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Key messages

• Most businesses did not engage with the MDGs, but were a major contributor to their achievement nonetheless, mostly through job creation.
• Of the SDG goals which are most relevant to business, the heaviest lifting will be on inequality, climate change and industrialisation.
• The most useful way business can engage with the SDGs is to do its day job better: improving the quality of jobs, investment and tax payment.
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Acronyms

APP  |  Africa Progress Panel
BRICS  |  Brazil, Russia, India, China, South Africa
CPIA  |  Country Policy and Institutional Assessment
CSR  |  Corporate Social Responsibility
FDI  |  Foreign Direct Investment
GDP  |  Gross Domestic Product
GHG  |  Greenhouse Gas
ILO  |  International Labour Organization
IMF  |  International Monetary Fund
LDC  |  Least Developed Country
MDG  |  Millennium Development Goal
MNC  |  Multinational Corporation

NCDO  |  Netherlands National Committee for International Cooperation and Sustainable Development
NGO  |  Non-Governmental Organisation
OECD  |  Organisation for Economic Co-operation and Development
SDG  |  Sustainable Development Goal
UK  |  United Kingdom
UN  |  United Nations
UNCTAD  |  UN Conference on Trade and Development
UNEP  |  UN Environment Programme
US  |  United States
Executive summary

The Millennium Development Goals (MDGs) were ambitious. Although most of them were not achieved, there has been extraordinary progress since 1990 – the baseline for the goals – in reducing poverty and improving the well-being of millions of people around the world.

The MDGs timeframe ended in 2015 and they have been replaced by an even more ambitious set of global goals, the Sustainable Development Goals (SDGs), which apply to both developed and developing countries. Business was not at all involved in formulating the MDGs but this time round, has been close to the drawing board for the SDGs.

This paper takes stock of how the world has progressed on sustainable development. It looks at why and how business did – and did not – contribute to advances in the MDG era. On the credit side of the balance sheet, investing, paying tax and innovating around the supply chain have been important fillips to development. Business has been responsible for the lion’s share of global poverty reduction, creating economic value by setting up new operations and expanding existing ones. These have employed people – not always in ‘decent’ jobs with adequate incomes – but at a scale that has made the difference in the poverty numbers.

On the deficit side, failing to ensure upstream and downstream linkages has meant the full development benefits of investment have not been realised; worse, the exploitation of intellectual property loopholes by pharmaceutical companies has acted as a barrier to the development of generic drugs. The impact of business on the environment has been mixed.

The paper then assesses, on current trajectories, where business as usual will take us on the SDGs that are arguably most relevant to all types of private sector entities, from single traders to multinational enterprises. It finds that, among these, the heaviest lifting will be in the areas of inequality, industrialisation and climate change, and goes on to set out some of the ways in which business can bend the curve to deliver improved outcomes in these areas.

It concludes that, commensurate with the new ambition of the SDGs, business practice should evolve in three ways to contribute to sustainable development. First and most important, companies should improve the performance of their core business and explicitly consider its development impact, so jobs are better quality, for example.

Second, businesses should continue to foster the kinds of innovation started during the MDG era such as partnerships to share risk.

Finally, the SDGs are likely to be advanced piecemeal through trial and error. This applies to business just as much as to government: pilots and the environment in which they land will be the likely determinants of longer-term success.
1. Introduction

The Sustainable Development Goals (SDGs) form a comprehensive and complex global agenda that paints an aspirational picture of what the world could look like in 2030 (UN, 2015b). Poverty – in all its forms – will be gone. Sustainable water supplies, energy and industry will be in place, and economic growth will provide full and decent employment to all. Inequality within countries will be reduced and cities will be more inclusive. Climate change will be addressed actively, with sustainable consumption patterns and better protection of ecosystems. There will be no more hunger, and people everywhere will be healthy and well educated. Women and girls will be empowered, and equal to men and boys.

This is, of course, hugely ambitious. But few would question the idea that this level of ambition is precisely what’s needed to address some of the world’s most serious development challenges, including deeply ingrained poverty, inequality, violence and environmental degradation.

The private sector has always been part of the story of change. The social reformers of 19th century England focused on the poor working conditions employers in new industries imposed. Much more recently, Oxfam’s 2009 ‘poverty footprint’ methodology was a useful attempt to track the impact of foreign companies along their value chains and in the communities and countries where they operate. Engagement has ranged from highly confrontational campaigning to attempts to develop partnerships that bring companies in on the basis of shared objectives.

Agreement of the SDGs has brought a new urgency to this endeavour and a new set of questions for governments, companies and multilateral organisations. What is clear is that, without action from businesses, we will not achieve the SDGs.

