34:30

Next Speaker:

Maria may I make a comment please? Just coming back to what I believe is needed in Latin America, I think in a certain way, Maria, we have to challenge what I would say the comfort zone, many organisations, unions and governments are living today.

01:34:49

Just coming back on what Bob was asking before. What about the importance of the supply of food in the world? And I'm just going to get an example in here. And the example will be basically what's going on with the barley supply in our country? Just to give you a sense on what's going on there, for the beer industry in our country we need two types of barley, it's the two row and the six row. The two row it's not growing in Mexico because it needs more attention, more water and they have to take care

really of the crop. The six row barley it's something that is already in the tradition going forward. We can have more acreage grown of six row barley than we do have today. The issue is, as beer industry also, we have a contract signed that we will buy all the barley needed in our country for our own usage. Basically you have all the budgets and whatever of what's needed, but in reality they don't do more than that. They can't do that, they can't export.

01:36:00

So there's not only, what P..... A..... was mentioning before like food policies on what is agriculture, but it's also a lack of understanding on what's world commerce. But it also takes some risks basically, and the opportunities you have to do with that. So many people are not willing to take that risk; and if you don't challenge that, if you don't challenge the organisations or the unions to do certain changes, that won't happen.

01:36:27

Maria Cattai:

Well as President Zedillo said, what's happening in Argentina or in your case is small peanuts next to the problems that agricultural policies are ...

01:36:38

Next Speaker:

Well let me put it this way, Maria, like this, it's better to be a cow in Switzerland getting \$9,000 a year in subsidy than being a c..... in Latin America talking to you.

Maria Cattai:

I've often said as a Swiss national we should not call ...



Paul Bulcke [?]:

You stole that example from Peter because I heard Peter saying that like ten years ago.

01:37:04

Maria Cattai:

That we shouldn't in Switzerland call this agricultural policy. We should - if we want to pay for it as citizens we pay for it, but we should call it sort of beautification of the countryside policy, we should call it gardening of the Alps policy. But agricultural policy it's not.

01:37:17

Peter Brabeck-Letmathe:

But the good thing is you I know with our airlines today so that if we have two Swiss cows they can bank the bull free of charge for travel around the world.

Laughter

01:37:30

Maria Cattai:

I am still going to go over there, but before I do I have two questions from Ecuador that I'm not going to ask you to answer but to keep in mind because they're marvellous.

01:37:39

The first is - is there any global plan, as if there were, in sight that involves developing countries to solve the future food and nutritional problems of the world? Is there an international organisation that can take care of all of this, and not just politics, made up of different technical professionals involved in this world? And then I think that the idea of a GMP, genetic modified politics, was awesome.

Laughter

Next Speaker: That's the only good idea I have had since progress.....

01:38:21

Steve Rockland [?],

Accountability:

Thanks very much for this panel. We were talking I think in the session before and this about almost a sustainability revolution on the heels of the industrial revolution and the information revolution. And we've been talking a lot about partnership business, about governance, NGOs, new policies and incentives. There's two other things I'd like the panel to bring up more to the fore. First is the role of the financial sector in capital markets because it strikes me that what we're talking about is at such a scale that it's going to need a tremendous amount of capital investment. Hopefully profitable capital investment but how do we get the financial sector and institution and capital markets more to the table as a partner and do we need to?

01:39:06

And then secondly how do we focus more on innovation? The underlying theme - is innovation going to be what saves us? If so, then who are the partners and how do we incentivise greater innovation which requires greater scaled adoption of new approaches? Thanks.

Maria Cattai:

Was there a second question? Yes please.

01:39:30

Noel Solomon, Guatemala:

And I'd like to direct this primarily at Peter and at Don Carlos. And it's related I guess to rural development. I'd like to give you an anecdote from

Guatemala recently in which the country's major influx of wealth or income is from remits sent back by overseas Guatemalans, second is tourism and only third is a crop, coffee and therefore bananas and sugar later on. And in the second space of tourism the President of Guatemala has declared a whole department, the major department for tourism, as out of bounds, as a state of emergency because of a recent incident that most of you heard about with regard to the narco traffic massacre.

01:40:19

Okay so my point gets now to creating shared value as values, as what within industry we have, which is a lack of violence, we have financial accountability. And I wonder if there's a creative way now to try and expand this because we have companies which exist within the rule of law - and that would be Modelo, Nestlé - and mafias which work outside which also create value, produce jobs and so forth. So there's a contest between the rule of law and the non rule of law impresas, the companies.

