

The **Allen Consulting** Group

Business for poverty relief

A business case for business action

April 2007

Report to the Business for Poverty Relief Alliance

Executive summary

About 2.6 billion people — 40 per cent of the world's population — live on less than US\$2 per day.

This fact is easy to forget from the relative prosperity of Australia. Yet many nations in Australia's own region continue to experience poverty of the kind that virtually guarantees poor education and health outcomes for their citizens, resulting in poverty traps that leave millions of families unable to escape.

Papua New Guinea, East Timor, Cambodia, Laos and Myanmar all suffer from high absolute levels of disadvantage. These countries and other developing nations in our region are at serious risk of failing to meet an agreed set of targets to address extreme poverty, hunger, disease, illiteracy and environmental degradation.

These targets — known as the Millennium Development Goals — were agreed in 2000 by world leaders, including Australian Prime Minister John Howard, as a blueprint for tackling poverty. The lack of progress in many of our neighbours towards the Millennium Development Goals highlights the need for developed nations such as Australia to do more to meet the challenge of global poverty.

Australia's overseas aid budget stands at 0.28 per cent of gross national income (GNI), well behind that of most other developed countries. While the Australian Government has committed to raise its contribution to 0.34 per cent by 2010, this will still be considerably short of the average for developed countries of 0.47 per cent of GNI.

In addition, Australia is one of the few wealthy countries not to have set a timetable to reach the agreed UN target of 0.7 per cent of GNI.

There is also some need for action within our shores. Many Indigenous communities have a standard of living as poor as, or worse than, inhabitants of developing countries. Life expectancy at birth is 59 years for Indigenous males and 65 years for Indigenous females. This is lower than the average life expectancy in the less developed countries in Australia's region.

While some of the levers for change lie in the hands of government, there are many actions that companies can take that have the potential to produce sustained improvements in the livelihood and well being of the disadvantaged.

While corporate Australia is generally supportive of and active in social investment, most companies have been less than active in ensuring that poverty is addressed in their closest export markets.

The call on Australia to reduce poverty is therefore also a call on Australian business.

There is a strong business case for Australian companies to focus on, and to do more to address, the plight of the poor in developing nations.

Global poverty represents a direct threat to the current and future prosperity of a range of Australian businesses through loss of potential markets, damage to foreign affiliates and a greater risk of regional instability. In addition, contributing to the development of poor countries — by generating income, creating jobs and investing in local businesses and skills — can present Australian firms with the opportunities of new markets.

There are reputational benefits from being associated with responsible development efforts. Australian firms can use their business dealings in developing countries to promote ethical behaviour, good governance and more robust political institutions. Companies need to deepen their understanding of how and where they source their materials and services.

Working to alleviate poverty and its causes is also good business sense for companies wanting to attract and retain the best employees. This is particularly the case for younger workers who look to their careers as vehicles through which they can exercise their principles and beliefs.

There is no shortage of opportunities available to companies wishing to contribute to poverty relief. By thinking constructively about, and in some cases reconfiguring, their core business activities, companies can supply affordable products and services to the poor, provide best practice working conditions for locals, and invest in the skills, infrastructure and technologies that will underpin future growth.

The ‘business of doing business’ in developing markets will best and most sustainably overcome poverty in poor communities — provided that companies adhere to responsible practice in their supply chains.

Companies can also provide financial and in-kind support to strengthen local communities — particularly those in which they operate.

Another way that the business community can make a difference is by engaging in dialogue and advocacy to influence Australian and developing country policy. Although international development is often seen as a ‘government issue’, this need not be the case and by engaging in innovative partnerships, corporate involvement may act as a catalyst for greater government action.

Other options include taking steps to raise awareness in the community, including in business, about Australia’s commitment to international agreements on poverty alleviation and aid, and recognising corporations who are making efforts through their businesses to address poverty.

The seven headline actions recommended in this report, if adopted, will help put development, aid and poverty relief issues on the corporate map. More Australian companies, and more Australians, will understand not only that we have a responsibility to take action to relieve global poverty now, but also that there is often a strong business case underpinning these actions.

Additional supporting actions are outlined in chapter 5.

Putting development issues on the corporate map

Action 1

The Business for Poverty Relief Alliance should lead the Australian business community in embracing the opportunity to help relieve poverty and promote development through business activities in developing countries.

The Alliance should work with relevant government agencies and not-for-profit organisations to host a national conference on the contribution of Australian business to poverty relief and progress towards the Millennium Development Goals. The conference should call for papers on business models that can be adopted, opportunities for new partnerships and examples of good practice.

To ensure a high profile, the Alliance should encourage active engagement of Ministers from relevant portfolios, the CEOs of Alliance companies, the Business Council of Australia, the Australian Chamber of Commerce and Industry, and a major media partner.

Deepened sensitivity to supply chain issues

Action 2

All companies doing business in and with developing countries should commit to responsible and enlightened practice in their supply chains to ensure that their activities produce sustained improvements in living conditions and avoid harm to local communities.

Action 3

Business should report on their social, environmental and economic impacts relevant to poverty relief and the achievement of the Millennium Development Goals. Reporting should utilise existing frameworks, such as the Global Reporting Initiative, which is already being used by a significant number of Australian companies. The Prime Minister's Community Business Partnership could play a role in encouraging and assisting businesses to undertake better reporting.

Making a stronger commitment to poverty relief

Action 4

Business should urge the Australian Government to continue to increase its expenditure on official development assistance, from a projected 0.34 per cent of GNI in 2010 to at least 0.54 per cent by 2015 — the level identified by the UN Millennium Project as the minimum required from industrialised countries to achieve the Millennium Development Goals. In addition, the Government should set out a plan for achieving the agreed UN target of 0.7 per cent of GNI.

Action 5

Australian companies should commit to contributing an appropriate proportion of their social investment to poverty relief initiatives, commensurate with the exposure of their operations to developing countries and Indigenous communities.

Promoting a stable business environment

Action 6

Business should urge the Australian Government to make concrete the intent of the 2006 White Paper on Australia's overseas aid program to engage more closely with companies with investment interests in the Asia Pacific region. Together, the Australian Government, development agencies, business organisations and companies should commit to working together more formally and regularly to:

- *identify priorities for the targeting of official development assistance, to help meet the Millennium Development Goals; and*
- *work in partnership to strengthen development outcomes.*

Australia's APEC opportunity

Action 7

Business and government leaders working towards the APEC Heads of Government meeting and its aftermath should commit to lifting the emphasis at APEC on human development and bringing together more cohesively those various initiatives that touch on poverty and its determinants. A stocktake of progress towards the Millennium Development Goals and regular reporting of achievement against those goals in the APEC region would support this UN Agenda and further the achievement of those objectives. The Alliance should consider raising these issues with the Australian business members of the APEC Business Advisory Council ahead of the forthcoming Sydney meetings.