This will in part be about money. As the International Monetary Fund (IMF) has said, the new agenda will cost trillions rather than billions,1 and to say financing gaps are currently substantial is a significant understatement. Of course, companies will not provide funding directly in the way donors do – the shift from billions to trillions is not as straightforward as that. However, there are mechanisms private sector investments can use to contribute directly to achieving the SDGs:

- By creating jobs companies will transfer money directly into the pockets of citizens, which doesn’t just reduce poverty but also will help achieve many other of the new goals.

- Increased economic activity by the private sector will contribute to raising the tax revenues needed to fund social investment. The tax capacity of the world’s poorest countries falls far short of what’s needed for public investment – there’s an $84 billion annual financing gap in social services and social protection provision alone (Greenhill et al., 2015).

- Private sector investments in sectors such as energy, transport and housing will fund the big infrastructure developments that will be key to achieving the SDGs.

Given the indirect way that private sector funds translate into development outcomes, quantifying and monitoring this will not be as straightforward as it is for public sector transfers. However, a greater focus on private sector financial flows and the link to wider social objectives will be a welcome change from donor-focused funding narratives.

It is not only about the money. The private sector also brings expertise in logistics, supply chains, emissions reduction and technology transfer to the table, having been the locus of most of the productivity-enhancing, energy-saving, life-transforming innovations that have hugely expanded the possibilities for humanity.

Business also has the capacity to do significant harm, of course. Practices such as transfer pricing, active lobbying against progressive regulation, exploitative working conditions and widespread deforestation will actively undermine achievement of the SDGs. Business engagement will need to involve doing fewer bad things as well as more good things.

In the long term, the incentives for action are considerable. A world in which the SDGs have been achieved is a better, more productive one for the private sector; it is one that will allow business to grow its bottom line – and hence deliver more progress in future. Healthy, educated populations are vital for a successful workforce. The vast majority of businesses can’t function without a water source. Nearly every business survey in Africa cites lack of reliable electricity as a key impediment. And the positive impact on gross domestic product (GDP) growth of more women in the workplace is by now a truism.

Similarly, climate change is the defining challenge of our generation; failing to tackle it will increase costs, with companies coping with higher natural disaster risks and more uncertain supply chains as water sources shrink and land becomes less productive. But changing the climate

1 https://www.imf.org/external/np/sec/pr/2015/pr15170.htm
trajectory also creates opportunities for governments, businesses and investors to work together to build the low-carbon energy systems needed to sustain economic growth, create jobs and extend modern energy to the billion people living without electricity.

We should not be coy about the difficulties in this agenda. Whereas in the past 15 years the corporate social responsibility (CSR) wings of corporate affairs departments have led the development conversation, the scale of actions needed to meet the challenges both to agencies’ own operations and to societies at large mean development needs to move beyond programmes to build schools in Asia and employee fundraising drives and become a matter of core business.

In recent years, this discussion has come under the rather amorphous term ‘shared value’. First introduced in 2011, this was supposed to mean generating economic value in a way that also produces value for society by addressing its challenges (Porter and Kramer, 2011). If in reality this is to be anything other than a term bandied about at well-intentioned conferences, some tough conversations will need to be had both inside companies and between companies and other stakeholders.

Change is needed at many levels – from the government rules that set the parameters of business activity, to the social norms that establish the boundaries a wise company will not cross, to the choices of investors, managers and staff at every level about both long-term strategy and daily operations, to the mutual expectations of companies, governments, civil society and other stakeholders.

The term ‘businesses’ covers tiny household enterprises, for example selling fresh produce at the side of a road, smallholders operating formally or informally, small and medium-sized enterprises and large domestic and multinational corporations (MNCs). The former may well be the most important in terms of employing people with a low level of skills or in rural areas. But the focus of this paper is MNCs, which, given their size, have the greatest potential to do good. Their high profile also means they have the greatest incentives to be seen to be doing good, in terms of brand value, licence to operate and attracting staff. Even here it is worth noting that MNCs are a heterogeneous group: by one assessment, there are more than 100,000 in the world, originating in dozens of different countries (UNCTAD, 2011).

This paper sets out a baseline for businesses engaging in the SDGs. It looks at the outcomes of their predecessors, the Millennium Development Goals (MDGs), and gives a clear-eyed assessment as to the role business played in their achievement, as well as in broader improvements – or the contrary – in people’s lives and the health of the planet.

Then, looking ahead to the SDG deadline of 2030, having assessed where, according to recent trends, the world is heading on poverty, inequality, environmental sustainability and growth, it sets out how much the curve will need to be bent to reach the SDGs. We use a scorecard grading goals from A to F.

