“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.

For more information email: companies@oxfam.org.uk

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This paper was written by Sumi Dhanarajan and Penny Fowler, with contributions from Robert Bailey, Sarah Best, Kate Geary, Helena Vines Fiestas and Shanta Martin. The paper also benefited from discussions with and comments from Kevin Watkins, Kate Raworth, John Magrath and Nicola Day.

For further information and resources on Oxfam’s work on business and poverty, please go to: http://www.oxfam.org.uk/oxfam_in_action/issues/private_sector.html

The information in this publication is correct at the time of going to press.

Be Humankind Oxfam

Briefings for Business
May 2008

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.

Be Humankind Oxfam

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 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

Eradicate extreme poverty and hunger

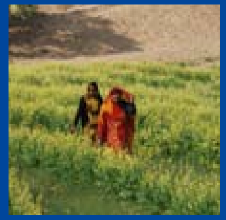
Achieve universal primary education

Promote gender equality and empower women

Reduce child mortality

Improve maternal health

Combat HIV and AIDS, malaria and other diseases



Ensure environmental sustainability

Develop a global partnership for development

In order to accelerate progress, MDG initiatives must address more than material deprivation and need. Action is needed on three fronts, in particular: First, there is a need for the MDGs to place a greater emphasis on tackling inequality – manifest in social, political, and economic marginalisation and discrimination. Such inequalities, which determine one's life chances, can undermine a person's ability to obtain adequate food, income, and other basic necessities, as well as restricting the realisation of one's wider human potential.[2] Inequality weakens the transmission of economic growth into poverty reduction and can result in worsening disparities between rich and poor. Secondly, MDG initiatives must address powerlessness and injustice so that poor people receive fair returns for their labour and assets.[3]

Finally, the MDG initiatives must respond to current realities. The global context in the run-up to 2015 looks increasingly challenging, in the light of impending food, energy, and water insecurity, combined with the onset of climate change, and a mounting global health burden – all of which, exacerbated by crises, could lead to social unrest. As an important example, the MDGs framework does not explicitly address the challenge of climate change, despite its impact on poor communities. The 2007 UN Human Development Report argues that there is a real danger that climate change will first slow, then stall, and eventually reverse the advances achieved under the MDGs. In vulnerable communities, the combination of even a fairly small climatic shock – such as a week's delay in the rains – with a family illness can push poor people and communities into a downward spiral of debt and vulnerability from which they struggle to recover.[4] In many countries, rising greenhouse gas emissions will increase climatic extremes with profound human impacts. In Uganda for example, more erratic rainfall is likely to contribute to both increased drought and to more floods, increasing chronic food insecurity.[5]

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.

Yet these concepts do not feature as a central focus of efforts to reach the MDGs and as a result, young girls, low-income groups, rural areas, people of low caste, indigenous minorities and others are being left behind. Governments are encouraged to report on the average – and to turn a blind eye to inequality. This is counter-productive because closing equity gaps in wealth, education, child mortality and nutrition could act as a powerful catalyst for progress towards the MDGs. It is anachronistic because it is out of step with the ethical spirit that underpins the goals.

The MDGs – like the Universal Declaration of Human Rights – are there to protect and enhance the entitlements of the vulnerable, not to provide a smokescreen for governments that are failing the most basic tests of social justice and morality.

Speculative investors, poverty, and the MDGs

The current financial crisis highlights the need for a greater focus on the interaction between financial markets and the poverty-reduction agenda. Many of the fault lines are created by irresponsible lending and speculative investors seeking rapid profits.

Using innovative financial instruments that are increasingly removed from the real economy, such speculators increase the risk of volatility in global capital flows, to which many developing countries are vulnerable as a result of financial liberalisation. While the credit crunch is worrying enough for rich countries, its impacts will mostly be relatively short-lived.

But the knock-on effects can be devastating and enduring for poor people in developing countries, as past crises have proved. Referring to the current food crisis, Peter Timmer of the Centre for Global Development says:

"In my view, the real trigger for the current spike in food prices is speculative behaviour on the part of large investment/hedge funds, with hundreds of billions of dollars looking for the next price bubble (after tech stocks and real estate collapsed, what next?)."

Given the nature of the impacts of their activities on poor people, addressing the role of investors and financiers is a crucial part of the picture.

What can companies do?

In July 2007, UN Secretary-General Ban-Ki Moon and UK Prime Minister Gordon Brown issued an 'MDG Call to Action',[6] recognising the need to accelerate progress. Companies were asked to implement concrete initiatives that would apply their core business, skills, and expertise in a transformative and scalable manner to enhance growth and wealth creation.

They said, "This is not about encouraging more philanthropy or corporate social responsibility, but producing business ideas that are both commercially viable and help to achieve the MDGs."

UN Secretary-General Ban-Ki Moon and UK Prime Minister Gordon Brown suggested that company initiatives might include the following measures:

- generating significant new employment opportunities in developing countries;
- improving the quality of supply chains, helping local businesses to diversify and/or become internationally competitive;
- including innovations and/or technologies that make it easier for individuals and companies to do business.

