

# INNOVATING FOR A BRIGHTER FUTURE

*The Role of Business in Achieving the MDGs*



**United Nations** Global Compact



**Dalberg**

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## Contents

<b>Executive Summary</b>	<b>3</b>
<b>Introduction:</b> Business Engagement in the Millennium Development Goals	<b>5</b>
<b>The Trends:</b> How Business Is Promoting Development and Helping to Reach the MDGs	<b>9</b>
<b>Case Studies:</b> Real Benefits for Development	<b>13</b>
Case Study 1 — Core business operations and the value chain: Endesa	
Case Study 2 — Core business operations and the value chain: MAP International	
Case Study 3 — Social investment and philanthropy: Microsoft	
Case Study 4 — Advocacy and Public Policy Engagement: The China-Africa Business Council	
<b>The Role of Business in Bridging the MDG Gaps</b>	<b>17</b>
<b>The Future:</b> How Business can Enhance Its Engagement	<b>21</b>

### **The UN Global Compact Has Two Objectives:**

- 1.** Mainstreaming the UN Global Compact's ten principles in business activities around the world
- 2.** Catalyzing actions in support of broader UN goals, including the MDGs.

While this publication focuses on the second objective, we continue to encourage businesses to live up to their commitment to the principles under the first objective.



“The MDGs have sparked a remarkable, global mobilization. Rarely have so many organizations -- from the global to the grass roots -- agreed on a common agenda. Rarely have so many individuals -- citizens and CEOs, philanthropists and political leaders -- found such common ground. We must realize the great potential of this global movement.”

*—H.E. Ban Ki-moon, UN Secretary-General*

## Executive Summary

Once isolated from public and non-profit sectors, the private sector is now being welcomed into the development field as an essential engine for progress toward the Millennium Development Goals. The rise of corporate social responsibility and the recognition that business and development objectives often coincide has placed companies at the heart of the struggle to raise living standards in emerging economies. In this report, we present some of the most positive trends defining the private sector's contributions to development. These trends offer lessons that can be applied across many industries and geographies as we try to achieve the Millennium Development Goals (MDGs), especially those MDGs that are far from being realized and could benefit enormously from the innovative input of the private sector.

The entrepreneurial process has long been a central force behind economic and social development, and the expansion of the private sector can be a powerful lever for raising living standards. But simply doing business to earn the greatest possible profits is not enough. Corporations must be responsible for the repercussions of their actions in ways that go beyond profit and loss. The United Nations Global Compact exists to encourage responsible business practices that protect human rights, labor, and the environment and also work to eliminate corruption. The compact is based on the notion that companies can take specific, targeted actions — for example, engaging in public-private partnerships to fight corruption — that support social and economic development priorities while serving the companies' long-term profitability.

The United Nations has divided these actions into three areas:<sup>1</sup> core business operations and the value chain; social investment and philanthropy; and advocacy and public policy engagement. In all three, companies have devised innovative and effective strategies that have made meaningful contributions to development and can continue to do so as they are scaled up and replicated around the world. We offer a series of case studies that can be used as models for all three areas of the pro-development agenda.

As partnerships intensify between the private sector, the United Nations, and other development actors, a willingness to learn from each other and exploit their diverse competencies will be a key to success; companies can often work around local constraints in ways that official agencies cannot. Looking forward, we believe that the most successful partnerships will result in initiatives that can be scaled up beyond their pilot phases, replicated in diverse settings, and sustained over time. We offer a practical guide to pursuing these initiatives and accelerating our progress toward the MDGs.

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<sup>1</sup>The United Nations' framework is based on Nelson, Jane and Prescott, Dave. Business and the Millennium Development Goals: A Framework for Action. International Business Leaders Forum and United Nations Development Programme, 2003.





## Introduction: Business Engagement in the Millennium Development Goals

The past decade has been a momentous one for the involvement of the private sector in the pursuit of higher living standards in the developing world. When the United Nations and its partners launched the Millennium Development Goals ten years ago, experts still considered official aid, international organizations, and private charities the main drivers of an actively pro-development agenda. This perception has since changed, and with good reason.

The private sector has always been an important engine for economic growth and the improvement of individual wellbeing, a fact that should have been acknowledged much earlier in the development community. But in more recent times, the private sector has also shown its versatility and creativity in pursuing development objectives, often in concert with official agencies including the United Nations Office for Partnerships and the United Nations Foundation. Microcredit, socially responsible investing, innovative financing mechanisms, and countless inventions with practical applications in developing countries would have been impossible without the ingenuity and support of the private sector, acting with a clear awareness of corporate social responsibility and within a regulatory environment that generates positive incentives.

Consider the big picture. As the world's main source of economic growth, business is at the heart of virtually any widespread improvements in living standards. It was not a coincidence that China's stunning growth of the past several decades, which lifted hundreds of millions of people out of poverty, followed the loosening of rules on private enterprises and the country's opening to international trade. Although the relationship between the expansion of the private sector and economic and social development can be quite complex — and the role of the state cannot be neglected — the same story has been replicated to varying degrees in many other countries.

These reductions in poverty were underpinned by entrepreneurs and capitalists doing business as usual, and also by the strengthening of the legal and physical infrastructure in developing countries. Business as usual does not have to be the end of the story, however. When companies take the extra step to engage directly in the fight for economic and social development, the results can be even more striking — both for the companies and for the people they help. This extra step falls directly in line with the MDGs as well as the principles of the UN Global Compact: protecting human rights, labor, and the environment, and working to eliminate corruption. After all, both economic and social development are clearly in the interest of any company hoping to serve new consumers and new markets. Lifting people out of poverty, offering them better education, and treating their illnesses creates a new class of customers who otherwise would not have added to global demand. Going a step further, helping to strengthen the institutions that provide the framework for a stable and free society, can also generate tremendous rewards.

