

EXECUTIVE SUMMARY

PURPOSE OF STUDY

With the deadline for achieving the Millennium Development Goals (MDGs) only five years away, questions were raised as to the effectiveness of the private sector in influencing progress towards their achievement. This study, commissioned by the Netherlands National Committee for International Cooperation and Sustainable Development (NCDO), assesses the contributions of 20 companies towards influencing the MDGs, goals which capture the key elements of poverty reduction.

While previous assessment frameworks looked primarily for evidence of key policies, programmes and management systems, the current study used the MDG Scan, an online tool designed to assist the measurement of the actual impact of company efforts towards influencing the MDGs. In particular, the Scan estimates the number of people that benefited from a company's activities per MDG in each of the developing countries in which it operates. This report uses the lens of the MDG Scan to analyse the MDG contributions of 20 select companies and provides an assessment of the actual impact of company efforts in a limited number of developing countries. The decision to focus on the benefits of company efforts was made because:

- To date, assessing the positive influences of the private sector in developing countries has not been thoroughly explored
- By conducting this study and highlighting the various positive impacts companies can have on development goals:
 - ▶ Private sector actors may be inspired to increase activities in support of MDGs;
 - ▶ Governments may develop policies to support the private sector in contributing to development goals in the long term;
 - ▶ Those companies that are already influencing the MDGs in some way may be inspired to focus efforts to achieve greater positive impacts; and
 - ▶ Best practices can be shared.

Twenty well-known European companies were selected as the sample group for the 2010 MDG Scan study (see section 3 for details). Selected companies had to positively influence the MDGs in several developing countries in at least two¹ of the following ways:

- 1 Company has operations in a developing country (commercial activities)
- 2 Company markets and sells MDG-related products or services (commercial activities)
- 3 Company impacts development through community investments

The MDG Scan is designed to be an easy-to-use model. Therefore, its methodology consists of some simplifications and limitations, most notably that it is based on rough estimates and relies heavily on corporations' self-reporting. More than half of the companies from the sample collaborated by providing additional information and feedback. Finally, it was possible to collect enough information on the sample group to identify positive impacts, a number of noteworthy initiatives/activities, and to make an overall assessment of contributions towards the MDGs.

NL AEX:	NL AMX:
1. Air France-KLM	13. Arcadis
2. Ahold	14. CSM
3. Royal Dutch Shell	15. Crucell
4. AkzoNobel	16. SNS REAAL
5. ING Group	Non-Listed:
6. Philips Electronics	17. Vlisco Group
7. Randstad Holding	18. Dunea
8. Unilever	Non-Dutch:
9. BAM Group	19. Colruyt Group
10. ArcelorMittal	20. Olam International
11. TNT	
12. DSM	

Table 1 - Companies included in study

OVERVIEW OF FINDINGS

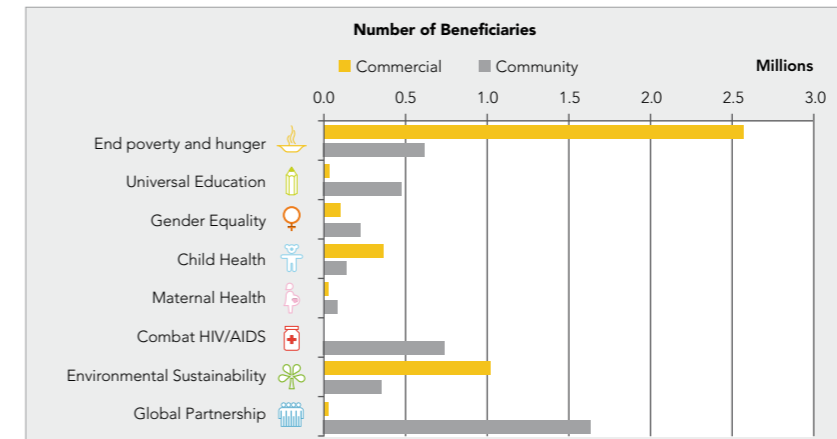


Figure 1 - beneficiaries from commercial and community investment activities

private sector better understand which development goals are most favourably influenced by Figure 1 - beneficiaries from commercial and community investment activities commercial activities versus community investments and which development goals are underserved.

OBSERVATIONS AND OUTCOMES

First and foremost is the evidence that the private sector plays a larger than expected role in contributing to the MDGs: the sample group's combined activities impacted more than 8.2 million beneficiaries.