Finally, we set out areas where business will be crucial to achieving the SDGs, including examples of how its actions, choices and relationships will need to change to fit this opportunity of a generation.
2. Where are we on sustainable development now the MDGs have come to a close?

Since 1990, the baseline year for the MDGs, there has been extraordinary progress around the world, across an inspiringly wide range of indicators, from poverty reduction, to sustained macroeconomic growth in the poorest countries, to better habitat and species protection.

The proportion of the global population living on less than $1.90 a day in 2012, the most recent year for which quality data exist, was about a third of what it was in 1990. Indeed, the number may have fallen to 700 million, or 9.6% of the world's population, in 2015; we cannot be sure because of data lags. To put it another way, global poverty has fallen by around 1 percentage point a year since 1990 (World Bank, 2015). China contributed the lion's share of this progress: it has now all but eradicated extreme poverty in cities, for instance – an extraordinary achievement (Stuart, 2015).

Even excluding China, cuts to extreme poverty have been rapid, and more than two thirds of countries have reached, or are close to achieving, the MDG poverty target of halving extreme poverty (World Bank, 2015).

Millions of people have climbed out of the wider miseries of poverty too. In 2015, 43 million more children were in primary school than was the case in 1990. Likewise child mortality: the number of children dying of preventable diseases before their fifth birthday fell from 13 million in 1990 to just over 6 million in 2013, meaning 17,000 fewer dying each day. New HIV infections fell by approximately 40% between 2000 and 2013, from an estimated 3.5 million cases to 2.1 million. Nor is malaria the scourge it once was, in part thanks to the delivery of more than 900 million insecticide-treated mosquito nets to
malaria-endemic countries in Sub-Saharan Africa between 2004 and 2014 (UN, 2015a).

There has also been progress in some areas of environmental sustainability. Ozone depletion has been redressed, and the area under protected habitat status has increased (Hsu et al., 2016). Land area under planted forest has grown and the rate of net deforestation has slowed (Hsu et al., 2016; UN, 2015a).

2.1 Mapping progress onto the MDGs

So how does that progress map onto the MDGs? And which of the goals were met? The picture is a mixed one, and, again because of data lags, in most cases we cannot yet tell what the final 2015 numbers will look like – so the question of goal attainment cannot currently be answered definitively.

The most obvious success was on Goal 1 on halving extreme poverty, which was met five years early. Goal 1 also included a target on hunger. It is unlikely the latter will have been met (we do not yet have the final data), but there has been substantial progress here also: prevalence of malnutrition among children under age 5 dropped from 28% in 1990 to 17% in 2013. Brazil has been a remarkable example of success here: in 1990–1992 it was home to some 22 million undernourished people; over the past decade it has reduced hunger by some 80% (World Bank, 2015).

However, though monetary poverty has fallen consistently, it is still firmly entrenched in some countries. The poverty rate in Sub-Saharan Africa fell only from 56.8% to 42.7% between 1990 and 2012 (World Bank, 2015), and, because of population growth, there are more people living below the poverty line in the continent now than there were in 1990 (Beegle et al., 2015).

Goal 2, on universal primary education, looks to be off-track; worryingly, primary enrolment progress is now slowing, in spite of the significant increase in the number of out-of-school children cited above.

Goal 3, on gender inequality, is also unlikely to be met. But here too there has been significant progress: many more girls are now in school compared with 15 years ago, and developing regions as a whole have achieved the target to eliminate gender disparity in primary, secondary and tertiary education. In South Asia, for instance, only 74 girls were enrolled in primary school for every 100 boys in 1990. Today, 103 girls are enrolled for every 100 boys. Globally, women now make up 41% of paid workers outside the agriculture sector, an increase from 35% in 1990 (UN, 2015a).

However, women remain at a disadvantage in the labour market. Globally, three quarters of working-age men participate in the labour force compared with only half of working-age women. Women earn 24% less than men globally. In 85% of the 92 countries with data on unemployment rates by level of education for 2012–2013, women with advanced education have higher rates of unemployment than men with similar levels of education.

And age-old issues such as reconciling the need to care for the family with the need to earn a living are far from being resolved (Samman et al., 2016).

On Goal 4, the global under-five mortality rate has declined by more than half, dropping from 90 to 43 deaths per 1,000 live births between 1990 and 2015. Since the early 1990s, the rate of reduction of under-five mortality has more than tripled globally. Of particular note, in Sub-Saharan Africa the annual rate of reduction was over five times faster during 2005–2013 than it was during 1990–1995 (UN, 2015a). However the goal is not likely to be met.