<sup>2</sup>"Business Guide to Partnering with NGOs and the United Nations": joint publication by Dalberg Global Development Advisors, the Global Compact Office and the Financial Times, available at: [http://www.unglobalcompact.org/Issues/partnerships/Guidance\\_Material\\_Partnerships.html](http://www.unglobalcompact.org/Issues/partnerships/Guidance_Material_Partnerships.html)

The chart below shows the current state of play. Each MDG is color-coded to convey the overall level of progress toward the targets set in 2000. Light green signifies that the world is well on its way to achieving the goal (at least in specific regions), blue conveys progress is likely to be sufficient, and light blue indicates a goal at serious risk of going unfulfilled.

MDG	TARGET
GOAL 1: <b>Eradicate extreme poverty and hunger</b>	1.A: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day
	1.B: Achieve full and productive employment and decent work for all, including women and young people
	1.C: Halve, between 1990 and 2015, the proportion of people who suffer from hunger
GOAL 2: <b>Achieve universal primary education</b>	2.A: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling
GOAL 3: <b>Promote gender equality and empower women</b>	3.A: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015
GOAL 4: <b>Reduce child mortality</b>	4.A: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate
GOAL 5: <b>Improve maternal health</b>	5.A: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio
	5.B: Achieve, by 2015, universal access to reproductive health
GOAL 6: <b>Combat HIV/AIDS, malaria and other diseases</b>	6.A: Have halted by 2015 and begun to reverse the spread of HIV/AIDS
	6.B: Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it
	6.C: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases
GOAL 7: <b>Ensure environmental sustainability</b>	7.A: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources
	7.B: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss
	7.C: Halve proportion of people without safe drinking H2O and without basic sanitation
	7.D: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers
GOAL 8: <b>Develop a global partnership for development</b>	8.A: Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system
	8.B: Address the special needs of the least developed countries
	8.C: Address the special needs of landlocked developing countries and small island developing States
	8.D: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term
	8.E: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries
	8.F: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications

**Legend**

- Achieved in regions
- Likely to be achieved in regions
- Not likely to be achieved



With these possibilities in mind, companies have been engaging more and more with the United Nations, non-governmental organizations, and other aid groups. Almost two-thirds of the 445 companies that responded to a 2007-2008 survey in the *Business Guide to Partnering with NGOs and the United Nations*<sup>2</sup> reported partnerships with these actors during the previous three years. Among those that had not participated in such partnerships in the past, 88 percent expressed interest in doing so in the future.

These partnerships can be especially productive — and profitable — when they derive from a company's core business. Roughly one fifth of the companies surveyed for the *Business Guide* responded that their partnerships related exclusively to their core business. Synergies can also arise when companies pursue development priorities through advocacy and engagement with public policy, either alone or as part of industry associations. These efforts were the focus for another 15 percent of the companies surveyed.

Flows of money from the private sector in wealthy countries into the developing world have also been impressive. In the United States, for example, corporations accounted for 35 percent of the nation's total cash flow to developing countries in 2006. The money arrived through a combination of private investment (roughly 90 percent) and corporate philanthropy.

Unsurprisingly, the private sector has made a tremendous impact on all the MDGs in the past decade. It has done so indirectly by providing the backbone for economic growth, and directly in all three areas envisioned by the United Nations: core business operations and the value chain; social investment and philanthropy; and advocacy and public policy engagement. But there is still a long way to go to reach the MDGs.

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<sup>2</sup>"Business Guide to Partnering with NGOs and the United Nations": joint publication by the Global Compact Office, Dalberg Global Development Advisors and the Financial Times, available from: [http://www.unglobalcompact.org/Issues/partnerships/Guidance\\_Material\\_Partnerships.html](http://www.unglobalcompact.org/Issues/partnerships/Guidance_Material_Partnerships.html)



## II. The Trends: How Business Is Promoting Development and Helping to Reach the MDGs

The essence of business is creativity and innovation, and both of those phenomena have played an essential part in the private sector's contribution to the MDGs. Over time, however, several distinct trends have begun to define the involvement of business in development. We can see these trends through the lens of the United Nations' three kinds of involvement and also on a broader basis. Of particular interest to us are the trends that fit two criteria: 1) they have proven their

value as supporters of the MDGs, and 2) they can be scaled up and replicated both within and across industries. The chart below summarizes our findings:

Behind these trends are specific actions that companies are taking to raise living standards in the developing world. As we might expect, each trend may affect some MDGs more than others, and the constraints we encounter as we try to replicate positive results may differ from trend to trend.

