

MDG, Business, and ODA

International Development
Research Institute

Foundation for Advanced Studies on International
Development

Seminar
International Development and Business
July 3, 2007

Research Background

- Contracted by the Ministry of Foreign Affairs of Japan in 2006.

- Background
 - A policy need to deliberate how contribution of businesses to development, and partnership with businesses can be promoted.

- Research Purpose
 - 1. To find out contributions of businesses to MDG
 - 2. To find out what partnership between businesses and aid agencies are contributing to MDG

Corporate Strategy

Definition 1

- Corporate strategy is a guidance to achieve objectives by specifying what to do in what manner in relation to surrounding environment (Asaba 2000).

Definition 2

- Corporate strategy is about specifying the corporate objectives, developing policies and plans to achieve these objectives, and allocating resources to implement these policies and plans to achieve the objectives.
(http://en.wikipedia.org/wiki/Corporate_strategy)

Corporation and Society

- A corporate strategy indicates importance of the relations with society. Corporations can only exist in relation with a larger society where they have customers, distributors, workers, suppliers, etc. Thus, helping its development can lead to sustaining itself to exist and expand in a long term.

Corporate Social Responsibility (CSR)

- Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (WBCSD 1999)

Strategic Relevance of CSR

Strategic relevance refers to the degree of how much their contributions to development are conducive to achieving corporate objectives (such as expanding market share, making profit, ensuring quality and continuity of supplies, reducing operational cost, etc.)

Clarity and directness of strategic relevance varies.

1. Clear and direct strategic relevance
→ strategic CSR.
2. No clarity, or too indirect relevance
→ philanthropic CSR.

An example of Strategic CSR (Danone)

“Sustainable development as a business model is an important competitive advantage that enables DANONE to: (1) build consumer trust in brands, (2) attract talented people, and (3) forge mutually beneficial ties to strategic customer and suppliers.”

Case Study Design

- 130 cases of business contributions to MDG pre-selected from Newsweek, an article by Akira Hoshi, a report by the Prince of Wales Business Leaders Forum, a report by USAID
- 31 cases selected based on the importance of contributions to MDG and the variation.

Corporations we studied (1)

Company	Industry	Home Country
Coca-Cola	beverage manufacturing	U.S.
SAB Miller	beverage manufacturing	U.K.
Danone	food products manufacturing	France
Nestle	food products manufacturing	Switzerland
Hershey's	food products manufacturing	U.S.
P&G	Chemicals manufacturing	U.S.
Kao Corporation	Chemicals manufacturing	Japan
Hindustan Lever	Chemicals manufacturing	India
Unilever	Chemicals manufacturing	The Netherlands, U.K.
Vestergaad Frandsen	Chemicals manufacturing	Switzerland
Sumitomo Chemical	Chemicals manufacturing	Japan
Pfizer	pharmaceutical manufacturing	U.S.
Novartis	pharmaceutical manufacturing	Switzerland
Bayer	Health care products manufacturing	Germany

Corporations we studied (2)

Company	Industry	Home Country
Cisco System	IT manufacturer	U.S.
Hewlett Packard	IT manufacturer	U.S.
Toshiba	Electronics manufacturer	Japan
Sony	Electronics manufacturer	Japan
NEC	Electronics manufacturer	Japan
Nokia	ICT	Finland
Vodafone	ICT	U.K.
Toyota	automobile manufacturing	Japan
BHP Billiton	mining	Australia, U.K.
BP	mining	U.K.
Chevron	mining (petroleum)	U.S.
Statoil	mining (petroleum)	Norway
AEON	retail	Japan
Starbucks	retail	U.S.
Deutsch Bank	finance	Germany
Mitsubishi Corporation	trade	Japan
Veolia Environment	water supply	France

Millennium Development Goals

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

Goal 1: Eradicate extreme poverty and hunger (1)

Strategic Relevance:

1. Recruiting and training distributors for selling their products.
 - Danone and Hindustan Lever gave the poor the job by becoming their distributors in South Africa, Indonesia (Danone), and India (Hindustan Lever).
2. training suppliers for ensuring and enhancing quality of their products.
 - Nestle, Hershey's and other chocolate manufacturers trained cocoa farmers in Africa and effectively increased their income.