Twenty-one business leaders signed a declaration supporting this call.[7]

That companies have shown an interest in the MDGs is a good thing: businesses can contribute many assets in the form of skills, innovation, and resources. Their ability to make things happen is invaluable. At a time when addressing poverty is a matter of urgency, given the onslaught of new challenges coming our way, the private sector needs to play an intrinsic part in delivering the development agenda.

Companies could also benefit from progress on the MDGs, particularly given their growing stake in developing-country markets. Success in meeting the MDGs will strengthen economies, stabilise the business environment, and improve the income, health, and education of populations whom companies are seeking to reach, whether as customers, suppliers, or employees.

There are a number of things that companies can do to make their contributions to meeting the MDGs effective, valid, and credible: First and foremost, conduct core business operations responsibly

Oxfam agrees that companies should deliver more than piecemeal philanthropic initiatives at this critical time. We believe that corporate responsibility – which Oxfam defines as ensuring that a company's core business operations are socially and environmentally responsible – is critical to the achievement of the MDGs.

This is essential, given the direct impacts of company decision-making and operations on poor people, whether as consumers and citizens, or producers and workers, in their value-chain. To suggest otherwise implies a failure to understand that:

- having a job does little to alleviate poverty, unless it is a decent job;
- that a company which sources from a developing country but fails to pay its taxes accordingly leaves a government short of funds for its public services;
- and including small businesses in your value-chain but disproportionately capturing the value, rather than distributing it equitably, may generate growth but will do nothing to reduce the poverty of the producers.

The MDGs clearly indicate some of the challenges confronting poor people in developing countries. For companies seeking to do business in these countries, framing their business operations in a way that responds to the nature and scale of deprivation, as well as responding to the causes of it, makes sound commercial sense.

In emerging market economies like China, India, Brazil, and South Africa, there may be impressive growth; but this must be seen against a backdrop of huge disparities in wealth, where a family illness or a poor harvest may be enough to push people below the poverty line.

Factoring these realities into a company's business model and operations will help to secure that company's licence to operate both by ensuring their products or services are relevant to the population's needs, and by meeting society's growing expectations of business behaviour.

Act to change business activities that thrive upon or exacerbate inequality

Retailers seeking fast turnaround times, cheaper unit costs, and greater flexibility can be largely dependent on a supply of workers who are forced to accept low-paid, precarious jobs, characterised by short-term casual contracts with little or no labour protection.

Often women accept exploitative working conditions out of desperation for an income.[8] If those workers have fair terms of employment and working conditions in line with international labour standards, they can earn a decent living, save money, and gain an increased sense of control and self-confidence.

Responsibility: examples for five business sectors	Extractive industries	Banking	Retail	Pharmaceuticals	Fast Moving Consumer Goods (FMCG)
Elements of responsible business practice	• 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.	• 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.	• 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.	• 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.	• 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 (These are composite examples, not based on any specific company)	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 fads.