### Overview Of Trends In Business Contribution To Development & MDGs

#### Within the categories of business activities

##### CORE BUSINESS OPERATIONS AND VALUE CHAINS

1. **Developing or adapting products** for rural/low income populations
2. **Providing financial services** such as access to credit, mobile banking, etc.
3. **Localizing the business value chain** by using local suppliers and service providers or creating local distribution networks
4. **Integrating practices that protect and preserve the environment** by improving resource management

##### SOCIAL INVESTMENTS AND PHILANTHROPY

1. **Investing within the value chain** through strategic financial and in-kind investments within the company's supply chain and/ or broader operating context
2. **Applying technology** to enhance reach and access for current and new programs with social goals

##### ADVOCACY AND PUBLIC POLICY ENGAGEMENT

1. **Addressing business and development agendas** to ensure commercial viability with social impact goals
2. **Pushing for mandatory standards and formal regulations** rather than only creating voluntary industry standards

#### Business contribution broadly

##### How businesses are engaging

1. Increasing engagement through core business activities
2. Addressing systemic solutions across sector and issue value chains rather than individual business supply chains
3. Collaborating with other private sector players, leveraging complementary capabilities

##### Who the players are

1. Increased role and contribution of SMEs and emerging markets players
2. South-to-South; from developing economy to developing economy



For a closer look at these diverse trends, here is a detailed breakdown spanning the three kinds of direct involvement:

## A. Core business operations and the value chain

### 1. Development or adaptation of products for underserved populations

*MDGs impacted: 1, 4, 6*

In a powerful wave of innovation, multinational corporations and local companies in developing countries are both creating new product lines or low-cost versions of existing product lines for rural and low-income populations. By expanding the menu of purchasing options for both households and companies, the creation of these product lines can enhance consumers' wellbeing. At the same time, sales of these products help their creators' bottom lines. For example, **Intel** launched a line of low-priced personal computers intended for classroom use in developing countries, and **Nestlé** introduced a dispensing machine for its Maggi seasonings that allows consumers to buy small quantities fortified with iodine and iron at their neighborhood shops. And **Bosch-Siemens, Philips** and other manufacturers have introduced cooking stoves with improved fuel efficiency and lower emissions of harmful pollutants.

### 2. Provision of financial services

*MDGs impacted: 1, 4, 5, 6*

Lack of finance and liquidity is a constant problem in many developing countries. The private sector has tried to solve this problem using approaches ranging from mobile phone banking to alternative credit evaluations for consumers, as well as new financial products for businesses. South Africa's **Standard Bank** created a template for bank-sponsored partnerships between businesses and their communities that offers entrepreneurs in underserved areas more flexibility than regular financial contracts; once the ventures succeed, their loans and lines of credit are brought under the bank's usual terms. The M-PESA money transfer service for mobile phones has been rolled out by a consortium including **Microsoft**, and other leading technology companies in Kenya, Tanzania, and Afghanistan. However, the poorest individuals may still have trouble accessing these services (this situation is somewhat mitigated in areas

where microcredit is flourishing), and so far there is little regulation of how customers' information is used by the companies.

### 3. Localizing the business value chain

*MDGs impacted: 1, 3, 7*

One of the best ways to improve living standards among potential customers is to use suppliers and distribution networks based in their communities. Establishing these relationships can require a significant up-front effort, but the benefits of local sourcing pay off for years. **Hindustan Unilever**'s Project Shakti trains rural women as distributors and franchisees; the 13,000 graduates of the program now sell to more than 70 million consumers in India, a 30 percent increase in the company's market penetration. Similarly, **Coca-Cola** is trying to create as many as 2,000 locally owned "manual distribution centers" across Africa by the end of this year. The potential downside is that these small operations may not be able to replicate the cost structure and low prices of distribution systems with greater economies of scale.

### 4. Integrating practices that protect and preserve the environment

*MDG impacted: 7*

Green business is most definitely going mainstream, and companies have taken seriously the challenge of making their core business environmentally sustainable. Some companies are developing sustainable alternatives to existing products, but many others are making their business processes greener even as the goods and services they provide remain relatively unchanged. **Xerox**, for instance, now recycles the containers in which its toner cartridges are transported, and more than 75 percent of its paper suppliers have committed to sustainable forestry practices thanks to the company's leadership. Here again, the cost of research and development, combined with the incompleteness of public policy — notably the lack of a regulated price for carbon emissions — may hamper progress.

## B. Social Investments and Philanthropy

### 1. Social investment within the value chain

*MDGs impacted: all*

Corporate activities in this area used to focus on cultural and community work, but recently they have become closely integrated with companies' main lines of business. Some companies now use their own industrial expertise to support development priorities, such as **A to Z Textile Mills'** production of long-lasting anti-mosquito bednets for Tanzania. Others, like **Nike** and **Starbucks**, allow innovative financing mechanisms like the (Product) RED branding campaign to donate to fight diseases by making purchases from their existing product lines. And plenty of companies still contribute to aid projects that help the communities where they do business, even though the projects may have little to do with their own operations. For example, **SC Johnson**, a maker of cleaning products, supports the KickStart program, which offers manually-operated irrigation pumps to farmers in Kenya. Major concerns in this area are the availability and sustainability of funding for philanthropic projects, which are often among the first to be cut by companies during times of economic uncertainty.

### 2. Application of technology to enhance programs with social goals

*MDGs impacted: all*

Each of the MDGs can be aided by companies that specialize in or depend heavily on technology. Their expertise can make a substantial difference in the lives of people for whom modern information and communications technology would normally be out of reach. A case in point is e-Choupal, a service sponsored by **Indian Tobacco Company (ITC)** that provides information on crop prices, weather conditions, and agricultural techniques to 40,000 remote Indian villages through a chain of low-cost Internet kiosks, decreasing transaction costs for farmers by two thirds. On a larger platform, an alliance including **Cisco**, **Microsoft**, **Intel**, and other companies is using networking technology, as well as curriculum and teacher training to reshape the classroom in developing countries, with sponsorship from the World Economic Forum and the Jordanian government. Unfortunately, the price to scale these projects up after their pilot phases may be prohibitive because of the cost of telecommunications infrastructure, mobile devices, and bandwidth.

