



## **Business, the Millennium Development Goals, the post-2015 development framework and the UN Global Compact**

This September, the UN began in earnest the work of establishing a new UN development agenda to kick in as Millennium Development Goals targets expire in 2015. Also underway is inter-governmental deliberation on a set of Sustainable Development Goals that, by Rio+20 agreement, are to be “coherent with and integrated into” the post-2015 framework. As these gears are set in motion and engage with each other, non-governmental sectors including business will be called on to give their views on SDG architecture and on a post-2015 agenda, and almost certainly will be relied on to provide much of the motive power for implementation.

The implications of this large body of work were anticipated at the UN Global Compact-organized private sector forum that immediately preceded the Rio summit, attended by over 3,000. Leaders from corporations, investors, academics and business school faculty, environmental experts and NGO activists were asked at the closing plenary, held in a Rio de Janeiro conference centre, whether business should be involved in the definition of the SDGs – implicitly carrying over to roles in execution, monitoring and accountability-setting as well. By a show of hands, the answer was an overwhelming “yes”.

The Global Compact has construed this vote, and strong indications of interest from business leaders before and since, as an instruction from its constituency to help business to enlist in the SDGs and the post-2015 UN development agenda. Established in 2000, the same year the MDGs were launched, the Compact has dealt directly with 10,000 businesses that have joined its programme at one time or another. Over 12 years, participating businesses have:

- convened discussions of issues relevant to UN principles and policies, ranging from opportunities to advance sustainability to addressing the minimum responsibility of companies to respect human rights, labour standards and environmental integrity.
- organized a current total of 100 national networks, with 75 well established country groupings that have fostered anti-poverty, environmental and social justice efforts in developed and developing country settings,
- supported key UN meetings and campaigns, such as the MDGs, the Fourth UN Conference on the LDCs (2011, Istanbul) and the Secretary-General’s Sustainable Energy for All initiative, in addition to their pro-active role in the Rio + 20 Corporate Sustainability Forum.

With a motivated constituency that comprises the world’s largest corporate social responsibility network, on one hand, and on the other a location within the UN system and a direct link to the UN Secretary-General (who chairs its board), the Global Compact is uniquely positioned to help channel business input to post-Rio, post-2015 sustainable development.

## **THE CASE FOR BUSINESS AS A MAIN ACTOR IN DEVELOPMENT**

As the world's main source of economic activity, business is at the heart of virtually any widespread improvements in living standards. Today, new markets and new middle classes are arising in Africa and on other continents, spurred by local, national and multi-national business growth. Trade and capital are flowing to the countries of the South from other countries of the South, complementing traditional sources.

With the large bulk of economic activity in the hands of large and small enterprises, only the private sector, and changes in its practice, can anchor a revolution in living standards and an ultimate eradication of poverty, or transform how the world goes about its business to be environmentally sustainable. Business innovation has long set the pace in supercharging the productivity of human endeavour, defeating disease, communicating and computing, and drawing more nutrients from the soil.

In the historically pivotal 1990 – 2010 period, the developing world has evened its position or overtaken the developed world in share of trade, incoming investment and economic growth. Not coincidentally, the proportion of people in the developing world living below the extreme poverty line was cut in half in this same period, reaching the MDG target five years ahead of schedule, and reducing the numbers of the absolute poor by roughly one billion, based on analysis of World Bank poverty data and UN demographic statistics.

Not necessarily revealed in economic statistics is the progressive incorporation over this two-decade span of sustainable development principles into the core business model of multi-national and national corporations. Firms increasingly came to grips with the reality that natural, political and social settings determine the extent to which long-term values can be built and maintained.

Mainstream business has long understood the propositions that at least moderately prosperous populations are better consumers than poor ones; work forces perform better when not crippled by disease, illiteracy or hunger; dependable energy, water, storage, communication and transport infrastructure is a prerequisite for effective business functioning as well as for stable societies. And more recently, that business depends on energy and natural resources that are limited in extent, and can harm or help sustainability depending on how they are managed.

The conclusion is that support for the natural-social-economic environments, based on but moving from and surpassing bedrock adherence to basic human rights, environmental and labour standards, ranks alongside marketing, sourcing and financing as a sphere of primary responsibilities. A recent study came to the conclusion that business commitment to sustainable development is nearing a tipping point, from which there soon will be no going back [*MITSloan Management Review*, January 2012; *A New Era of Sustainability*, UN Global Compact-Accenture, 2010].

