

Lord Malloch Brown, global reformer

[ECONOMICS \(/TOPICS/ECONOMICS\)](#)

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FTI Consulting's chairman of operations in Europe, Middle East and Africa, Mark Malloch Brown | Photo: Michael Robert Williams.

By NIGEL ASH

(<https://www.intheblack.com/contributors/Nigel-Ash>)

Working with refugees in the world's poorest regions laid the foundation for a wide-ranging career focused on the developing world.

The young Mark Malloch Brown took his harrowing work in a United Nations (UN) Cambodian-refugee camp in Thailand very seriously – so seriously that he persuaded his new wife, Trish, to spend their honeymoon there.

This steely focus perhaps explains how the softly-spoken and unassuming Malloch Brown went on to notch up a stellar career as a world banker, tough reforming boss of the United Nations Development Programme (UNDP), deputy United Nations secretary-general to Kofi Annan, international statesman, British cabinet

<https://www.intheblack.com/articles/2013/09/11/lord-malloch-brown-global-reformer>

After receiving a peerage – and a hyphen in his official title – Lord Malloch-Brown is in a rare position to assess the role corporates can play in emerging and frontier markets, and the new political risks to which they are exposed.

“When I ran the UN Development Programme, and before that at the World Bank, I was a huge champion of drawing the private sector more fully into development, because of the sheer scale of the capital needed, the human skills transfer, the economic growth and the job creation,” Malloch Brown says.

Long-term partnerships, he says, are absolutely essential to successful development. “If you look across most developing countries, the state is a much smaller portion of GDP than in the West, typically 20 per cent as opposed to 50 per cent. That means a swathe of economic activity is in the hands of the private sector.”

And Malloch Brown cautions that he is not merely talking about international investors.

“I’m always just as interested in local private-sector development as I am in the international. For all the hype and excitement around foreign direct investment and multinationals coming in, the majority of job creation is actually from domestic SMEs [small to medium-sized enterprises]. Now the two are linked because a lot of those SMEs are actually in the supply chain for big multinational manufacturers or service companies.”

Malloch Brown acknowledges the international market pressures for short-term corporate performance, but believes they can be countered when it comes to the developing world.

“The kinds of long-term policies that one is looking for, in terms of engagement with developing countries, are not necessarily antithetical to short-term interests. If you want to be successful in the market, you’ve got to invest in becoming part of that market.”

This is particularly true of energy and mining companies. “With their inherently long lead times, they need a business strategy to make sure they still enjoy control of that asset when payback time comes.”

Within this, says Malloch Brown, corporate social responsibility (CSR) should not be a stand-alone item, but an integral part of the business plan. “We’ve moved from the old paradigm of it’s either the P&L or it’s CSR, to one where local street cred, in the form of being seen as a good corporate citizen, is really important.”

In the consumer sector, Malloch Brown notes the rise of local brands over international competitors. “Obviously that’s often partly price, in that new middle classes don’t have that much disposable income, but actually they tend to be very brand driven, even if it’s value brands. So the rise of anything from Nando’s chicken in South Africa to major food brands in supermarkets from Turkey to Brazil demonstrates consumers supporting companies they consider to be their companies.

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“Thus, if you’re one of the big global brands, the challenge to buy that local passport comes from building up a reputation in that market for being a good corporate citizen, for being a fair employer, for being a fair pricer, in terms of where you position your goods and services in the market.”

"For me it wasn't just about compliance. It was also about re-imagining the rules so they were more realistic in these contexts and so lightening the bureaucratic requirements." - Mark Malloch Brown

Malloch Brown's commitment to the developing world is greater since he and a handful of UN colleagues were responsible for building on earlier work to produce the eight Millennium Development Goals (MDGs) signed off at the UN Millennium Summit in 2000. He makes two trenchant points about the MDGs, which in the view of some have been a failure in that the developed world has not delivered on all its promises.

His first observation is that the adoption of the goals was in itself an achievement. “We knew the development debate would be hugely helped if there was a set of outcomes that we all agreed were a good thing, whether we were communists, capitalists, authoritarians, democrats, east, west, north, south.”

Those outcomes were the creations of jobs, the reduction of poverty and improved health and education.

“This has been very healthy because it has put the development community, policy makers and government officials on the same page with ordinary citizens, who like to see development in their country measured in terms such as the number of kids in school or fewer deaths of under-fives. As a result of the MDGs, the development debate has been aligned in a very powerful, catalytic way.”

Secondly, Malloch Brown insists that the years since the goals were adopted “have been the most successful in the history of humankind in terms of reductions in poverty, progress in primary education and healthcare”.

This has, he says, less to do with Western aid than with improved economic policy in the developing world – particularly in China – influenced by the MDGs.

He cites a report on eradicating poverty by 2030, handed to the UN by Indonesia's President Susilo Bambang Yudhoyono, Liberia's President Ellen Johnson Sirleaf and Britain's Prime Minister David Cameron in May this year, as the post-2015 version of the MDGs.

He praises the greater focus on reducing inequality, giving more attention to the environment and sustainable development goals, along with a bigger focus on energy, as well as more attention to government accountability and rule of law.

“They all combine to create this revolution in the condition of the bottom couple of billion of the world's population on a scale and with a reach we've never seen before. And this remains largely uncelebrated and unnoticed because the bottom two billion may be a third of humankind, but they are the ones with the least

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access to media and therefore their revolution tends to go unnoticed by those sitting higher up the social pile.”

Malloch Brown's reform of the UNDP in his six years as administrator demonstrated another set of his talents. In 1999 he took over a bloated, profligate and inefficient organisation that was losing the confidence and funding of donor countries.