## C. Advocacy and Public Policy Engagement

### 1. Addressing both business and development agendas

*MDG impacted: 8*

The private sector is consistently finding synergies between its own business imperatives and development priorities. Following this path greatly increases the likelihood of finding solutions to problems of development that are commercially viable and sustainable in the long term. Coalitions of companies in West Africa, for example, have been working with the British Department of Work and Pensions to enhance job opportunities for young people through the **Youth Employment Network's** private sector initiative. And recently, the **Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria (GBC)**, which includes many members of the UN Global Compact, was a strong advocate for the reversal of an American policy limiting the entry of foreigners living with HIV/AIDS.

### 2. Pushing for mandatory standards and formal regulations

*MDGs impacted: 1, 2, 3, 7*

Corporate leaders from within single industries and even across entire sectors have been working toward new regulations that level the playing field for business while supporting development goals, such as reducing child labor and making agriculture more sustainable. For instance, a group of businesses including **Alcoa** has joined with non-governmental organizations (NGOs) and official agencies to create the **Greenhouse Gas Protocol**, whose goal is to codify international standards for reporting and accounting for greenhouse gas emissions. **Carlson**, a member of GBC (mentioned above), also became the first North American company to sign a voluntary code of conduct that aims to protect children from sexual exploitation in travel and tourism in partnership with United Nations Children's Fund and the United Nations World Tourism Organization. These two trends related to public advocacy are limited mainly by local governments' willingness to cooperate with the private sector and enter into international agreements.



Our research has also revealed broader trends that cut across the three main areas delineated above. Companies have consistently pursued pro-development activities that overlap with their core business, because these activities are more likely to be sustainable in the long term — a fact that is in the interest of both the companies and the people they are helping. An additional benefit of these activities is their role in the transfer of technology, which can be achieved most directly when a company uses its core products as a conduit for development programs.

Companies of all sizes have also tended to seek systemic approaches to development priorities that reach across all the sectors encompassed by their value chains. Rather than looking for solutions that simply address their own operations, they have attempted to involve suppliers and consumers as well. For example, Technoserve and the Bill & Melinda Gates Foundation have invested \$11.5 million to help 50,000 small farmers of mango and passion fruit in Uganda and Kenya to participate in *Coca-Cola*'s supply chain by improving their productivity and their access to credit.

Going beyond the value chain, some companies have found partners in the private sector — sometimes in completely different industries — whose core competencies complement their own in the pursuit of a

pro-development agenda. Together, they have taken on problems ranging from bottlenecks in the value chain of products related to development to the forging of public-private partnerships. The “SMS for Life” initiative, for instance, has combined the expertise of Novartis, a pharmaceutical company, with the Roll Back Malaria Partnership, Tanzania's Ministry of Health, and major players in the information and communications technology industry in an effort to provide up-to-date data on the availability of anti-malaria treatments in clinics across the country.

We have also seen distinct changes in the types of companies that have participated in the drive to reach the MDGs. An increasing number of small and medium-sized enterprises, which collectively serve as a strong anchor for economic growth, are playing an active role in development. Their role is especially important because the scope of their operations closely tracks local demand (assuming the availability of financing), something that the non-profit and public sectors are not always able to do. Finally, we have witnessed a growing tendency toward South-South investment, often with positive consequences for development. In 2009 alone, multinational corporations based in developing countries and those in economic transition generated outflows of \$120 billion in direct investment — the highest level ever recorded.



### III. Case Studies: Real Benefits for Development

All of the trends outlined above have generated win-win situations for business and society in which profits and development priorities coincide. We can learn more about the mechanics of the programs undertaken by the private sector through a series of case studies. These exemplary cases all share six central characteristics:

1. The initiatives involved map directly to one or more MDGs.
2. They can be replicated either across industries, across countries, or both.
3. They can be scaled up in a way that captures greater efficiencies.
4. Their approaches correspond directly to core business and profit objectives.
5. Their impacts on both business and development can be measured.
6. They demonstrate innovative strategies from which others can learn.

The companies profiled here have made strong commitments to development that permeate many different parts of their business. They actively seek opportunities to merge business and development priorities, rather than supporting the MDGs only as an afterthought. In short, these companies are leading by example.

#### 1. Core business operations and the value chain: ENDESA

*The Spanish utility created the Ecoelce program in the Brazilian province of Ceará to revolutionize the management and recycling of waste for a community of more than 8 million people. (MDGs impacted: 1, 4, 7)*

Endesa's Coelce subsidiary has almost 3 million electricity customers in Ceará, but for many years its business suffered from poor payment rates among a population with many low-income people. Then the company came up with a way to clean up its community while simultaneously helping people to pay their bills. Endesa found that many family members of its customers were suffering from the effects of poor sanitation, but also that as much as 36 percent of the waste they discarded was recyclable. The key was to allow people to

exchange recyclable waste for credits on their electricity bills.

Participants in the program receive identification cards that correspond to their accounts with Endesa. They bring their waste to a collection point where it is weighed and valued at market rates. This amount is then applied to each customer's account as a credit toward the next electricity bill.

The impact has been enormous. An initial investment of roughly \$200,000 in 2007 has resulted in more than \$327,000 worth of discounts and a 60 percent reduction in customers' failure to pay. In the meantime, the program has recycled 920 metric tons of



paper, 1,300 metric tons of iron ore, and 560 metric tons of glass. The program began in a small local area and then expanded across the province, helping to keep the streets cleaner and safer for millions of people. Endesa has also implemented an evaluation scheme that helps the program adapt to evolving conditions in the local market.