Goal 5 targeted improvements in maternal health. Since 1990, the maternal mortality ratio has declined by 45%, with most of the reduction occurring since 2000 (World Bank, 2015). However, again, the goal is not likely to be met.

Goal 6 was to combat HIV/AIDS, malaria and other diseases. The tuberculosis mortality rate fell by 45% and the prevalence rate by 41% between 1990 and 2013 (World Bank, 2015).

Goal 7 on environmental sustainability covered access to improved water and sanitation and reducing the number of slum dwellers; water and slum elements have been met but progress on sanitation is lagging. Globally, 147 countries have met the drinking water target, 95 countries the sanitation target and 77 countries both. Between 2000 and 2010, more than 200 million slum dwellers gained access to improved water and sanitary conditions, well above the MDG target of 100 million (World Bank, 2015).

On explicitly environmental elements there were successes also: 98% of ozone-depleting substances have been eliminated since 1990. But huge challenges remain. Global emissions of carbon dioxide have increased by over 50% since 1990. An estimated 5.2 million ha of forest were lost in 2010, an area about the size of Costa Rica. Overexploitation of marine fish stocks led to declines in the percentage of stocks within safe biological limits, down from 90% in 1974 to 71% in 2011 (World Bank, 2015).

Goal 8 was a hybrid goal, supposed to cover everything necessary to deliver the other goals. It included targets for amounts of aid, which was 0.7% of gross national income. By 2014, only five donors were delivering this, although the MDG period did succeed in reversing an aid decline that had been creeping in since the end of the Cold War. In 2014, 79% of imports from developing to developed countries were admitted duty free, up from 65% in 2000 (World Bank, 2015).

And while broadband access remains out of reach for many, the number of internet users has more than tripled, from 1 billion in 2005 to an estimated 3.2 billion at the end of 2015 (World Bank, 2016).
Box 1: MDGs – what happened at the national level?
It is worth making the point that, while global targets are important to monitor progress at the headline level, and to allow comparison between one country and another, they are in effect meaningless. It doesn’t matter to people in Afghanistan or Algeria whether or not a global target has been met. What matters is at country level. Here, it is clear that, although there has been very significant progress, paradoxically most countries are still likely to miss most targets. This is because national targets were overly ambitious and meeting them would have meant rates of change that were not just unprecedented but also, in all fairness, unfeasible.

In fact, taking starting points into account, many poor countries – up to 46%, depending on the indicator – registered better-than-expected progress on some MDG targets, even though they were not on track to meet them, when compared with the performance of other countries that had the same starting point and taking into account the overall pattern of progress for that indicator.


2.2 Causality – an open question
Attributing causality to the MDGs is problematic. In fact, surprisingly little is known about how these international goals functioned in a domestic setting and the real impact they had on policy change, budget allocations, investment decisions and outcomes. This means, in effect, we cannot be sure as to their impact and whether they drop national progress or whether that progress would have occurred in any case in their absence.

However, there is reason to think the very existence of the goals did contribute in a substantive way to the above development progress.

Collectively, recent attempts to answer this question lean towards a conclusion that the MDGs had a positive impact, or, at a minimum, that they correlate with one. For instance, 55% of all countries and 74% of Sub-Saharan African countries accelerated improvements in under-five mortality in the MDG era compared with 1990-2000 (Fukuda-Parr et al., 2013).

Kenny and Sumner (2011) projected forward rates of progress that pre-existed the goals across a range of indicators and compared them with actual outcomes after the MDGs had been agreed.

They found that, based on historical trends up to 2000, we might have expected primary education in developing countries to reach 76% in 2010. In fact, the developing country average reached 81%. We might have expected girls’ enrolment as a percentage of boys’ enrolment to be 96%; in fact it was 98%. Child mortality was predicted to be 5.4%; in fact it was 5.1%, and maternal mortality was 203 per 100,000 births compared with the predicted value of 221. As Kenny and Sumner note, these differences are not huge, but if you were a parent of one of those children, it would have been extraordinary.

There is scepticism that these gains were owed to the MDG process itself. Friedman (2013), for example, finds no statistically significant accelerations in MDG progress after 2000: the MDGs ‘represented a culmination of development agreements and goals that had been established over the preceding years’, and, as such, ‘many of the indicators…had been previously identified in the global development agenda in the 1990s and campaigns to accelerate progress had been initiated before 2000’.

However, this may be exactly the point. By condensing all of these agreements into short and simple language, accessible to all, the MDGs provided a useful tool of leverage for campaigners and politicians. The programme was one of (broadly) achievable progress, consented to by leaders from countries rich and poor, that was numerical and time-bound (Kenny, 2015). Others agree with the general consensus that the MDGs have had positive effects in terms of highlighting the importance of poverty reduction and the need for an urgent focus on human well-being.