Goal 1: Eradicate extreme poverty and hunger (2)

- Starbucks assists coffee farmers in improving quality of coffee through training and financial support and effectively increasing their income in Latin America.

(3) Seeking Business opportunities

- Deutsche Bank supports microfinance institutions that support microenterprises.

(4) Expanding potential market

- Hewlett Packard supports microfinance institutions to extend their services to distant areas by developing remote transaction system in Uganda.

Philanthropic CSR

- Chevron supports microenterprises in Angola.

Goal 2: Achieve universal primary education

Philanthropic CSR

Aeon constructs elementary school buildings in Laos, Cambodia and Nepal.

Goal 3: Promote gender equality and empower women

Strategic Relevance:

1. Recruiting and training distributors for expanding markets.
 - Hindustan Lever gives women in rural India jobs to distribute their products.
2. Market share expansion.
 - Kao corporation helps housewives in Thailand reducing house work hours by developing efficient laundry detergent.
 - Cisco systems helps women by giving training in networking and computers.

Philanthropic CSR

- British Petroleum assists traditional craft industry mostly engaged by women in Algeria.

Goal 4 & 5: Reduce child mortality & Improve maternal health

Strategic Relevance: expanding market shares

- Danone improves nutritious conditions by selling biscuit and milk products with improved nutrition at an affordable price.
- Unilever help people overcome iodine deficiency by selling iodized salt at an affordable price in India and Ghana

Philanthropic CSR

- Toyota organized mobile medical facility to meet medical needs of the poor in the Philippines.

Goal 6: Combat HIV/AIDS, malaria and other diseases

Strategic Relevance: market expansion

- Pfizer developed and distributed Diflucan free.
- Bayer developed a net against malaria.
- BHP Billiton contributed to reducing malaria infection by malaria control program in Mozambique.
- Novartis developed Coartem against Malaria and sold them cheap.
- Vestergaard Frandsen developed mosquito net against malaria.
- Sumitomo Chemical developed mosquito net with long lasting chemicals against malaria in Africa.

Goal 7: Ensure environmental sustainability(1)

Strategic Relevance:

Ensuring quality of necessary raw material

- Coca-Cola helps communities improve water supply and sanitation in Africa.

Possible market expansion

- P & G provides PUR, water purifier for free where needed.

Core business

- Veolia Environment develops water supply and sewage facilities in Morocco, Gabon and Niger.

Goal 7: Ensure environmental sustainability(2)

Philanthropic CSR

- Toshiba promotes planting 1.5 million mangrove trees in the world
- Mitsubishi corporation established a fund and built a sewage facility in Maputo in Mozambique.

Goal 8: Develop a Global Partnership for Development and others(1)

Strategic relevance

1. Market expansion

- Nokia had partnership with Grameen foundation and assisted enhancing telecommunication in rural Uganda and Rwanda by VillagePhone project.
- Funded by DFID, Vodafone developed a new wire transfer system with cellular phones to assist microfinance in Kenya and Tanzania.

Goal 8: Develop a Global Partnership for Development and others (2)

2. Advertising products and increasing public awareness

- Sony Corporation allied with UNICEF and provided children in emergency areas and developing countries with its digital camera and exhibited pictures in Tokyo to enhance public awareness of the situations in these areas.

3. Ensuring reliable distribution of its products

- SAB Miller trained about 5,000 unlicensed liquor retailers in South Africa for their licensing.

Goal 8: Develop a Global Partnership for Development and others (3)

Philanthropic CSR

- NEC partnered with NGOs and assisted Africa and Asia in enhancing medical facility by providing funds and ICT equipment.
- Statoil partnered with UNDP and Amnesty International for training 1,200 judges in international human rights instrument in Venezuela.