Crucially, Endesa recognized the value of working closely with the local community to perceive both its most pressing problems and how Endesa's resources could help to provide solutions. Also, the company implemented a measurement and evaluation strategy from the very beginning of the project; the strategy helps to ensure that the venture is both profitable and in the long-term interest of the community. Thanks to these factors, Endesa has been able to scale up the Ecoelce program steadily, making it a potential model for other communities in Brazil and elsewhere.

## 2. Core business operations and the value chain: MAP INTERNATIONAL

*A leading provider of technology for financial services, MAP led a team of local actors from the public and private sectors to revamp Uganda's financial infrastructure and free the country from constraints that were hampering development. (MDGs impacted: 1, 3)*

Until recently, Uganda's economic architecture was having a hard time keeping pace with the country's economic growth. As in many emerging economies, Uganda's rapid expansion was being held back by outdated systems for financial transactions, liquidity problems, and poor penetration of consumer banking, especially among its low-income and rural populations. With support from the Overseas Private Investment Corporation, MAP led an effort not just to modernize the Ugandan financial system but also to ensure that Ugandans all over the country had the financial tools they needed to thrive along with their growing economy.

At the core of MAP's program is a banking system that operates through smart cards backed by biometric identification. As in industrialized countries, customers can use their cards to withdraw cash from automatic teller machines, make purchases, transfer money, pay bills, and top up their mobile phones. So far, 105,000 Ugandans use the cards, and 200,000 public employees are using MAP's payments system to process their salaries.



By replacing cash with cards, MAP has helped Uganda to secure its household savings, fight corruption, and reduce violent crime, especially against women. It has also provided a nationally recognized identification system that can be used for other services such as voter registration and the coordination of medical care. Perhaps most important, MAP has integrated its own interests with those of stakeholders at every level; its partners run the gamut from local businesses in small communities to the highest levels of government. Because the new system is financed by the private sector, it can be expanded as demand grows and without going through government decision-making processes.

## 3. Social investment and philanthropy : MICROSOFT

*The world's leading supplier of software for personal computers, Microsoft has pursued opportunities to protect the environment with a variety of partners in the public, private, and non-profit sectors. (MDG impacted: 7)*

Two initiatives among the many undertaken by Microsoft deserve special attention. First, the company decided to add a Sustainability Dashboard to Microsoft Dynamics AX, its flagship software for Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM). The dashboard allows businesses to track their energy consumption and their emissions of greenhouse gases in line with four performance indicators specified by the Global Reporting Initiative. It also helps businesses to identify areas ripe for cutting consumption and emissions. These functions are particularly useful for small and medium-sized businesses that may not be able to devote extra personnel or capital to their efforts to combat climate change.

Individuals, too, can now monitor environmental trends thanks to a partnership between Microsoft and the European Environmental Agency. Together, they created the Eye on Earth Global Observatory for Environmental Change, an Internet portal through which individuals can both access and report data on trends affecting the planet. With information online in 24 languages, Eye on Earth receives 100,000 to 170,000 visitors every month, and its contents are also available via mobile networks.

These initiatives combine the capabilities of several of Microsoft's frontline products, in-





Microsoft and European Environmental Agency's Eye on Earth Global Observatory

cluding not only Microsoft Dynamics but also the Bing search engine and the Silverlight media player, in the pursuit of social goals. Moreover, Microsoft is using the technologies it developed to support these tools within its own operations around the world.

#### 4. Advocacy and Public Policy Engagement: THE CHINA-AFRICA BUSINESS COUNCIL

*With the support of the United Nations Development Program, government agencies from China and Africa as well as a coalition of Chinese companies are working to ensure that Chinese investments in Africa support development objectives. (MDGs impacted :1, 7, 8)*

Chinese companies have been among the biggest investors in Africa, especially in sectors exploiting the continent's vast natural resources. To ensure that these investments do not have negative side effects for development — and indeed to encourage positive side effects — the China-Africa Business Council (CABC) fosters dialogue between companies, government agencies, and NGOs on an ongoing basis. It hosts roundtable discussions in African countries on the environmental impact of business, and it also trains Chinese managers in good environmental practices before they embark on new ventures. In addition, the CABC provides a forum for discussing sensitive issues involving relations between Chinese-owned companies and local labor.

The CABC is the first public-private partnership initiative between African countries and China under the Marrakech Framework

of Implementation of South-South Cooperation launched by the G-77 group of developing countries. So far, it has helped to promote African products in China and to create new investments and joint ventures in Cameroon, Kenya, Madagascar, Namibia, Zimbabwe, and other countries. In the future, it has the potential to be a strong force encouraging adherence to the UN Global Compact's objectives and principles in a challenging and dynamic business arena.

The multi-stakeholder approach of the CABC has so far been an important component of its success. Governments bring high-level relationships and regulatory



frameworks; companies create networks for collaboration and locate opportunities in new markets; and NGOs facilitate communication with local communities on issues involving the environment and the treatment of labor. On this basis, the CABC can serve as a model for other organizations forging South-South links among public and private interests, for instance in India and Latin America.





## IV. The Role of Business in Bridging the MDG Gaps

In the past decade, the world has achieved impressive progress toward several of the MDGs, and the private sector has made outstanding contributions along the way. In many cases, focusing on development led companies to discover viable business opportunities in underserved markets. Yet some of the goals are still very distant, with only five years left before the world's self-imposed deadline. Once again, business will have a crucial role to play as we try to bridge these persistent gaps.