Along with the evolution in business philosophy have come a growing corporate practice in sustainability principles and a new wave of investors, interested either in how building long-term social value enhances long-term profit horizons and corporate stability; or how to utilize business skills for social good. From the latter impulse has sprung the purposeful creation of entities that utilize innovation and entrepreneurship to serve social causes, and aim for profit generation as a means of self-sufficiency and scaling up impact.

Thus the last two decades also have seen the widespread establishment of public-private partnerships to create infrastructure or deliver services when available public funding is insufficient to meet public needs. Business is engaging, then, not only with the overarching

Millennium Development Goal of poverty eradication, but also complementary Goals covering health, education, women's empowerment, environmental security, broader access to new technologies, and partnerships for development.

#### **ENVISIONING A BUSINESS ROLE IN THE SDGs AND THE POST-2015 AGENDA**

With engagement comes an interest in committed businesses in taking part in decisions and goal setting that relates to sustainable development.

Many executives at the Corporate Sustainability Forum expressed a primary hope that business will have a place at the table when these issues are being discussed, and that its active and crucial role will be recognized.

Backing this interest is an informed knowledge of business leaders, from the grassroots upward to the global level, of thematic areas with implications for the creation of a new system of United Nations development principles and goals. Following are highlights of only a few of the areas in which business expertise may be of use to UN Member States as well as to society at large in determining the shape of future SDGs:

**Rule of law** – Contrary to the notion that businesses are buccaneer ships that cluster where the level of social control is lowest, the private sector prefers an orderly environment. Investment tends to flow to areas with strong governance, corruption controls, fair legal systems and regulatory regimes, and respect for human rights. Businesses have developed a keen eye for the dialectics of economic prosperity and social equity and are in accord with the Rio+20 outcome document *The Future We Want (FWW)* that “democracy, good governance and the rule of law . . . are essential for sustainable development, including sustained and inclusive economic growth.”

**Jobs** – Employment is arguably the most pressing single global issue in its social, economic and political dimensions. It is an area in which business has signal power (82,000 transnational corporations employed 77 million in 2010, with smaller enterprises generating the bulk of all jobs), and also a vested interest, because low-employment economies are short on business opportunity. In addition, the ILO calculates that 58 per cent of the work force in the developing world, the large majority of them girls and women, is engaged in “vulnerable” employment, located in the informal sector or unpaid labour within family units. Business activity has the potential to transfer this work into formal sectors and decently paid jobs.

But hiring is responsive to external cues, such as market demand, macro-economic conditions, regulatory environments, political stability, etc. The considered input of business is of value to inter-governmental deliberations on issues cited in the *FWW*, such as creating jobs by “investing in and developing sound, effective and efficient economic and social infrastructure and productive capacities and forward-looking macroeconomic policies.”

**Food, water & energy** – Various projections [including *McKinsey Quarterly*, January 2012, “Mobilizing for a resource revolution”] indicate demand for annual investments in areas of energy, land (including farming & food), water and steel of about \$1 trillion more than the current \$1 trillion level just to meet increased demand, and another trillion to finance more efficient resource usage. Investment on this scale cannot be mobilized by the public sector alone.

Expertise in green innovations, and participation of several major corporations in Sustainable Energy for All, feed into business' role in implementing *FWW* calls to increase sustainable agricultural production and productivity . . . “including through improving the functioning of markets and trading systems; to adopt measures to significantly reduce water pollution and

increase water quality; and to provide access to sustainable modern energy services, . . . increasing the share of renewable energy and cleaner and energy-efficient technologies.”

**Social issues** – As businesses acts on the conclusion that not only markets but employee, management and investor pools work best when they are at a high level of inclusiveness, interest in better engagement with women and groups such as indigenous people and the disabled is growing. Although the social pillar of sustainable development is often overshadowed by the economic and environmental, the wide range of social and human rights challenges brought to Corporate Sustainability Forum workshops reveals bedrock interest in “social protection to all members of society, fostering growth, resilience, social justice and cohesion”, and to gender equality and women’s empowerment in all spheres of our societies, including the removal of barriers to their full and equal participation in decision-making and management at all levels.”

Within the Global Compact, for example, 450 CEOs have endorsed and moved to enact seven Women’s Empowerment Principles dealing with workplace, marketplace and community. For multi-nationals operating with multi-ethnic, multi-lingual work forces, or local businesses operating in national settings beset by social tensions, social engagement overlaps strategic and systemic imperatives.

