

Stepping up the ladder: how business can help achieve the MDGs



Simon Maxwell

'Interests do not have to be perfectly aligned for a productive partnership to develop'

Business and development is the topic to watch and work on in 2008, as businesses respond to sustained pressure to contribute to the MDGs. Maintain the pressure, manage the engagement, and the prize is a new contribution by business to poverty reduction and sustainable livelihoods: social welfare contributions and links to social enterprises, yes, but also new procurement practices and new kinds of partnership with local communities and local government.

To understand the potential, think of business engagement as a (short) ladder with three – possibly four – steps.

The first we see everywhere: business engagement in the community. Businesses provide money to support good causes, but also involve staff in fundraising activities or working on project sites. The good cause might be an orphanage, a theatre-workshop, or a social enterprise for the long-term unemployed. The relationship is essentially philanthropic. British Airways supports UNICEF in this way. The Nike Foundation works with adolescent girls. In London, buses have carried advertisements celebrating Benetton's commitment to micro-credit in Senegal. There's nothing wrong with this. It's good for the communities, good for a company's image, and good for staff morale. But it's not enough.

The second step takes corporate social responsibility into the heart of companies and commits them to better behaviour. The best example is the UN Global Compact, with ten core principles, derived from the Universal Declaration of Human Rights, and other instruments covering human rights, labour standards, the environment, and anti-corruption measures. For example, companies that sign up – and there are currently nearly 4,000 of them – commit to allow unions, not to use child labour, and to work for the environment. Many NGO-led campaigns have worked within this space, for example on blood diamonds, or, more recently, No Dirty Gold. Good corporate

citizenship of this kind is essential. But again, it's not enough.

The third step is where most current efforts are concentrated. Here, businesses work through every aspect of their activity, to ask whether development impact can be improved. Often, this involves the supply chain. For example, a hotel can commit to buy supplies from small-scale producers rather than large ones, to create more and better jobs for poor people; or send the laundry to the small business round the corner, rather than doing it itself. ODI has worked with tourism businesses around the world on such issues. In the Gambia, for example, up to 14% of all tourist expenditure is captured by the poor, and this can be increased by strengthening local procurement and expanding the craft sector.

Even better figures are found in other sectors. ODI work has shown that economic capture can be pushed from 10% to 35% in oil and gas production, and from 40% to 72% in food and facilities management. There are long term benefits. When AMEC, building infrastructure for oil and gas development in the Philippines, decided to work with small suppliers, rather than large ones, the skills and capacities of those small companies grew to the point where they could tender internationally. There are benefits to large companies in changing behaviour, not least in their acceptance by local communities, their 'licence to operate'.

There is political impetus for this third level of corporate behaviour. When Baroness Shriti Vadera was a DFID Minister, she stressed the importance of growth to the achievement of the MDGs, outlining:

'a role for Northern companies that moves beyond minimum standards, beyond philanthropy, beyond corporate social responsibility, into making them long term partners in development. By increasing the level of value and wealth that is created in the country of investment, by increasing the level of revenue

Overseas Development Institute

ODI is the UK's leading independent think tank on international development and humanitarian issues.

ODI Opinions are signed pieces by ODI researchers on current development and humanitarian topics.

This and other ODI Opinions are available from www.odi.org.uk

that is captured in country, through investment in domestic supply chains and developing local business partnerships, through skills and technology transfer . . .’

We expect to see this vision of corporate citizenship in the build-up to the MDG Call for Action meeting in September. Those who read Gordon Brown’s speech in New York last July, when he described a ‘development emergency’ and called for a UN Summit, know that around 20 business leaders signed a supportive Declaration. Signatories include Vodafone, Citigroup, SAB Miller, Microsoft and many others. Watch out, too, for ODI’s work on a Good For Development label, extending the idea of Fair Trade to this wider canvas.

There is an emerging fourth step on the ladder, prominent at the World Economic Forum in Davos (WEF) this year, involving business in global public policy. Water is a good example, where food companies, in particular, are working together on frameworks for managing shortage. Biofuels is another example, where energy producers and users work together on second, third and fourth generation technologies, and on how to change tariffs that block low-cost suppliers, such as Brazil, from access to EU markets.

Klaus Schwab, Executive Chairman of the WEF, has been at the forefront of the push for corporate global citizenship. He says, rightly, that: ‘the primary responsibility for meeting global challenges still rests with governments and international organisations. But companies can contribute in an appropriately balanced partnership with the public sector and relevant civil-society groups.’

The development community must not be naïve. ‘Business interests’ have not always coincided and will not always coincide with ‘social interests’. There’s a surprise! However, the current risk is that the development community will be too wary to seize the opportunity to build new kinds of relationships and partnerships. Remember that interests do not have to be perfectly aligned for a productive partnership to develop.

We see that business leaders, employees and customers are all focused on being better citizens. There are many opportunities in 2008 to build from there. What should be the priorities? The development community can: help companies deliver philanthropic objectives; build partnerships locally; provide advice and support to help companies move up the citizenship ladder; participate, with others, in monitoring company behaviour against Global Compact standards; and involve businesses in creating communities of interest on policy matters. None of this is without risk, and there is a need to set standards and monitor progress, for example by NGOs like Accountability and Business for Social Responsibility (and researchers from ODI). Overall, however, it is better to seize these opportunities than to stand and watch.

Written by Simon Maxwell, ODI Director (s.maxwell@odi.org.uk). A version of this Opinion was published in the April newsletter of BOND (British NGOs for Development): see <http://www.bond.org.uk/news/ngosbusiness.htm>



Overseas Development
Institute

111 Westminster Bridge
Road, London SE1 7JD

Tel +44 (0)20 7922 0300

Fax +44 (0)20 7922 0399

Email
publications@odi.org.uk

Readers are encouraged to quote or reproduce material from ODI Opinions for their own publications, but as copyright holder, ODI requests due acknowledgement and a copy of the publication.

© Overseas Development
Institute 2008

ISSN 1756-7629