2.3 Progress beyond the MDGs
All of the above were issues included in the MDGs. But, unsurprisingly, as there were just eight goals covering for the main part only social sectors, significant progress also happened in the world across sectors that were not part of its relatively limited agenda. As critics pointed out, the MDGs didn’t reference the economic growth that would be vital (if not sufficient) to deliver much of the progress envisaged. However, this was deliberate – a reaction to structural adjustment and an implicit assertion – much needed at the time – that growth was a means to an end, not an end in itself.

According to the IMF, in the early 1990s much of Sub-Saharan Africa – 20 out of 44 countries – was regarded as fragile, a term which also entails political and economic instability2. But since then, seven countries – Cameroon, Ethiopia, Mozambique, Niger, Nigeria, Rwanda and Uganda – seem to have transitioned out of fragility (IMF, 2014). In 2014, economic growth for Sub-Saharan Africa

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2 The World Bank and the African Development Bank regard a state as fragile either if it has an aggregate country policy and institutional assessment (CPIA) rating of 3.2 or less or if it has been hosting a UN or regional peace-keeping or peace-building mission in the past three years. The CPIA assesses the quality of a country’s economic and institutional framework and the 3.2 threshold separates the bottom two quintiles of the distribution.
as a whole was 5%, driven by strong investments in mining and infrastructure (IMF, 2015a). And, in spite of recent slowdowns, emerging markets have also experienced extraordinary growth: in 1991, India's GDP was 1.1%. In 2014, that figure was 7.3% (World Bank World Development Indicators).

2.4 Other remaining challenges

However, significant global challenges remain – hence the ambition of the SDGs. First inequality. Often the poorest and most marginalised groups have not benefited at all or not enough. The bottom 5% of the global income distribution made no progress at all reducing income poverty between 1988 and 2008 (Milanovic, in Bhatkal et al., 2015). Children from the poorest 20% of households in developing countries are more than twice as likely to be stunted as those from the wealthiest 20%. And children in the poorest households are four times as likely to be out of school (Bhatkal et al., 2015).

Almost half of global workers are still working in vulnerable conditions, rarely enjoying the benefits associated with decent work. These workers are less likely to have formal working arrangements, be covered by social protection such as pensions and health care or have regular earnings. They tend to be trapped in a vicious circle of low-productivity occupations, poor remuneration and limited ability to invest in their families’ health and education, which in turn dampens overall development and growth prospects – including for generations to follow. In South Asia and Sub-Saharan Africa, more than three out of four workers are in vulnerable forms of employment, with women disproportionately affected. In addition, considerable levels of working poverty remain (ILO, 2014).

And by the end of 2014, conflicts had forced almost 60 million people to abandon their homes – the highest level recorded since World War II. If these people were a nation, they would make up the 24th largest country in the world. Every day, 42,000 people on average are forcibly displaced and compelled to seek protection because of conflicts, almost four times the 2010 number of 11,000. Children accounted for half of the global refugee population under the responsibility of the UN High Commissioner for Refugees in 2014 (UN, 2015a).

While there has been some slow progress on a number of natural resource challenges, in other environmental areas the trends are decidedly negative. Even if all countries fulfil their voluntary commitments on greenhouse gas (GHG) emissions, the world will not meet the global climate change goal of holding the increase in the global average temperature to well below 2 °C above pre-industrial levels.¹

There is also a growing global problem of particulate air pollution, especially in urban areas. Half of the world’s population, 3.5 billion people, live in countries where the air quality is unsafe for human health (Hsu et al., 2016). Biodiversity continues to be lost at rapid rates, driven by the demand for food, water and other natural resources, risking irreversible change to ecosystems. A contributory factor is nitrogen pollution, which also contributes to climate change. Only one country in five is meeting global targets for efficient nitrogen use (ibid.).

¹ Note that countries have committed themselves to pursuing efforts to limit the temperature increase to 1.5 °C. The UN Framework Convention on Climate Change Conference of the Parties 21 text reads, ‘Emphasizing with serious concern the urgent need to address the significant gap between the aggregate effect of Parties’ mitigation pledges in terms of global annual emissions of greenhouse gases by 2020 and aggregate emission pathways consistent with holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C, Notes with concern that the estimated aggregate greenhouse gas emission levels in 2025 and 2030 resulting from the intended nationally determined contributions do not fall within least-cost 2 °C scenarios but rather lead to a projected level of 55 gigatonnes in 2030, and also notes that much greater emission reduction efforts will be required than those associated with the intended nationally determined contributions in order to hold the increase in the global average temperature to below 2 °C above pre-industrial levels by reducing emissions to 40 gigatonnes or to 1.5 °C above pre-industrial levels by reducing to a level to be identified in the special report referred to in paragraph 21 below’ (https://unfccc.int/resource/docs/2015/cop21/eng/09.pdf).
3. What has business contributed to development? The story so far

Many development experts, including those at the UN driving the MDG process, assumed it would be largely foreign aid that would finance international development efforts towards poverty reduction, driven by government but with some support from private charities (Cook et al., 2010).

