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A PUBLIC-PRIVATE PARTNERSHIP TO BUILD A BETTER WORLD

Speech by Senior Partner Worldwide and former McKinsey & Company Managing Director Rajat Gupta to the U.N. General Assembly, September 14, 2005

Mr. Secretary-General, Members of the General Assembly, it is a great honor to address you today.

I have spent much of my life in a dialogue between business, government and civil society. I speak to you today as a true-believer in the ideal that when we three work together in public-private partnerships our world works better.

But mistrust and misunderstanding prohibit us from working together more often. And when that happens, we all lose – business loses opportunity, government loses credibility, but society loses most of all.

Let me therefore begin by expressing in the strongest possible terms my belief that economic growth, and our ambitions for the eradication of poverty, depend upon the energy and drive of business and commerce. In fact, I cannot envision an effective development strategy that is absent of – or uninformed by – the private sector. Yet when we examine where development has succeeded, in every case business has been the engine of development.

Because business kick-starts a virtuous economic cycle, new enterprises are formed, new jobs are created, new skills are gained, and incomes begin to rise. Soon, growth and productivity follow, spurring more innovation and efficiency, and bringing the products and services that people want and need. In parallel, people gain opportunity, empowerment, and dignity.

Of course it does not always work that way. And there are many well-chronicled reasons for that. But I want to suggest to you that what underpins all the causes of failure is partisanship. Partisanship prevents all of us from opening our minds to the possibilities of what each party can and must bring to achieve the goals of Monterrey. (*Note: The Monterrey Consensus, adopted at the International Conference for Financing and Development in 2002, recommended that “mobilizing and increasing the effective use of financial resources and achieving the national and international economic conditions needed to fulfill internationally agreed development...will be our first step to ensuring that the twenty-first century becomes the century of development for all.”¹*)

¹ *Newsletter of the Division of Public Economics and Public Administration; United Nations Department of Economic and Social Affairs; Newsletter 2002; Issue 1, Number 104*
(<http://unpan1.un.org/intradoc/groups/public/documents/un/unpan005791.pdf>)

Although government, society, and business are completely linked in reaching these goals, we operate as partisans. It is a failure in mindsets. Because we are too often at odds, we fail to explore avenues of co-operation to work together.

In short, we fail to see the simple truth that there is no hope for development without business, and in the long term, there is no hope for business without development.

Let me start with business. The very vitality of the business sector is growth. Growth is demanded by shareholders but more important than that, it's what inspires our managers and our workers. Today, companies are relentless in pursuing new technologies, new product markets, and new economies. But as many of these markets are still developing and many of these countries are still in development, a new approach is required.

Companies who take a short-sighted view make fundamental mistakes. They make a moral mistake of seeing profits but not people. But they also make the management mistake of investing where there is only short term return. They fail to build long term markets and long term opportunities, the crux of business success.

Enlightened self-interest should send business leaders to the development table to be co-architects of development strategies, to join in public-private partnerships, and, as appropriate, to engage in philanthropy. And I say to business leaders: don't do this under pressure. Do it because you will be building stronger communities filled with prosperous citizens – soon to be your employees and your customers.

As for governments, I say to you that you cannot hope for development without business. And business needs you to be successful. Whenever we see evidence of the private sector driving development, in every single case government got the conditions right. You and you alone get to set these conditions that enable prosperity.

First of all, in the most underdeveloped economies, the aid and innovative financing provided by the rich countries can create the minimum threshold required for the private sector to truly prosper. It is only when these basic requirements are met that the virtuous cycle of development can take hold. And then in every country, you as leaders set the framework for local entrepreneurship, for setting up businesses and closing them down, and for formalizing your economies. Further, you set the framework for national competitiveness, protect workers, enforce contracts, and protect intellectual and other property rights.

I believe government needs a mindset shift too. There is too much mistrust of the intentions of business and misunderstanding of the role that business can play. I would urge you to have higher expectations of what business can deliver, of how business can bring more than investment but also expertise and capability, of how business can provide not only enterprise but also help you with infrastructure and the delivery of public goods.

This may sound like aspirations aimed too high. But I believe that development that fails to leverage the best of business is development aimed too low.

All of us need to raise our game. I know that many of the government reforms I speak of require courage and political risk. But I also know that most of the CEOs I meet are aware of that. This room has many political statesmen but in my encounters with corporate clients around the world, I see more and more businessmen becoming statesmen too. There is growing evidence that the partisan mindsets that threaten co-operation can become something of the past. So I urge each of you, as well as my fellow business leaders, to embrace this opportunity to act in our enlightened self-interest and to work together in the spirit of real partnership.

Thank you.