

“The challenge facing the international community in getting countries on track to achieve the MDGs is considerable, even more so in the face of the global challenges of inequality, climate change and impending insecurity. Global companies have a role to play: their first and most important contribution must be to minimise the negative and maximise the positive impacts of their core business operations on human development.”

Barbara Stocking, CEO, Oxfam GB

Business is often inextricably linked with the challenges highlighted within the MDGs. Business is instrumental to the ultimate achievement of the MDGs. Business can make a lasting difference.

Work with us for a better world.

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Business and the Millennium Development Goals. Your Call to Action.

Eight Millennium Development Goals (MDGs) were pledged in 2000 by 189 heads of state – to be achieved by 2015. There's still a long way to go. A lot to do. And a lot that Business leaders can do to help achieve these Goals.

In 2000, the heads of 189 states agreed the Millennium Development Goals (MDGs). They set a fifteen-year target for the international community to make significant reductions in levels of extreme poverty, to increase poor people’s access to basic goods and services, and to secure environmental sustainability.

One of the Goals identified the need for partnership with the private sector as an important element in social and economic development.

The MDGs were adopted in the context of increasing global insecurity, and poverty was perceived as a key factor fuelling it. The role of business, albeit important, was seen as no more than complementary to the obligation of the international community to meet the Goals. Consequently, the private sector was called upon primarily to ‘make available the benefits of new technologies, especially in information and communications’.

Recent global crises – rising food prices, climate change, the credit crunch, social unrest – point to a markedly different relationship between businesses and the MDGs. Many companies are inextricably linked with these various problems, able either to exacerbate or to relieve them. Businesses are no longer merely complementary to the efforts of the international community to meet the MDGs. They are instrumental to their achievement.

With seven years until the target date, what matters most is that the initiatives that companies undertake are relevant to the global challenges we face, responsive to the needs of poor people, and critically, are incorporated into day-to-day business.

Seven actions that companies can take to contribute to the MDGs

- Conduct core business operations responsibly.
- Fight inequalities in business operations.
- Develop trust by ensuring responsible policies and practices are consistent throughout the business.
- Ensure social value and benefits to poor people are key drivers.
- Make initiatives sustainable.
- Anticipate any adverse consequences that their decision-making might have on poor/vulnerable communities.
- Support governments in achieving the MDGs.

Reports of Haitians resorting to eating ‘mud-patties’ to lessen their hunger, and bloody riots as people desperately seek food in Mexico, Yemen, Indonesia, Guinea, and many other countries, show just how bad things can be if you are poor.

Success by 2015?

For poor people, the current food crisis could take many years to recover from. That these events have occurred at the halfway point on the MDGs roadmap is a stark reminder that the imperative to meet the targets by 2015 is unquestionable.

Like all bold and ambitious large-scale initiatives, the MDGs have had their fair share of criticism. But there are reasons to keep faith with this initiative.

Grounds for optimism include the following facts:

- The number of people living on less than \$1 a day has fallen by around 134 million since 1999.¹
- The number of children out of school fell to 72 million in 2007 – from 120 million in 2000.
- Since 2000, the Global Fund to Fight HIV and AIDS, TB, and Malaria has distributed \$8.6 billion in grants to 136 countries and secured treatment for 1.1 million people living with HIV and AIDS.
- Since 1999, poor countries benefiting from debt cancellation have more than doubled the total sum that they invest in fighting poverty.
- 2007 was the fourth year of consistent growth, exceeding five per cent, in sub-Saharan Africa. Per capita growth has lagged behind but is still consistently above four per cent a year.

There is however still a long way to go. As of today;

- one billion people still live in extreme poverty;
- ten million children a year still die before their fifth birthday, and malnutrition leaves one-quarter of the world’s children suffering from stunted growth;
- 1.1 billion people have no access to safe drinking water;
- fewer than ten per cent of people living with HIV and AIDS have access to anti-retroviral treatment;
- every day 1,400 women die during pregnancy or childbirth, with no access to professional care.

The eight Millennium Development Goals



Inequality and the MDGs

*by Kevin Watkins, former Director of the
UNDP Human Development Report*

Deep and persistent inequalities undermine progress towards the MDGs and violate the most basic precepts of universal human rights. Prospects for survival or adequate nutrition should not depend on the wealth of a child's parents. The right to education should not be contingent on gender.

Health status should not be determined by income, race, ethnicity or other indicators of advantage and disadvantage. Most people understand that circumstance should not dictate opportunity, and that fairness and social justice matter.