**Health** – This is one of the world’s major economic growth areas, as well as an historic platform for UN-business relations ranging from provision of discounted medicines to fight HIV-AIDS to partnerships such as the current Secretary-General’s campaign for women’s and children’s health. Health, especially for mothers and children, is a mainstay of the MDGs. The viewpoints of a range of stakeholders will be required to sort out pivotal issues relating to patent rights, insurance schemes and social safety nets, and how, in line with the *FWW*, to “strengthen health systems towards the provision of equitable universal coverage and . . . affordable access to prevention, treatment, care and support”.

**Peace and fragile nation states** -- One in every five people lives in a country facing severe violence, political conflict, insecurity and societal fragility [*Geneva Declaration*, Cambridge University Press, 2011]. Conflict-affected high-risk areas are home to 60 per cent of the undernourished, 61 per cent of the poor, 77 per cent of children not in primary school, 65 per cent of people without access to safe water and 70 per cent of infant deaths [*World Development Report 2011*, World Bank,]. Conflict and instability cripples the private sector as well -- disrupting production and supply chains, increasing operating costs and delaying activities. Business plays a strong role in building trust, creating jobs and stimulating sustainable growth in societies on life support. Along these lines, the Global Compact's work on business and peace explores why and how responsible business practices can contribute to peace and stability, with innovative examples from various sectors parts of the world.

**Financial reform** – Financial over-leveraging and lack of transparency took an especially dire toll on the world economy during the 2008 crash, and on standards of living ever since. Financial transaction taxes, controls on speculation on commodities, executive salary caps and new bank regulations are among responses under discussion or moving ahead. Responsible business leadership has an inside track on helping to arrive at maximally beneficial solutions.

**Measuring success and sharing responsibility** -- In addition to action on thematic areas, an effective SDG mechanism will involve monitoring and accountability. From business school to corporate practice, these are areas in which executives are rigorously immersed. Their expertise, along with experience gained during the MDGs, can provide valuable input.

## **GLOBAL COMPACT RESOURCES AND PROCESSES**

Over time, the Global Compact has developed specialized structures and mechanisms that offer unique opportunities to enlist the creativity and experience of business leaders.

**LEAD** – The Compact has brought together an advanced grouping of 56 major corporations that have aggressively integrated sustainable development principles into their practice and have maintained long-term engagement with the UN. Responding to interest in the SDGs expressed by representatives of these firms, a “LEAD” symposium is planned for November. The meeting will look for answers as to the key issues that should be highlighted in the post-MDG agenda, the best way to formulate them as goals, and how business can best be involved in their implementation.

**National networks** – An example of the capabilities country groupings of Global Compact participants is a 2009-10 MDG-directed study carried out in Indonesia [*Growing Inclusive Markets: Indonesia Cases*, Indonesia Global Compact Network, November 2010]. The national network secretariat, managers from participating firms and university experts analyzed case studies on involving the poor in business supply chains, either as partners, producers, suppliers, employees or consumers. Drawing on the experiences of Indonesia firms in banking, transportation, mining, food processing, cosmetics and telecommunications, they charted ways that new profit opportunities can also prepare the ground for a more inclusive economy and sustainable future.

**Private-public policy engagement** – The Compact is pioneering formats for dialogue on issues of common concern that go beyond self-interested lobbying of sectoral business associations. A CEO communiqué, delivered at the Rio+20 Corporate Sustainability Forum, for instance, promises action on water management and on supply and efficiency issues from 45 brand-name multinationals. It goes on to call on Governments to collaborate with them on MDG water and sanitation targets by setting fair and appropriate valuation of water for agriculture, industry and people and by increased investment in infrastructure, among other measures.

**Principles for Responsible Management Education (PRME)** – Business school faculty are typically not specialized in any of the physical sciences or liberal arts, but rather excel in synthesizing diverse fields of knowledge to put them to use in the practical world of corporate enterprise. This is a skill that can be applied to the difficult task of synthesizing goals and principles in fields as varied as those that may be covered in the SDGs: environmental science, employment and economic growth, human needs and human rights, governance and equity. The Global Compact has built a network of graduate business school leaders who are already interested in this challenge, and are grouped in six regional chapters covering the globe.

**The UN-backed Principles for Responsible Investment (PRI)** -- Recent years have seen a major move among large institutional investors with respect to adopting environmental and social issues into investment considerations. PRI, co-founded by the Global Compact and with more than 1000 institutional investors representing more than \$35 trillion in assets under management, represents a valuable pool of experience in incorporating sustainable development in investment decisions, as well as vanguard backing for SDG implementation.

All of the above Global Compact initiatives have linked their work to achievement of the Millennium Development Goals, and will continue to do so through the 2015 target year. We look forward to building on this experience, and on MDG victories, in supporting the creation and implementation of follow-through sustainable development goals.

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