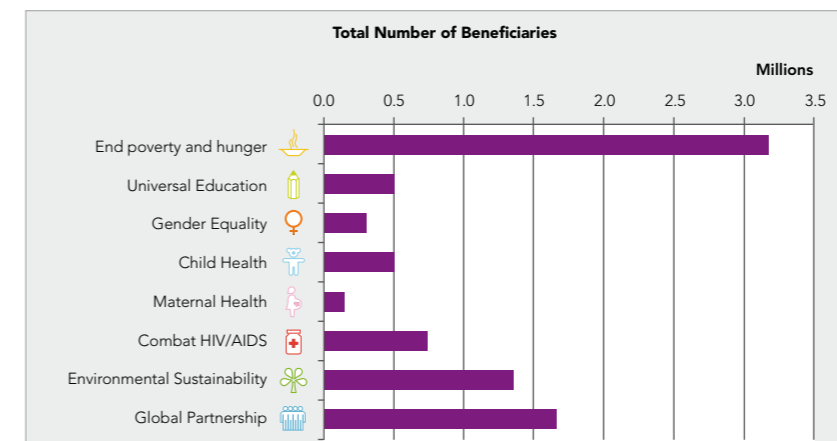


Figure 2 - beneficiaries impacted by the sample group

the pursuit of business opportunities in developing countries can positively impact MDGs just as effectively as private sector development efforts focused on community investment (see figure 1): of the 8.2 million beneficiaries in the study, 4 million were attributed to commercial activities, while 4.2 million were attributed to community investment activities.


Pursuing business activities leads to employment creation, value creation, and supply chain effects, all of which contribute to economic development and various MDGs. Most notably, commercial activities have a significant impact on alleviating poverty (MDG1), more so than community investment activities alone: approximately 2.5 million people benefited from business activities versus 607,000 from community investments.

Moreover, by impacting poverty alleviation, MDGs 2, 4 and 5 are also impacted. Collectively, the total contribution from commercial activities to MDG 1, 2, 4, and 5 by the sample group is far greater than the contribution from community investments: 2.9 million beneficiaries from commercial activities compared to only 1.3 million from community investments.

¹ This is not the case for Colruyt Group and Dunea, as neither of them operate in or market products and services in developing countries.

These insights highlight the important convergence of the business case for pursuing market opportunities in the developing world with the moral imperative to contribute to human development. More importantly, it suggests that it is by *doing business* that business can contribute most, something that corporations should be able to embrace more enthusiastically. Four out of the five case studies in section 5 highlight this very point.

While some MDGs were impacted greatly by both commercial activities and community investments, others appeared less so (see figure 2). In particular, maternal health (MDG5) is the development goal that has been influenced the least (less than 80,000 beneficiaries estimated), followed by gender equality and women's empowerment (over 306,000 beneficiaries estimated).

 *“The sample groups combined activities impacted more than 8.2 million people”*

There is no single explanation for this difference. It may reflect an internal Scan bias, the nature of the businesses used to generate the statistics, or reflect socio-economic factors in the countries included in the statistics. It may also suggest that these two MDGs are better suited to leadership of a political and institutional nature rather than corporate. Regardless, it still serves to draw attention to the performance shortfall surrounding this matrix of related issues. Corporations that see a connection between these challenges, their market opportunities and investment goals may choose to focus on these under-achieving goals and reap the reputational rewards.



THE INTERRELATIONSHIP BETWEEN BUSINESS AND THE MILLENNIUM DEVELOPMENT GOALS

Business efforts towards achieving the MDGs are directly relevant to competitive factors, such as the management of direct costs, political risks, and the pursuit of new business opportunities. Contributing to the MDGs is more than corporate social responsibility in action; it is a strategy for risk management, value creation, and generating competitive advantage.

RECOMMENDATIONS FOR MAXIMIZING THE IMPACT OF COMMERCIAL ACTIVITIES

MEASURE, MONITOR, AND REPORT

It is not uncommon for companies to measure, monitor, and disclose the results of community investment initiatives. However, when it comes to the positive sustainable development impacts of commercial activities, which are often greater than those of community investment initiatives, few companies discuss them. Implementing measurement systems to monitor the impacts of MDG-related commercial activities enables companies to understand that their contributions to sustainable development can be leveraged in ways that are supportive of their businesses. Furthermore, by keeping records, companies will be better positioned to use the MDG Scan to review the actual impacts of their commercial and community investment activities and to publicly report the outcomes.

USE THE MDGS TO IDENTIFY NEW PRODUCTS AND SERVICES

The roughly 3.5 billion people who live on less than USD 2.50 per day are the poorest, but also comprise the largest socio-economic group globally. It is increasingly recognized that this group, commonly referred to as the *bottom of the pyramid*, constitutes an enormous business opportunity. This group represents a potential multimillion-dollar market for companies with the necessary creativity, agility and innovation to serve them in a low-cost but profitable manner.