He cut staff, ended “the Buggin's turn” [rotational] promotion policy and identified and promoted experience and leadership.

He also rationalised the programs, binning departments that dealt with agriculture and education because these were the bailiwick of other UN organisations.

“We set ourselves clear strategic priorities, which were sustainable development, the whole environmental dimension on growth, poverty reduction and focus on the microeconomics, about making sure that economic benefits reached the poor.”

Moreover democratic governance and accountability became a huge and controversial new priority for the organisation.

Malloch Brown's experience in Cambodia, and later what he saw in the Congo, Sudan, the Horn of Africa and Ethiopia, all showed him many lives are lost simply through incompetent economic management, which leads to famine and refugee displacement.

“So correcting that agenda of ills, too, was key,” he says. “And you don't spend the years I spent as a refugee worker without the grim thing of finding dying kids in your arms and having to handle corpses of the very recently dead. It brought home to a relatively privileged child of the British middle class just how much suffering and hardship and horror there was in the world.”

Malloch Brown explains his strengthening of the audit function uncovered a number of rackets within the UNDP, but the main problems emerged with the procurement procedures.

Field officers were required under rigid UN rules to obtain three different bids for contracts above a certain value. However, in the rush to deliver humanitarian operations on time, they were either trying to break the deals up into smaller values or fiddling the paperwork.

“I sympathised,” says Malloch Brown, “because when I was a young UNHCR official, my Head of Evaluation showed up from Geneva and came and saw me in a refugee camp which had 250,000 people in it at the time and which had been built in a matter of days under huge pressure.”

In the rush to beat the monsoon, organise drinking water and save lives, Malloch Brown cheerfully admits he had not attended to procedures.

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“My boss arrives and asks where my accounts are for everything. And I remember opening the trunk of my white Toyota Corona and showing him a series of cardboard boxes filled with receipts that all the contractors had given me for the services we’d acquired from them. And I remember his blanching at the prospect of how we were going to reconcile this with UN procurement rules.

“So I was a scourge of what was happening, but also fully understanding of what life is like in the field, in the midst of a huge humanitarian emergency, with lives at stake. So for me it wasn’t just about compliance. It was also about re-imagining the rules so they were more realistic in these contexts and so lightening the bureaucratic requirements.”

Now Malloch Brown is re-imagining political risk, a concern that, he says, even 10 years ago appeared redundant as the power of the markets seemed to flatten all before it and the choice of new production locations was dictated entirely by cost.

“This has changed dramatically with politics rearing its head again, but,” he warns, “the political risk of today is very different from that of the past. It is no longer the fear that your friend in the state house is going to get thrown out in a coup. It is much more a process and policy-type risk.”

Have the likes of mineral licences been acquired in a way that could be subsequently criticised as less than transparent, less than fully competitive or less than an auctioned market value?

Has a company set itself up for later public protest and uncertainty about the legitimacy of the investment?

“So almost every part of the decision-making matrix that a CEO and C-suite need to build before making an investment or handling their operations around the world is suddenly resubject to a political screen, which covers everything from what’s going on in the US Congress or the US Fed through to very local issues, such as the legitimacy of how a mining asset has been won, or local issues of economic performance and tax and tariffs and duties.

“My business today is trying to help people pick their way through this complicated forest of policies, taxes and the political factors that determine them. It is a forest in which you can easily get lost, which needs quite a lot of guidance and a good compass to get through.”

The challenge, Malloch Brown says, has been made the greater by the sharply lifted standards of compliance, particularly the British anti-bribery legislation and the US Foreign Corrupt Practices Act.

“Everything I hear from businesses here in London and in the US is that compliance has become a real issue.”

Companies needed to be seen to do the right thing, to have sought the right advice and ticked the right boxes in terms of how their own people and their business partners behave in operating countries.

7/14/2018 Lord Malloch Brown, global reformer, in a black and white photograph. "But beyond the box-ticking is a real need to have, where necessary, forensicly looked under the bonnet and really satisfied yourself that the people you're in business with are not paying facilitation payments, let alone have secured assets that you're now purchasing from them, in a less than honest and transparent way."

"So I think compliance is getting a lot harder, not easier, and then there are lots of other compliance categories in terms of financial regulation and everything else post-2008. So it's a great time for lawyers and CPAs; a less good time for people who have the day-to-day job of running businesses."



Malloch Brown helps people navigate complicated policies

Photo: Michael Robert Williams

A varied career

Mark Malloch Brown was political correspondent for *The Economist* before joining the United Nations High Commission for Refugees in Thailand in 1979.

After founding *The Economist Development Report*, a monthly report on the aid community that he edited from 1983 to 1986, Malloch Brown spent eight years as a communications consultant with Sawyer-Miller, where he was an adviser in high-profile political campaigns, including working with Corazon Aquino against the Marcos dictatorship in the Philippines.

In 1994 he became the World Bank's vice-president for external affairs, with a remit to work with the UN. Five years later he became administrator of the United Nations Development Programme (UNDP).

On his watch he coordinated the UN response to the deadly 2004 Boxing Day tsunami. He also led on the completion of the UN's Millennium Development Goals adopted by the G8.

While he was UNDP chief, UN Secretary-General Kofi Annan appointed Malloch Brown his chef de cabinet in 2005, and a year later he became Annan's deputy.

In 2007 he was given a peerage and joined Gordon Brown's new Labour government as Minister of State at the Foreign Office with responsibility for Africa, Asia and the UN.

Lord Malloch-Brown is now chairman of operations in Europe, Middle East and Africa for London-based FTI Consulting.

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