01:40:56

So have you thought about it Peter in terms of making the values within the industry a value that you could also defuse across society in creative ways, oblige people to follow them in more than just in dealing with you, and perhaps be a counterforce to this outside of the rule of law which is so destructive in terms of a sustained legal creation of rural development?

01:41:25

Maria Cattai:

Thank you very much. We'll make this the last round of this panel, so any of the questions that previously have been put, thoughts or this

challenge. It does not exist - a global programme in this area, so how are we going to look at it? What are the actual partners that will make things work, or should there be - should it be embedded in some kind of international attempt?

01:41:56

The role of financial sector in capital markets please, the focus on innovation -is it through technological change, through innovative - and I assume when you say the focus on innovation you're asking - are we going to depend on innovation and technology to make the difference? Or as in the case of creating shared value it is not just on technology.

01:42:22

And then your question that you have just put to us which is more of a challenge even than a question. So who would like to start out on this last round?

Next Speaker:

No you dictate the order.

Maria Cattai:

You're making life very difficult for me. Luis, I'm dictating.

Next Speaker:

Good decision.

01:42:43

Luis Alberto Moreno:

Well, first of all I think it's very difficult to have one institution solve all the problems. The one thing I've learned in being an institution that is basically devoted to development in Latin America, is that the future is through partnerships. I mean this example today of what Nestlé is doing with shared value; you know we think that partnerships is the key to dealing with many of these areas. In fact we created a whole unit in the bank just to deal with

this because I think today that it's impossible to have just one institution do that solution.

01:43:20

In terms of financial services, I mean when you look at Latin America and there is no surprise where you see the kinds of return financial institutions are having, the reality is that we have a huge gap to close in terms of financial inclusion. And there will be tremendous needs for financial services, and this is why you see the growth of microfinance and others.

01:43:44

I wanted to touch on something - I think it was John that he raised on people who are getting in retirement ages. You know President Zedillo, you mentioned Santiago Levy who helped him develop the conditions of cash transfers. We've done a whole work at the bank to date to think of social interventions along the life cycle of people. And when you look at those social interventions and you begin to think of which have the largest impact, certainly the largest impact today probably is in the early childhood development where issues of nutrition and other issues that we have touched upon here.

01:44:25

But when you look at - as you get closer to retirement, there was a tremendous transformation that was done in Latin America in moving away from the pay as you go system to capitalisation system. And that started with Chile and many other countries followed suit. What you find today is - because of the large proportions of informal labour markets, and this was really the philosophy that - part of what President Zedillo was describing - of

bringing up the conditional cash transfer programmes was to use subsidies from the government in a more targeted way, in a more effective way.

01:45:02

When you look at pensions today, you have countries having to for certain low income earners; the governments have to again put a third pillar, a third solidarity pillar, and this area of pensions is going to be one of the biggest weights on fiscal issues on Latin America in the years ahead. And I just wanted to bring that out, because we have a huge fiscal discussion in front of us and as you all know people don't like fiscal discussions because somebody has to pay for them so.

01:45:37

Maria Cattai:

Unfortunately it's not funny money. Carlos, do you have any last thought that you want to leave all of us with from your side?

01:45:44

Carlos Fernández Gonzáles:

Yeah I would say that coming back on what's needed by the businesses and also in sharing more of their values and efforts on organisations that move forward certain goals; I think that once again a shared agenda of businesses and organisations towards common goals, that's the basis for moving forward. On the other hand, I agree completely with Luis that just a global plan or just one organisation to do a certain thing, that will be terribly difficult. And on that regard I would say that again efforts like the ones that Nestlé is doing through this forum and through these activities is very important.

01:46:33

I will like to come again to what was mentioned about women. In certain ways - and just as a business - I would state that if you consider basically the amount of money spent for instance in marketing in the past now what it is today, it has been probably more than doubled. And it's because women have been more active in many other activities than they used to be, they are more present in many of - I would say the different ventures we are present, but on the other hand they are also strong, they have a strong presence also in the organisations moving forward, and not just in the organisations basically on production, but also on the management and on a d..... part of it.

01:47:22

For instance in our company the presence in our board, we have three directors in our board which are women, and top executives I would say that half of them are women today. And if you see the marketing team, it's amazing the amount of women that are involved in there. So I would say that women are playing really an important role going forward. And coming back to the [phrase in Spanish] with Mexico, I would say that the most dynamic members are women, and most of them are members of NGOs or part of academic institutions.

Maria Cattai:

Thank you very much Carlos. Julio?