SUPPORT AND PROTECT LOCAL WORKFORCES

People who live in developing countries are particularly vulnerable to issues such as political instability, lack of accessible healthcare, lack of educational systems, greater gender disparity, and unenforced regulations concerning fair wages and health and safety. In these situations, stakeholders expect companies to take greater responsibility for reaping the benefits of their operations in developing countries (such as benefiting from an abundance of cheap labour or natural resources). These responsibilities include protecting resources and the well-being of employees and ensuring that local operations are aligned with global normative standards of what constitutes responsible business practices.

ENGAGE WITH LOCAL COMMUNITIES ON BUSINESS IMPACTS

There have been cases where multinationals' license to operate in various regions has been at risk by criticism and opposition. In some cases, proactive community engagement and dialogue regarding the positive impacts of a company's operations (such as employment creation) may have prevented or mitigated community opposition.

RECOMMENDATIONS FOR MAXIMIZING THE IMPACT OF COMMUNITY INVESTMENT ACTIVITIES

MEASURE, MONITOR, AND REPORT

If corporate reporting efforts are to be meaningful and transparent, measuring, monitoring, and disclosing the results of community investment initiatives is necessary. Implementing measurement and monitoring processes enables companies to ensure that programmes and initiatives are being deployed effectively – that they are actually making a positive difference.

INTEGRATE MDGS INTO COMMUNITY INVESTMENT STRATEGIES

It is beneficial for companies to purposefully align community investment activities with the MDGs for two reasons. First, using the MDGs as a framework when developing community investment strategies ensures the most pertinent needs of developing countries are being influenced. Second, an understanding of the MDGs will enable companies to leverage existing strengths and capabilities in order to address the MDGs most effectively.

GIVE COMMUNITIES CONTROL

Companies may be well positioned to provide financial or other types of support to local communities, but unless they empower local employees, they will not know which issues at the community level are most important or how to address local needs effectively. The companies that were most successful in generating positive impact in the study engaged with local communities or sought out local NGOs who have long been active in community development efforts in the area.

CONCLUSION

The study confirmed some assumptions but challenged others. First and foremost is the evidence that the private sector plays a larger than expected role in contributing to the MDGs (the sample group's combined activities impacted more than 8.2 million beneficiaries). This is under-reported and under-appreciated. While the achievement of the MDGs will depend principally on the combined efforts of governments and their national and international development partners, it cannot occur successfully or productively without private sector participation.

Companies, particularly multinationals, are uniquely positioned to share business expertise, capacity and resources; transfer technological knowledge to narrow the scientific/digital divide gaps; share best practices; and provide funding, among other things. It is also in their best long-term interest to contribute towards the achievement of the MDGs. Investing in a sound business environment can harness new business opportunities and lead to a competitive advantage. Multinationals have the greatest incentive to understand this and see it reflected in their corporate cultures and business plans.

Corporate reputation follows corporate behaviour. This has a bearing on the corporate social license to operate and other elements that affect the return on capital, access to and cost of capital, ability to recruit and retain quality employees, etc. This virtuous circle should lead corporations to use their political and business influence in favour of development goals, which in turn can positively affect market opportunities.

While such patterns of behaviour can be discerned with an effort, the feed-back metrics that would reinforce this corporate behaviour are weak. The MDG Scan, for all its limitations, is a unique and rare tool that shines a positive light on corporate behaviour and corporate impacts. As such, the MDG Scan is a step towards strengthening the connections between corporate activity, corporate rewards and social progress.

1. INTRODUCTION

HISTORY AND OBJECTIVE OF THE MDG SCAN PROJECT

THE UN MILLENNIUM DEVELOPMENT GOALS

The Millennium Development Goals (MDGs) capture the key elements of poverty reduction. The goals are an expression of intent and commitment to respond to the world's main development challenges. They are drawn from the actions and targets contained in the Millennium Declaration that was adopted by 189 nations and signed by 147 heads of state and governments during the UN Millennium Summit in September 2000². At that time, world leaders promised to work together to meet concrete targets for advancing development and reducing poverty by 2015 or earlier. The eight MDGs are:

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

In addition, the eight MDGs break down into 21 quantifiable targets measured by 60 indicators. Timelines when these targets should be met are set as well.



“The MDG Scan is a unique tool that shines a positive light on corporate impact”

² <http://www.undp.org/mdg/basics.shtml>