As the chart in our introduction indicated, much remains to be done if we are to reach MDGs 1, 2, 3, 5, and 7. The relative lack of progress has in large part been a result of constraints related to specific markets and problems in the political context. In many emerging economies, local companies can have a hard time financing the up-front investments needed to launch new initiatives. Companies

may also have trouble generating demand for new products that aid development if consumers aren't educated about protecting their health, their rights, and their environment. Moreover, the difficulty of obtaining data about the potential impact of new products and initiatives makes both harder to justify. These issues are only exacerbated in political environments plagued by corruption and volatility, where laws and regulations may change with exaggerated frequency.

We believe that businesses can use the lessons outlined in this report to attack these constraints and open up new paths for progress. For each part of the MDGs where progress has been slow, we identify practical steps that the private sector can take to accelerate the pace of development. The following chart gives a brief summary of our suggestions, which we explain in greater detail below.

Overview Of Trends In Business Contribution To Development & MDGs								
MDG GAP	APPLICABLE TRENDS							
	Adapting current / creating new products & services	Providing Financial services	Creating local value chains	Integrating sustainability	Targeted Social investments	Applying technology	Addressing Business and Social agendas	Creating mandatory standards
Providing productive and decent employment for women and young people			✓		✓ Capacity			✓
Fighting hunger of our youngest citizens and of inhabitants of countries hardest hit by rising food prices	✓				✓ Programs			
Schooling girls, children living in rural or minority communities					✓ Awareness	✓		
Reducing maternal mortality, especially in sub-Saharan Africa and Southern Asia	✓				✓ Programs	✓		
Improving sanitation to the 1.4 billion people who are doing without	✓						✓	
Improving the living conditions of the urban poor	✓	✓						
Preserving our natural resource base								
Schooling girls, children living in rural or minority communities				✓				✓

### A. Providing productive and decent employment for women and young people *(MDGs gaps: 1, 3)*

Reaching this goal has been particularly difficult in countries where interactions between the private sector and the government are more adversarial than cooperative, and also where opportunities for education and training are limited. In addition, some cultures continue to frown upon the employment of women.

Companies can address these obstacles by offering their own training programs, especially those that target occupations that might be more prevalent among women and young people. They can also support the growth of the private sector by locally sourcing raw materials and services for their operations in developing countries. **Nestlé**, for example, has participated in a project to help Congolese women involved in prostitution to find other sources of income. The company trained 100 women in sales of Maggi seasoning cubes and gave them \$20,000 worth of start-up inventory; now they earn up to \$120 month in disposable income.

### B. Fighting hunger among young people and inhabitants of countries hardest hit by rising food prices *(MDG gap: 1)*

A combination of a lack of knowledge about nutrition and a lack of access to nutritious food has stood in the way of achieving this goal. Access has been further hampered by limited distribution networks, poor crops, widespread spoilage of food, and inability to pay. As demand for food grows around the world, these shortages are becoming more acute.

One way to improve this situation is to encourage the growth of companies that specialize in low-cost, high-nutrition foods designed especially for underserved populations. The public sector can help by investing in the physical and legal infrastructure that will help these companies to employ and serve people in remote and poor areas: roads for trucks, electricity for factories, and strong property rights to allow the buying and selling of land, and thus the consolidation of agriculture. Companies in related industries can also help, as **Tetra Pak** does by donating its products to governments for the packaging

of nutritious school lunches. And companies from any sector can contribute directly by funding nutrition programs in the communities where they do business.

### C. Schooling girls and children living in rural and minority communities *(MDG gap: 2)*

The long-term economic and social gains generated by education are enormous, but investment in education is still falling short for a variety of reasons related to cultural norms and fiscal priorities. Once again, a combination of core business operations and social investment can make a meaningful difference that serves public and private interests.

**Intel's** affordable classroom computers, mentioned earlier, are a prime example of this intersection of interests. So are sponsorship programs for students in the developing countries where companies do business, such as **Nike's** "The Girl Effect" project, which is driving a social movement to improve educational and career opportunities for girls. By educating and training the next generation of workers, companies can enhance both their labor supply and the market for their products in the future.

### D. Reducing maternal mortality, especially in Sub-Saharan Africa and Southern Asia *(MDG gaps: 3, 5)*

Women's health is not a high priority for many developing countries, and yet the costs of poor maternal health are enormous for individuals and the economy as a whole. In addition to cultural factors, there are systematic problems: scarcity of health care practitioners, shortages of appropriate medicines, and a failure to serve rural and low-income populations. As part of the effort to address this issue, the UN is seeking to coordinate government health systems and international donors through Secretary-General Ban Ki-moon's Joint Action Plan. The private sector can help by leveraging technology to encourage education about women's health (for example through online media) and, in some cases, to substitute for health care workers (through robotic surgery, doctor's visits by videoconference, and other recent innovations). Companies can also offer medical ser-

vices as a side benefit to communities where they do business, as microfinance institutions such as **CARD**, a microfinance institution, does in the Philippines.

### E. Improving sanitation for the 1.4 billion people who have none

(MDG gaps: 5, 7)

Sanitation is a top priority for public health, but the extensive infrastructure needed for a modern sanitation system can be out of reach or viewed as unimportant in many communities in developing countries. Consumers may also neglect sanitation if they lack education about hygiene or cannot invest in sanitation products.

The private sector has offered some creative solutions to the sanitation needs of low-income and rural households, but these must be scaled up substantially before the MDG can be met. For instance, devices like the LifeStraw hand-held water filter from **Vestergaard Frandsen** are helping people around the world to drink clean water from local sources when organized water distribution is unavailable. But more low-cost alternatives for sanitation infrastructure and services, such as sewers and street cleaning, are still needed. Advocacy by the private sector could help to put mandates in place that would justify greater investment by local communities.