Julio Frenk:

Of all the very interesting ideas that have come up, I would leave as one, it's the crucial role of knowledge in facing these very complex problems. We do have this dynamic where we're victims of our own success and the next generation of problems

becomes increasingly complex. We do live in a much more connected and complex world. And knowledge is going to be critical here.

01:48:35

I like to think of a circle of knowledge that starts with the production of knowledge through research. The reproduction of knowledge through education - we reproduce knowledge when we educate the next generation. Then there's the translation of knowledge, when knowledge gets translated either into products and technologies, or into evidence that then feeds into the formulation of policies. And that knowledge gets implemented in programmes. And I call it a circle because we have a duty to again study, close that circle by studying the effects, the consequences of human action of the solutions that we assign. And it's a virtuous circle if we do it well.

01:49:15

So I would say that the compliment to democracy is what I would call epistemocracy. It's ruling by knowledge from episteme which means knowledge. Epistemocracy so that we can inform policies that have consequences for a lot of people on the basis of evidence, we can evaluate them that, you know, as President Zedillo illustrated - even protects programmes when there are changes of governments. And most importantly because it feeds into a fundamental value and Noel was talking of values which is the value of accountability.

01:49:48

And I think this is probably the point that has to unite all of us whether we're in government, in business, in civil society, in academic organisations. It's the fact that we're accountable to each other. It's not different sectors. Governments when they



are elected democratically, their members are members of society, they come from society, they represent society. Businesses are not foreign objects, they are members of society. The glue that puts us together is our mutual accountability, and that requires investments in serious evaluations so that we are held accountable to each other for the policies we sign, the solutions we invent and the programmes we execute.

01:50:30

Maria Cattai:

It's very interesting, Julio, you say that, some of the comments also from our people watching us say that Latin America seems to be a real example of how government social initiatives and private sector must work in synergy to address social challenges.

I think there were quite a few addressed questions and issues to you, Peter.

01:50:52

Peter Brabeck-Letmathe:

Yeah I was intrigued of course by our friends from Guatemala about the question - how can you make values values? And it came back to the same question a little bit like before, how can you value creative shared value? It's one critical question I think. I don't have an answer, but I think we will pick that up.

01:51:16

On the measurements, my idea, long term idea, would be that the shareholder report of a company which is committed to creating shared value should have basically two sets of figures - the financial report and the creating shared value report. And there should be the same transparency on both

sides. That would be my vision for how we should do it. Now we know - this we know. We have done it, you can look at the Nestlé shareholder report, you have that. Whether the content that we have there which is in our case about hundreds of KPIs okay, whether this is the right content, whether we have the right design? I think that's something we have to continue to work. We have been working with York University on - how we have asked them for example to bring a design to this creating shared value, but we are not where we hopefully will be one day. So I take this clearly home.

01:52:24

The second aspect was about how you can put several of those things into place and how much it costs and things like this. It is not so much the money involved, of course money at the end of the day it is important; but if we realise that first of all 80% of extreme poverty is in rural areas, it's not in the cities. So 80% means that's where we have to attack first. Secondly in order to do that we need, and it was mentioned before, a bottom up approach because there it is really the small farmers. You see, a little amount of money can have an enormous impact. So it is not the big amount of money, it's a little amount of money multiplied in order to get to the small farmers that can have quite an impact.

01:53:24

What they need really more is stability in their income. And therefore I think a comprehensive, inclusive economic development has to start at the rural development side. If you don't do it there, if you only do it high up in the thing it will not have the impact that we need to have. We have to get rid of this extreme poverty in the rural environment.

And it has to be a bottom up. It's not on big things on top.

01:53:57

And finally only one figure, I mean one of the reasons why we have pushed so many people back into extreme poverty was of course the food price increase. 2008 it started; up to 2006 we were quite good on the millennium development goal number one which was eradication of extreme poverty. But then we lost everything and today we were down by 650, 700 million of people. The target was 500, if I remember. And now we are back at 1.2 billion.

01:54:37

Now this increase of the food price is something that really demands a more in depth analysis because if I listen to the G20 - and I was actively participating in G20 preparation - to believe that it is just speculation who is responsible for the food increase frankly speaking is barking on the wrong tree. I mean food price increase has to do with fundamentals, fundamentals have to do as we mentioned demographic increase, it has to take change of the consumption habits, we are too intensive again in resources if we try to feed the world with meat products, it has to do with short water supply. Those are the fundamentals.

01:55:26

You have some temporary aspects which are the floods or the droughts, which are temporary. And then you have those things which are irritating and irritating is speculation because it increases the volatility, but not because you will tackle the irritating part are you going to solve the problem on the other one. So this message has to get much

clearer to the G20. We're going to discuss about food security and things so that's very important.