Progress towards the MDGs is undermined by

Responsibility: examples for five business sectors	Extractive industries	Banking	Retail	Pharmaceuticals	Fast Moving Consumer Goods (FMCG)
Elements of responsible business practice	<ul style="list-style-type: none"> ● Obtain free, prior and informed consent of affected indigenous peoples and local communities before commencing operations. ● Protect the environment and respect the human rights of affected communities, involving them in identifying impacts and formulating solutions. ● Be transparent about revenue, payments, contracts/ permits, and social/ environmental impacts. 	<ul style="list-style-type: none"> ● Evaluate and orientate the bank's portfolio and operations to prevent social and environmental harm. ● Make a positive contribution to sustainable development, for example, by delivering banking products needed by poor people and enterprises in developing countries. ● Ensure that lending policies are transparent, and support public policy, including by ensuring clients pay taxes where value is created. 	<ul style="list-style-type: none"> ● Integrate purchasing practices and ethical trading strategies. ● Structure staff incentives and performance assessments to reward, not undermine, ethical trading. ● Determine adequate delivery lead times with suppliers, taking into account their ability to fulfil production without breaching labour standards. ● Negotiate prices that are compatible with the supplier meeting labour standards. 	<ul style="list-style-type: none"> ● Apply a systematic tiered pricing mechanism that addresses public health needs and the real purchasing power in each developing country, to the entire portfolio, not just medicines for HIV and AIDS, TB and Malaria. ● Support governments in the use of public-health safeguards in the international intellectual property rights regime (TRIPS) and adopt a flexible approach to patent protection in developing countries. ● Conduct research and development (R&D) into diseases prevalent in developing countries as part of the overall R&D strategy, and invest in appropriate treatments. 	<ul style="list-style-type: none"> ● Make sure that value captured by those in the supply chain, especially by primary producers at the supply end is an equitable reflection of their inputs, and engage in fair negotiations on price and contractual commitments. ● Be responsible about the impacts that your products have on poor people's health, economic well-being and environment. ● Contribute to the economy by paying taxes, and re-investing revenues in local operations.
Examples of negative impact <small>(These are composite examples, not based on any specific company)</small>	A global mining company operating in West Africa is responsible for numerous toxic spills affecting rivers and streams used for drinking and irrigation by local communities.	A global bank avoids taxes, both on its own account and on behalf of its clients, by channelling money through tax havens. This deprives a developing country government of revenue needed for public service provision.	A supermarket uses price-cutting promotions in-store but expects the farmer to bear the cost of lower prices. It also places next-day orders, obliging workers to do unplanned and excessive overtime to meet delivery schedules.	A pharmaceutical company charges unaffordable prices for an important cancer drug and takes legal action against the developing country government for issuing a compulsory license to allow generic production.	An FMCG company based in a developing country exploits small-scale producers, and markets products that have a negative impact on health.

Be consistent – don't give with one hand and take with the other

A number of companies that have designed innovative social-investment projects are, unfortunately, the same companies that continue to ignore or fail to address abuses of human rights, poor labour standards, and environmentally harmful activities that occur within their core operations. By the same token, companies that lobby for trade rules, or other regulations which impact negatively on poor people, leave themselves

open to allegations of hypocrisy and cause potential partners in civil society to back away.⁹ For example, pharmaceutical companies that have called for stringent, indiscriminate patent rules which prevent poor people from being able to afford medicines. An effective partnership requires trust. And, as the CEO of one of the biggest global brands of FMCGs recently pointed out, "Lack of trust is possibly the biggest barrier to companies and NGOs working together." For many in the development field, a key element of this mistrust is a

lack of consistency in the behaviour and actions of companies. As a result, many potentially invaluable collaborations never see the light of day because NGOs are unable to risk being publicly associated with a company that has acted irresponsibly in its operations.

Be clear about who benefits and how value is defined

Companies that undertake social-investment projects under the aegis of the MDGs need to be clear about who is the primary beneficiary of the initiative: is it the company

and its shareholders, or is it poor communities? Recently, many global companies have been persuaded to undertake MDG initiatives on the basis that such measures will contribute to delivering market value by opening up access to the people at the *base of the pyramid* (BOP). There are two potential flaws in this strategy: first, if initiatives are designed with profits as the main motivation, the needs of poor communities may not be adequately met; the company is likely to view them mainly as 'consumers with purchasing power' rather than 'citizens in need'.

This has been recognised by some of the originators of the BOP concept who now suggest that generating community value needs to be the primary driver. (See box page 9) Secondly, current mainstream concepts of value are defined by fast growth. MDG initiatives do not necessarily deliver the fast growth that companies need in order to demonstrate profitable investments. In the 1980s and 1990s, some oil companies made big investments in renewable energy; but when those investments failed to deliver the

fast growth required to show value, the companies scaled back their investments very significantly. **Make initiatives sustainable** Meeting the MDGs requires initiatives that are truly sustainable in social and environmental terms, not quick fixes or projects driven by ads. This is particularly important, given that what forces people below the poverty line is often their vulnerability to shocks. In this current climate of volatility the need to build resilience can be met only through initiatives that take account of this reality.

Oxfam's advice to companies investing in social-development projects is this: don't just park the initiative in 'Community Affairs' and write off the investment as philanthropic. If you are investing in it, then you need to see a return on that investment. In this case, the value is measured in terms of social and environmental capital; but you still need to apply your usual rigour in measuring that value.

Anticipate adverse consequences

Although unintended, some initiatives may end up being counter-productive in the longer term.