### F. Improving the living conditions of the urban poor (MDG gap: 7)

Cost is the main constraint preventing the world from reaching this goal — the cost of individual housing units, which can be prohibitive for consumers lacking liquidity, and the cost of constructing urban infrastructure such as roads, sanitation systems, and electricity grids. Though the private sector has invented several products that can provide inexpensive (if frequently limited) sources of clean water, light, and energy in individual households, systemic solutions are proving more difficult.

Expansions in the provision of financial services, from microcredit all the way up to national capital markets, will deepen the liquidity of underserved populations. But the world also needs more templates for housing units that are safe, affordable, and sustainably

produced. **Lafarge**, a global leader in building materials, melds these two strategies by offering designs for affordable housing free of charge in developing countries and working directly with microfinance agencies to develop payment plans for its construction supplies.

### G. Preserving our natural resource base (MDG gap: 7)

In countries around the world, the extent and enforcement of environmental regulations are insufficient to protect natural resources from being misappropriated or overexploited. As a result, they cannot be put to effective commercial use or into the service of their owners — ultimately, the citizens of the countries where the resources are located. Deforestation, the fouling of water supplies, and uncontrolled emissions of greenhouse gases and other pollutants all pose a threat to local economies as well as the world as a whole.

In the absence of effective action by local governments, companies can take the lead. Though it may seem obvious, it is worth mentioning that companies can voluntarily adhere to stricter environmental standards than those set down by their governments, perhaps using standards in other countries as a model. And companies have gone even further both individually, as in the case of **Cisco's** efforts to reduce the environmental impact of its products over their entire life-cycle, and in coalitions, as in the UN Global Compact's Caring for Climate initiative, which includes hundreds of corporations that together account for a sizeable share of the world's economic output. In its first year, the initiative's signatories achieved a 3 percent reduction in emissions, and advocacy for more thorough regulation is one of the initiative's stated objectives.





## V. The Future: How Business Can Enhance Its Engagement

Clearly, the private sector can and must play a substantial role in closing the MDG gaps. In the past several years, the private sector has already generated a slew of useful ideas for development; the key is to scale them up and replicate them in the most effective way possible. A combination of actions by individual companies, broader shifts across the entire private sector, and cooperation with public and non-profit entities in the development field will be the lynchpin of further progress.

These actions are by nature voluntary, and their growing adoption should not obscure the importance of legislation by government. A regulatory framework that supports the private sector but restrains its excesses is essential for both social and economic development. But the existence of the UN Global Compact represents an explicit recognition that companies can be pro-active in their support of human rights, protection of labor, protection of the environment, and the elimination of corruption. Government can provide the right incentives and benchmarks; it is up to individual companies to go further in ways specific to their own abilities and expertise.

Through our research, we have identified specific practices that can maximize the impact of pro-development measures taken by individual companies. All of these practices cover the design, implementation, and management of a pro-development agenda; some are appropriate for companies of all sizes, and others play to the relative strengths of multinational corporations and small and medium-sized enterprises.

An important starting point for pro-development actions throughout the private sector is to know the market. This won't come as a surprise to any executives or entrepreneurs, but here the term market implies not just financial but also social demands and constraints. Dealing with these factors is much easier when stakeholders from government and civil society are brought into the decision process as partners. With a partnership sharing the same goals, new programs can avoid early problems and, if successful, be scaled up more easily. Along the way, all the partners should monitor and evaluate the

results of the programs using social and economic metrics agreed upon in advance. Doing so guarantees that a culture of dialogue and transparency continues throughout the life of the program.

Multinational corporations can fine-tune these recommendations by taking advantage of their greater reach and resources. Under the umbrella of global strategies, they can adjust pro-development programs to fit individual markets and communities. They can also institute a pro-development agenda throughout the value chain, using their bargaining power to encourage suppliers to follow their example. Finally, by sharing their own evaluations of successful programs, they can make a stronger case for new ventures and deepen ties with the communities where they do business.

Some of these steps are second nature for small and medium-sized enterprises, since knowledge of local markets is what keeps them in business. They can leverage that knowledge to make rapid changes in programs and products that will pay off in the short run. Though SMEs are smaller than multinationals, their agility gives them an unmatched ability to contribute to the MDGs before the 2015 deadline.



These recommendations can be further supported by longer-term strategies across the private sector. First and foremost, companies should continue to grow their business in developing countries while adhering to the 10 principles of the UN Global Compact. Even without specific pro-development measures, the growth of the private sector provides an

important boost to the MDGs. At the same time, however, companies should actively seek opportunities to combine business and development priorities, with the recognition that the latter almost always support the former. The chart below reviews in general terms the strategies we have found to be most effective:

## RECOMMENDATIONS FOR BUSINESSES

**Continue to grow operations in developing countries while adhering to the 10 principles of the UN Global Compact, even without specific pro-development measures; the growth of the private sector provides an important boost to the MDGs.**

**Seek opportunities to combine business and development priorities, with the recognition that the latter almost always supports the former, and in so doing:**

- Make use of the substantial expertise, information, and resources that you already have
- Leverage local knowledge to design the most appropriate interventions for a particular community
- Team up with partners in the public, private, and non-profit sectors to implement programs that serve common interests
- Consider aiming efforts at the same groups targeted by the MDGs – women, children, rural communities, and the urban poor – to yield the most progress toward long-term objectives
- Cooperate with the United Nations using tools such as the website “[www.business.un.org](http://www.business.un.org)”, an easily accessible starting point that can serve both as an interface with the UN system and as a source of ideas