Although some of the MDGs explicitly included targets to be reached in cooperation with the private sector, such as improving access to affordable essential drugs and information and communication technology (both part of Goal 8)⁴, this was driven more by civil society lobbying and government interests than by engagement with companies themselves.

In other words, as the MDGs took shape, the UN was not ‘open to business’ (Witte and Reinicke, 2005). From its side, business perceived the goals as an arcane process cooked up by the UN. As one corporate executive says, ‘There was just nothing in the MDGs that would have inspired to engage.’⁵

3.1 The start of business engagement

To some extent that did change. A ground-breaking paper ‘Business and the MDGs: A framework for action’ (Nelson and Prescott, 2003), specifically aimed at executives, set out for the first time the business case for the MDGs. Also instrumental was the creation of the UN Global Compact, a UN initiative to encourage businesses worldwide to voluntarily adopt and report on sustainable and socially responsible business practice. This was announced by then UN Secretary-General Kofi Annan in an address to the World Economic Forum in 1999 and launched at UN Headquarters in 2000.

At the heart of the Global Compact were the Ten Principles (initially nine) on universal human rights, labour, environment and anti-corruption. At a time when UN engagement with business was still highly controversial, this was, in the words of Mary Robinson, then UN High Commissioner for Human Rights, a ‘radical initiative’ (Saldinger, 2015).

Private sector engagement in international development more widely increased for a variety of reasons. External pressure from and greater scrutiny by civil society and the media triggered greater interest among businesses in being seen as doing good. Self-interest considerations, combined in some cases with a perceived moral obligation to the local communities where businesses operate, started driving some companies to think creatively about how they could deliver profits to their shareholders while at the same time contributing to development challenges.

There have also been strong commercial imperatives. For MNCs previously focused on developed country markets, expansion into middle-income countries and least developed countries (LDCs) has meant they are, de facto, being drawn into development as economic actors. What happens to the population in such countries becomes a matter of interest for their bottom line.

Further, many companies need to secure access to inputs and labour in global supply chains. This can be expected to gain relevance for businesses in light of increasing natural resource scarcity, as ultimately they need to ensure the sustainability of their own operations and business model.

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⁴ While progress towards achieving this goal has been estimated (e.g. UN, 2015a), there has been no attempt to measure specifically the private sector contribution. For example, the pharmaceutical industry’s provision of access to essential medicines has not been measured or reported on (Norris et al., 2013). As UN (2015a) points out, it’s highly unlikely that Goal 8 was a stimulus for private sector investment in mobile phone technology or infrastructure.

⁵ Author’s conversation with business executive.
This, along with growing market demand in developing countries, has served to increasingly align the incentives of companies with development objectives and raise their interest in engaging more explicitly with the development agenda.

Some business leaders were also coming to recognise that the notion that business could insulate itself from social issues was unsustainable from a business profitability perspective: the HIV/AIDS epidemic was most significant here because of its obvious and immediate impact on corporate workforces and often their markets too.

### 3.2 Donor incentives

On the other side, with the realisation that foreign aid and governments alone would not be sufficient to achieve the MDGs, there was increased recognition among donors of the importance of trade and investment as the driver of not just economic growth but also poverty reduction. The emerging appreciation of business as a critical partner in development spurred on the opening of the UN to business (Witte and Reinicke, 2005).

For both donors and non-governmental organisations (NGOs), fiscal constraints in developed countries meant they were keen to look for other sources of funding. But it was not just budget concerns that drove interest in greater collaboration with the private sector. There was an emerging belief that complex global problems – pandemics, food security, climate change – required the combined resources and capabilities of a range of stakeholders, including the private sector. Further, some of these new problems, such as reconciling economic growth with climate change, lend themselves to the kind of technological innovation that has traditionally been the terrain of the private sector.

In addition, the increasing influence of a number of philanthropists with a private sector background has helped facilitate partnerships between different actors and sectors and promote greater private sector engagement in development.