01:55:52

The second underlying thing is the productivity, the agricultural productivity over the last ten years has been growing less than demographic. Whereas in the 20 years before the agricultural productivity was substantially higher than demographic growth, the last ten years agricultural productivity has come down. One of the main reasons is that we are not using innovation sufficiently although we have them. It's not a question that we don't have them, we have the technical innovations but for emotional and for political reasons in many parts of the world we don't use them, okay.

01:56:30

And the last one is I come back to my water issue. As long as we are going and misusing water for other things but the production of food and for human beings and for the environment, we have a problem. And the fact that we are spending 4,600 litres of water to produce one litre of ethanol, or 9,100 litres of water to produce one litre of pure diesel is just another sign of the misbehaviour we have with water. I mean if we just put water with a half a percent of a value we wouldn't be doing those things.

01:57:11

But as before, as water is something which is God given and will be there forever, we can make such aberrations. And therefore for me it's a very clear message out there - no food for fuel and full stop. If this message came out at the G20 meeting, believe me food prices would come back again, we would find balance between we can feed the world, we can

feed the world up to 10 billion. But we cannot feed all the cars which are out there, that is not .....

01:57:44

Maria Cattai:

Thank you very much Peter. And to conclude our session on Latin America - President Zedillo.

01:57:50

Ernesto Zedillo:

Well don't go, Mr Solomon, no don't go I want to comment something on what you said because it's very important, it's very important. I think what you just mentioned about what is happening in Guatemala is true, is very sad and is very dramatic. And unfortunately is just a small piece of what's going on in my country and in other parts of Latin America and the world.

01:58:30

And this is the problem of violence associated to organised crime that in my own country Mexico it has claimed over the last four years the lives of almost 35,000 people. And this is very serious first because there are lives lost involved. It is very serious because it is becoming an impediment for our own development, and it is very serious because it expresses that there are many things that probably are not being done right. And I should start by saying yes it is true that in Latin America, it is true about my country - we have failed over many years to provide ourselves the necessary institutions and resources to have both a strong and fair rule of law. So we must say frankly, you know, we have our own failures.

01:59:44

But, and speaking about what Julio was saying, problems that come from the north to the south, we

must also say that even when you account for all our own failures there is a residual in that problem, and that residual has to do with wrong-headed policies in the north about how to manage the drug problem.

02:00:16

And I think this has to be said very clearly - particularly I say it because of what's happening in our region. I say it because I know that my government is mounting a big effort to fight this problem, Colombia and Luis Alberto can give you a lot of testimony about what has happened in Colombia in fighting this problem.

02:00:43

But at the end of the day we believe that on this we are interdependent - we are interdependent with those countries where the biggest black markets that provide the profits that feed this violence are obstinate in keeping the policies that they adopted many years ago, and that even in front of the evidence that Julio is claiming with recent, you know, you should have policies designed on scientific evidence, on good information. And today with that scientific evidence we have good information that drug policies in the world - and particularly in the rich countries - are a failure. And yet those policies are not changed.

02:01:34

And the problem is not only that those policies have caused tremendous damage in these societies where the biggest consumption takes place, but that also have created immense negative externalities in countries like Mexico and now in central America and before us in Colombia.

02:02:00

So I think this is part of this dialogue, you know. We are interdependent. There are problems, as Peter said in the previous session, that cannot be tackled by individual countries or by individual companies or by individual communities alone. But if one part just dictates to the other or says, you know do this because it's a big issue for me, but if that part doesn't recognise that it has been applying the wrong policy then we are in a deadlock which is having a very high human - and I would say economic cost.

02:02:40

Maria Cattai:

And the opposite is also true President, when they do work together the synergies are far better than any one of the players.

02:02:49

Ernesto Zedillo:

Yeah there are examples and I take this opportunity to make a little commercial. Maria mentioned before that we treat each other with this familiarity because we are working together in a project; we are part of the global commission on drugs policy, a commission convened by former President Cardoso of Brazil. And in a couple of weeks we will be releasing our report where you can expect a very critical view on current drug policies in rich countries.

02:03:28

Maria Cattai:

That will be for our next meeting all of us together.

Ernesto Zedillo

Okay. So be ready and read it when it's out.

02:02:34

Maria Cattai:

Ladies and gentlemen, I don't know about you but I found this incredibly interesting and informative, and I know you're all going off for lunch and will be back here in one hour, we will do this all about Africa. But before we do can you give a big hand please to this panel.

Applause

END