**Within specific categories of activities:**

### Core business operations and the value chain

- Continue the broader shift toward core business activities as a means of engaging in development, in recognition of their enhanced sustainability and effectiveness
- Leverage buying power to engage suppliers to adopt pro-development practices (e.g., the 10 principles of the UN Global Compact)
- Systematically pose the “Bottom of Pyramid” challenge to product research and development departments to expand into new markets while achieving the MDGs

### Social investments and philanthropy

- Enter into multi-sector collaborations that leverage complementary capabilities to holistically address systemic issues along industry value chains
- Use social investment budgets to facilitate entry into new geographies or segments that may not otherwise meet the financial viability threshold for core business activities
- Align social investment efforts with your core capabilities to the extent possible

### Advocacy and public policy engagement

- Identify the greatest obstacles to achievement of MDGs along your sector or supply chain, and work with public sector and other companies to address these constraints
- Advocate for, and support development of, policy to address most severe development issues (e.g., climate change regulation), helping to fill data or information gaps where needed

## RECOMMENDATIONS FOR DEVELOPMENT ACTORS

- Reverse the attitude of the past by welcoming companies into the development arena
- Develop a business plan for achieving the MDGs that provides a clear structure and well-defined roles for traditional development actors, NGOs, and business, so that they may contribute collaboratively
- Be willing to take some financial responsibility for potential losses when developing new partnerships and projects with the private sector and provide a first-loss position where relevant to facilitate private sector engagement
- Promote awareness of the need for business to engage in development in a commercially viable manner in order to enable sustainability of engagement
- Strengthen the regulatory framework for free enterprise: simplify bureaucracy, safeguard property rights, and make contracts enforceable
- Enable countries to create a transparent, liquid financial system that is accessible to all, thus paving the way for investments in infrastructure and physical plant that together provide the backbone for economic development
- Create greater unity and uniformity in the goals and practices of the United Nations' various agencies, work as "one UN" particularly at country level; as a unified entity, the United Nations will be better able to work together with companies, NGOs and official agencies
- Cultivate a climate of evaluation and accountability to mirror the rigorous practices and standardized reporting of the private sector

Going forward, the United Nations and other players in the development field can do much to bolster the involvement of the private sector. We recommend the steps above as ways to make partnerships between the public, non-profit, and private sectors both easier and more effective.

We strongly believe that following these recommendations will result in profitable opportunities for business and

progress towards development priorities. We are confident that the private sector's ability to innovate can continue to play a pivotal role in the pursuit of higher living standards, and partnerships across sectors will only make that ability more powerful. By working together, we will give ourselves the best possible chance of achieving the MDGs and guaranteeing a brighter future for everyone.

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**About the United Nations Global Compact**

Launched in 2000, the United Nations Global Compact is both a policy platform and a practical framework for companies that are committed to sustainability and responsible business practices. As a multi-stakeholder leadership initiative, it seeks to align business operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption and to catalyze actions in support of broader UN goals. It is the world's largest voluntary corporate citizenship initiative, with over 6,500 signatories based in more than 130 countries. Visit [www.unglobalcompact.org](http://www.unglobalcompact.org).

## Dalberg

**About Dalberg Global Development Advisors**

Dalberg Global Development Advisors is a strategy consulting firm specializing in international development and globalization. We advise a diverse set of CEOs, investors, and senior policy makers in all regions of the world, with a focus on emerging markets. We bring business-oriented solutions to the world's most pressing challenges, and work across sectors to facilitate large-scale systemic change. Visit [www.dalberg.com](http://www.dalberg.com).

## The Millennium Development Goals

The Millennium Development Goals (MDGs) - eight goals with 18 targets - to be achieved by 2015, are drawn from the Millennium Declaration that was adopted by 189 nations in 2000.

- |   |  |
|---|--|
| 1 Eradicate extreme poverty and hunger      | 5 Improve maternal health                      |
| 2 Achieve universal primary education       | 6 Combat HIV/AIDS, malaria and other diseases  |
| 3 Promote gender equality and empower women | 7 Ensure environmental sustainability          |
| 4 Reduce child mortality                    | 8 Develop a global partnership for development |

For more information: [www.un.org/millenniumgoals](http://www.un.org/millenniumgoals)

## The Principles of the UN Global Compact

The UN Global Compact calls on business leaders to embrace and enact the following set of universal principles within their sphere of influence.

- |              |  |
|--------------|--|
|              | <b>HUMAN RIGHTS</b>  |
| Principle 1  | Businesses should support and respect the protection of internationally proclaimed human rights; and                     |
| Principle 2  | make sure that they are not complicit in human rights abuses.  |
|              | <b>LABOUR</b>  |
| Principle 3  | Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; |
| Principle 4  | the elimination of all forms of forced and compulsory labour;  |
| Principle 5  | the effective abolition of child labour; and   |
| Principle 6  | the elimination of discrimination in respect of employment and occupation.   |
|              | <b>ENVIRONMENT</b>   |
| Principle 7  | Businesses are asked to support a precautionary approach to environmental challenges;                                    |
| Principle 8  | undertake initiatives to promote greater environmental responsibility; and   |
| Principle 9  | encourage the development and diffusion of environmentally friendly technologies.  |
|              | <b>ANTI-CORRUPTION</b>   |
| Principle 10 | Businesses should work against corruption in all its forms, including extortion and bribery.                             |