But even though in 2010 the Global Compact formally broadened its mandate to undertake actions in support of ‘broader UN goals and issues’ (UN Global Compact, 2010), it still did not position the MDGs as the key framework with which corporate strategies should align, instead referring to them alongside several other UN initiatives. It also continues to focus primarily on minimising the harm of corporate behaviour rather than maximising its positive impact.

And while companies – notably progressive global MNCs – started to become aware of the MDGs, and some also started to align their reporting and social investment activities with them, they continued to operate on the MDG sidelines. The vast majority of companies did not actively engage in the MDG agenda, because they did not know about it, because it did not seem relevant to their business or because they simply lacked the capacity and resources to engage.

### 3.3 Development: a by-product of business?

But whether purposively or not, business did make a huge contribution to the MDGs. A strong domestic private sector was the most powerful driver of economic growth and the concomitant poverty reduction described above.

As we now know, though, had that growth been accompanied by declines in inequality, poverty reduction could have been so much greater. China’s poverty reduction was driven by the rural poor moving to cities and finding better-remunerated jobs. Had growth of the bottom 40% equalled national averages in all countries globally, the world would be on track to reach zero poverty by 2030 and there would now be no poor people in China at all (Hoy and Samman, 2015).

In Voices of the Poor, a seminal 2000 World Bank listening exercise that interviewed 60,000 poor people around the world, getting a job – either by starting a business or by working for someone else – was identified as the most important route out of poverty.

Small and medium-sized business has been an important part of this picture. In Uganda, poverty more than halved between 1990 and 2012: around 70% of enterprises operating in the country in 2014 were established after 2000. These employ nearly three quarters of the measured total workforce, and private, non-agricultural wage employment has experienced one of the fastest growth rates in Africa. Large firms accounted for only around 12% of total jobs in 2010/11 (Byiers et al., 2015a).

In Sri Lanka, the percentage of working poor almost halved during the 2000s, reaching 6% in 2007, while unemployment fell from 14% in 1992 to 4% in 2012 – the largest drop in the period (ILO, in Byiers et al., 2015b). Much of this was driven by the relatively high quality of jobs in the country, measured as the share of vulnerable employment. Rising productivity translated into increased earnings for formal and informal workers, with average wages increasing by 20 percent from 2006 to 2012 (Byiers et al, 2015b).

Tax and other revenue payments from businesses contribute to state budgets, particularly those from formal small and medium-sized businesses. For all developing countries, business taxes provide 30% – of all taxes, and just over 12% of government revenue (UNCTAD, 2015).

Some forward-thinking businesses have also played a more active role in international poverty reduction efforts.

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6 [http://go.worldbank.org/3T3PAA1060](http://go.worldbank.org/3T3PAA1060)
Box 2: New approaches heralded by the MDG era

The MDG period did see significant new approaches to doing business. These included the following.

**Recognising company impact:** The MDGs have broadened the understanding in many companies of their development impact, going beyond social investment initiatives and compliance with social and environmental standards, such as the Global Reporting Initiative, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises or the International Labour Organization (ILO) Conventions. The MDGs have helped corporations – still mainly the small ‘peak group’ of large multinationals – to recognise that their core business has wider development impact.

**Informing company strategy:** A few large companies structure activities around the goals in their CSR reports. Examples include Diageo, GSK, RioTinto, Unilever and Vodafone. However, even companies that engaged with the MDGs strategically may have been reverse engineering – reorganising what they were already doing for external reporting by using the MDG framework. That said, even reverse engineering has effects, and in this way the MDGs may have provided structure to strategy.

**Fostering partnerships:** The MDGs helped facilitate partnerships among different actors around specific development objectives by providing common goals for public and private entities. The Global Business Coalition on Health (GBCHealth) is one prominent example of collective action by a group of corporates to address health issues. Its initial focus was the risks to business from incidence of HIV/AIDS, malaria and tuberculosis in their labour force, but it increasingly recognised the impossibility of insulating workers’ health from the rest of that of society and so broadened its scope, explicitly using the MDGs as a framing. According to GBCHealth, CSR became a standard element of corporate activity only during the MDG era.

Another example is the provision of advanced market commitments for pneumococcal vaccines by the GAVI Alliance, which provides drug-makers with research and development incentives for diseases prevalent in poor countries by creating a forward market for a vaccine, with both sides committing to the transaction at scale and with specifications and price settled in advance (Lucci, 2012).

The Southern Agricultural Growth Corridor of Tanzania, which combines large infrastructure investments – dams and roads – with creating producer associations to increase smallholders’ bargaining power. This intends to treble the area’s agricultural output and raise incomes for millions of Tanzanians, was also an example of broad risk-sharing (Lucci, 2012).