One example of this can be seen in some of the drug-donation programmes undertaken by pharmaceutical companies. These can cause chaos in the market for inexpensive medicines, because the volume and timing of drug donations are generally unpredictable. This prevents accurate planning throughout the supply chain from manufacturer to consumer. This has adverse consequences for local companies that produce generic medicines.¹⁰

Another example is investment in the production of first-generation biofuels. The demand set by governments such as the UK and other EU members, in the absence of any standards to protect land rights or human rights,

is leading companies to scramble to supply the new market. As they do so, they are displacing communities and food production.

In Tanzania, a European biofuel company's proposed 400,000 ha investment in the Wami Basin is likely to lead to the displacement of 1,000 rice farmers, with obvious implications for livelihoods and food security.

The United Nations has warned that 60 million indigenous people worldwide – equivalent to the entire UK population – are at risk of being pushed off their land to make way for biofuel companies. Testing for possible adverse effects before launching an initiative can avoid – or at least minimise – such problems.¹¹

How to reduce the impact of climate change on poverty

Company activities can either support or undermine poverty reduction in the face of climate change. It is in firms' own interest to build both their own climate resilience and that of the communities where they operate. Key actions for responsible companies include the following:

Reduce greenhouse-gas emissions

The first step is to carry out an inventory of all greenhouse-gas emissions – direct and indirect – from products, services, and operations, including those from supply chains and consumer use of products/services. Then realistic and ambitious targets can be set to reduce emissions, operationalise plans, and conduct regular monitoring. Acknowledging this, the Vice-President of Wal-Mart recently stated, 'We recognised early on that we had to look at the entire value chain. If we had focused on just our own operations, we would have limited ourselves to 10 per cent of our effect on the environment – and eliminated 90 per cent of the opportunity that is out there.'¹²

Support government policy to cut emissions

Firms should call for strong government policy on emissions reductions, particularly in

developed countries, and take action to set their own emissions in line with it. The call from 150 global companies for an ambitious, legally binding international UN agreement to reduce emissions in the run-up to the 2007 UN Bali Climate Conference is an example of good practice.¹³ The lobby of Europe's heavy industries and car manufacturers against the policy frameworks needed to shift business investments to low-carbon trajectories is an example of bad practice.¹⁴

Build community resilience through adapting core operations

Companies – especially those sourcing and selling globally – must enable adaptation to climate change in developing countries. Across India, communities have accused major soft-drinks multinational companies of using too much water in their operations, leaving households without adequate access. Such

conflicts between companies and communities are likely to worsen as climate change severely reduces water availability in developing countries.

Create appropriate and affordable products for adaptation

Companies that provide goods and services to help communities adapt to climate change – such as irrigation, drought-tolerant seeds, or weather-related insurance – can make products appropriate to, accessible by, and affordable for poor people.

Contribute to innovative strategies for low-carbon development

Companies can use their skills and resources to promote the development and transfer of clean technologies in support of poor communities, for example by investing in renewable sources that expand energy access for the poorest communities.



Second-generation base of the pyramid (BOP)

'A growing chorus of voices now raise concerns that corporate BOP strategies represent nothing more than veiled attempts to "sell to the poor", as though simply turning the poor into "consumers" will address the fundamental problems of poverty and sustainable development....Building a BOP business that creates enduring community value while establishing a foundation for long-term corporate growth and innovation requires an entirely new strategic process and corporate capability.'

S. Hart and E. Simanis, The Base of the Pyramid Protocol: Towards Next Generation BOP Strategy (Cornell: 2008)

Many of the MDG targets focus on indicators of human development relating to health, education, and access to clean water. Oxfam’s view is that in guaranteeing universal access to such essential services, there is no substitute for the state as the main provider of public services.

Some things only governments can do

Countries that have grown fast in recent decades have all done so on the back of major government provision of health and education services. Neither civil society nor the private sector is a viable alternative to government, because they are unable to achieve the scale and reach of public provision, for example, to meet the needs of poor communities in remote rural areas.

But businesses can play a complementary role. The production, and in some circumstances provision, of vital medical inputs and other supplies such as mosquito nets,

textbooks, desks, taps, and toilets, and the construction of facilities such as classrooms and clinics, are all useful contributions. Critically, wherever companies are involved, their efforts should support and build the capacity of government to be the majority provider of services.

For governments to deliver the public services – health, education, water – so necessary to alleviate poverty, they need access to financial resources. These resources in large part derive from taxes, but it has been estimated that the revenues foregone by poorer countries due to tax avoidance and evasion amount to at least £221 billion each year.¹⁵

This is equivalent to several times the estimated shortfall in development finance needed to achieve the MDGs. The damage to domestic business sectors and wealth accumulation resulting from transnational companies’ avoidance and evasion of taxes in developing countries further hampers progress towards the MDGs.¹⁶

Forward-looking businesses support governments in implementing a business regulatory framework that ensures respect for human rights, protection of the environment, and poverty reduction. This creates a level playing field for all companies and encourages good practice and innovation.

Taking on the Challenge

Taking on the MDGs challenge is a serious commitment. The problems the MDGs are set up to overcome are in many cases deeply entrenched and could worsen if there isn’t a ratcheting up of efforts and a step-change in approach and attitude. Companies that are up for that challenge have huge potential to impact on making the 2015 target a reality.

Notes



Linking producers to markets. Photo: Oxfam