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

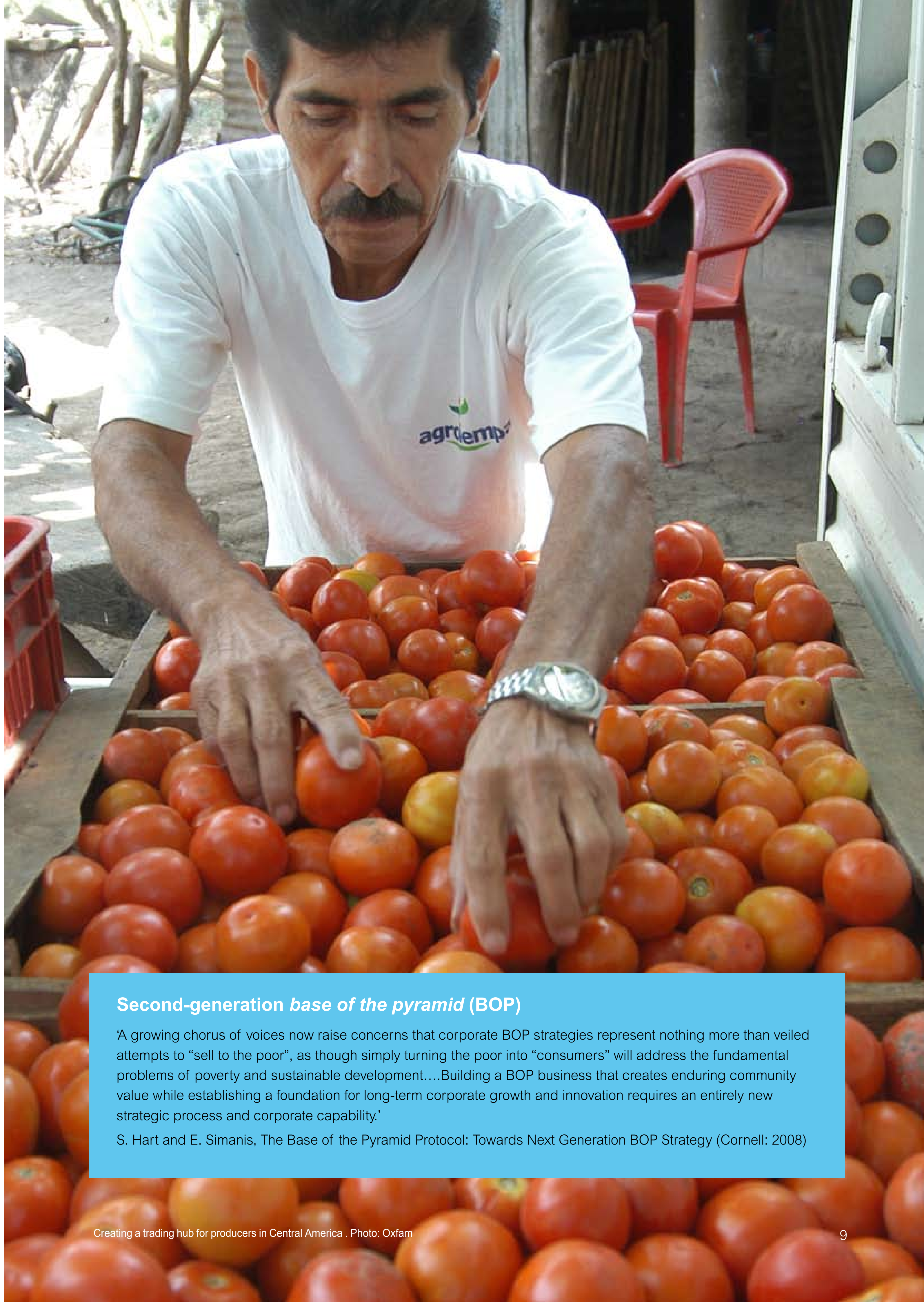
Companies – especially those sourcing and selling globally – must enable adaptation to climate change in developing countries. Across India, communities have accused major soft-drinks multinational companies of using too much water in their operations, leaving households without adequate access. Such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

Creating a trading hub for producers in Central America . Photo: Oxfam

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

1. These poverty figures were, however, thrown into doubt in late 2007 when new estimates of so-called 'purchasing power parity' revealed that China and India's GDP was some 40 per cent smaller than previously thought. The World Bank plans to publish revised and backdated poverty estimates based on these new figures later in 2008.

2. For more on the MDGs and inequality, see K. Watkins (2008): 'The Millennium Development Goals: Three Proposals for Renewing the Vision and Reshaping the Future', paper commissioned by the British Government.

3. Green, D. (2008), From Poverty to Power: How Active Citizens and Effective States Can Change the World, Oxford: Oxfam International. See www.fp2p.org

4. Oxfam International (2007): 'Climate Alarm: Disasters Increase As Climate Change Bites', Briefing Paper 108

5. Forthcoming Oxfam report on Climate Poverty in Uganda, June 2008

6. See www.dfid.gov.uk/mdg/call-to-action.asp

7. The business leaders represented these companies: LVMH, The Bechtel Corporation, The Goldman Sachs Group Inc., Anglo American plc; Unilever PLC/Unilever N.V, Cisco Systems;, McKinsey & Company, Inc, Reuters Group plc; Microsoft, GE, SABMiller, PepsiCo Inc., De Beers Group, Citigroup, Vodafone, Google Inc, Wal-Mart Stores, Inc, FedEx, Tata Group, Bertelsmann AG and Diageo.

8. K. Raworth (2004): 'Trading Away Our Rights: Women Working in Global Supply Chains', Oxford: Oxfam International.

9. Oxfam International (2007) 'Investing for life: meeting poor people's needs for access to medicines through responsible business practices', Briefing Paper 109

10. Ibid.

11. Oxfam International (2007) 'Bio-fuelling poverty: why the EU renewable-fuel target may be disastrous for poor people', Oxfam briefing note.

12. Tyler Elm quoted in 'The Greening of Wal-Mart's Supply Chain, Supply Chain Management Review (July 2007)

13. Corporate Leaders' Group on Climate Change (2007): Bali Communique, http://www.balicommunique.com/communique.html (last checked on 24 April 2008).

14. S. Castle (2008): 'Barosso warns EU leaders against backing off emissions cuts', International Herald Tribune, 13 March 2008, www.hit.com/articles/2008/03/13/europe/union/php (last checked on 7 April 2008).

15. A. Cobham (2006): 'Tax Evasion Keeps the Developing World Poor', guardian.co.uk, 20 February 2006.

16. M. Lewis (2006): 'Global Tax Evasion, Tax Justice Network. See also Oxfam GB (2000) 'Tax Havens: Releasing the Hidden Billions for Poverty Eradication', Oxford: Oxfam GB.

Linking producers to markets. Photo: Oxfam