Corporations and Partners by MDG (1)

MDG	Corporations	Partners
	Chevron	USAID
	Hewlett Packard	USAID, Microfinance institution
	Deutsch Bank	Merrill Lynch, DFID, USAID and others
1: Eradicate extreme poverty and hunger	Hershey's	USAID, U.S. Department of Agriculture, World Cocoa Foundation, Smithsonian Institution, International Institute of Tropical Agriculture
	Nestle	USAID, U.S. Department of Agriculture, World Cocoa Foundation, Smithsonian Institution, International Institute of Tropical Agriculture
	Starbucks	USAID, Conservation International
2: Achieve universal primary education	AEON	the Japan Committee for UNICEF
3: Promote gender equality and empower women	BP	DFID
	Cisco System	USAID, UNDP, UNV, ITU, JICA
	Hindustan Lever	none
	Nokia	Grameen Foundation
	Kao Corporation	none
4&5: Reduce child mortality and improve maternal health	Danone	none
	Unilever	UNICEF
	Toyota	None

Corporations and Partners by MDG (2)

MDG	Corporations	Partners
6: Combat HIV/AIDS, malaria and other diseases	Bayer	UNICEF, WHO, USAID, Red Cross
	BHP Billiton	None
	Novartis	WHO
	Pfizer	None
	Vestergaad Frandsen	UNICEF, WHO, USAID, Red Cross
	Sumitomo Chemical	WHO, UNICEF, NGO
7: Ensure environmental sustainability	Coca-Cola	USAID
	P&G	UNICEF, USAID, NGOs
	Veolia Environment	municipal government of Morocco
	Toshiba	None
	Mitsubishi Corporation	None
8: Develop a Global Partnership for development	NEC	NGO
	SAB Miller	None
	Sony	UNICEF
	Statoil	UNDP
	Vodafone	DFID

Analyses of Complementary Partnership

Aid agencies	Corporations	What corporations do	What corporations lacked	What Aid agencies provided
USAID	Nestle, Hershey's and other chocolate manufacturers	Purchase cocoa, provide funds for the program to enhance policy environment, production and livelihood of cocoa farmers in Africa	No experience and no-how in improving production and livelihood of cocoa farmers in Africa in an environmentally sound manner	policy influence, provision of training, strengthening community, enhancing marketing
	Starbucks	Purchase coffee beans and provide funds to NGO to enhance production and livelihood of coffee bean farmers in Latin America	No experience and no-how in improving production and livelihood of coffee farmers in Latin America in an environmentally sound manner	Provided funds to NGO to train coffee farmers in Latin America in growing coffee in environmentally sound, productive, and quality ensuring way.
	Chevron	Provide funds, internal mandate to hire more Angolans and increase local procurement of supplies (potential for employment and business opportunities)	no capacity to design and manage development activities in Angola	programmed development relief by which they assisted ex-combatants to start agri-business, microfinance to assist micro, small and medium-sized enterprises

Complementary partnership of private and public sectors

Private sector

- Provides employment to workers and business opportunities to entrepreneurs, and sell products and services to consumers in developing societies.

ODA

- Policy influence
- Capabilities in development programming
- Local knowledge and experience
- Local connections

Proposing Sustainable Socioeconomic Development through the partnership

- Business can lead the world toward sustainability. Corporations have the necessary technology, resources, capacity, and global reach. If properly focused, their profit motive can accelerate the transformation the world toward sustainability in partnership with nonprofits, governments, and multilateral agencies all playing crucial roles as collaborators (Hart 2005 : 3).
- Sustainable
 - = environmentally sound, and self-sustainingly continuous socioeconomic system
- Development
 - = to expand to include participation by disadvantaged segment of population as active economic actors such as customers, distributors, suppliers, etc. in the private sector

Recommendations

- 1. ODA agencies should actively seek partnership with private sector.
- 2. ODA agencies should assist corporations to identify potential strategic relevance in developing societies and assist them integrating their business interests with development goals. ODA agencies should identify what complementary roles they can have vis-à-vis businesses.
- 3. ODA agencies should seek and broker a broad-based partnership among corporations, aid agencies, and NGOs, possibly to constitute a consortium.

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