**Promoting accountability:** The MDG era saw very limited efforts to measure the impact of business on progress towards the goals, but some effort was made by a small percentage of businesses to regularly report activities affecting sustainability. There are as yet no accepted reporting standards, nor a systematic process of accountability, but transparency has improved in business and the requirement for reporting by national governments against the goals became entrenched in the period.

In recent years, donors have been promoting private–public partnerships, teaming up with private philanthropists, NGOs and local authorities to tackle complex development problems.

There are also a number of multilateral initiatives targeting businesses, such as the UN Development Programme’s Growing Inclusive Markets Initiative, which encourages the adoption of inclusive business models, targeting the poor both as consumers and as producers. Meanwhile, a growing number of initiatives are business-led, with companies putting forward innovative business models that respond to commercial pressures while delivering on the development front (see Box 2).

Finally, investment. The private sector provides two thirds of fixed capital investment in low-income countries; in Sub-Saharan Africa the share is over 70%. Meanwhile, foreign direct investment (FDI) has in general made a positive contribution to development in LDCs (UNCTAD, 2011). Despite most high-value projects being concentrated in the extractive industries, some economies, such as Malawi, The Gambia and Uganda, among others, have succeeded in attracting more diverse forms of FDI.

Moreover, infrastructure has been subject to flagrant government failures in many parts of the world. Reform to open up the sector for private competition has rapidly and dramatically increased access to and reduced costs of services in poor countries (Lindahl, 2005). In Africa, where infrastructure investment has been particularly lagging, private investment in the power sector is increasing and there are now over 130 independent power producers operating in the region (APP, 2015).

From a different perspective, however, it is meaningless to try to separate the contributions of the public sector and the private sector as distinct entities contributing to output (GDP), employment or investment. We do not know how large (or small) the business share of any of these outcome variables might have been in the absence of the public sector contribution. Some of the oldest ideas in economics remind us that the private sector needs collective goods to encourage
it to invest. More than simply the right regulations or the right business environment, business needs public investment and publicly provided goods and services.

3.4 Still doing some harm

But business has not always succeeded in the aim of not being evil, as Google executives might put it. Evidence of the impact of FDI shows a mixed record. Under the right conditions, MNCs can help grow the economy and alleviate poverty. It certainly has the capacity to generate large revenues, strengthen the local economy and alleviate poverty. But, deployed otherwise, it can feed corrupt elites, result in unfair deals for the host economy or degrade the environment. Similarly, FDI in manufacturing, particularly labour-intensive assembly, can be an entry point for poorer countries to access international markets, but it can also violate minimal labour standards and result in sweatshop abuses (Moran, 2011).

Then tax. In the current environment of sluggish economic growth, some European governments have begun to address the very low tax payments some large MNCs make as a share of their overall profits. This is likely to be a much more pressing problem in poor countries, where the capacity to collect taxes is more limited and tax authorities’ bargaining power with large global corporates is smaller. Although progress has been made on extractive industry revenue transparency, in no small part because

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**Box 3: Aggregate studies on business impact on the MDGs**

Although limited in scope and not based on a comprehensive methodology or third party accreditation, the Netherlands National Committee for International Cooperation and Sustainable Development (NCDO)-sponsored Business Impact Report 2010 (Sustainalytics, 2010) estimates the positive contribution of 20 MNCs to the MDGs. It uses the MDGscan, an (at the time online) self-assessment tool designed to provide a simple snapshot of a company’s contribution towards each of the MDGs in terms of actual numbers of beneficiaries reached, distinguishing between core business and community investment. Case studies back up the quantitative findings of the report. The study found core business activities have had greater MDG impact than social investment.

**Figure 2: Beneficiaries from commercial activities and community investments by MDG**

![Figure 2](image)

**Source:** Sustainalytics (2010).

The UK Global Compact Network’s report on the impact of UK companies on the MDGs attempts to carry out a similar exercise (UK Global Compact, 2010). However, findings are based on an opinion survey rather than any attempt at more objective impact assessment. Findings are subject to a strong selection bias, and perhaps not surprisingly 100% of companies believed they were contributing to Goal 8.
of initiatives such as Extractive Industries Transparency Initiative and Publish What You Pay, there is no equivalent for corporate tax.

Intellectual property issues also remain. Business innovation often involves product development resting on prior research carried out in public institutions such as universities or with public support in other forms. Yet the intellectual property protection then restricts social benefits from the knowledge created.

The lengthy political conflict over the pricing of essential drugs for HIV/AIDS, tuberculosis and malaria, at around the same time the MDGs were launched, reflected this issue. To their credit, many pharmaceutical corporates ultimately relented and agreed to pricing mechanisms that made drugs for these diseases affordable to poor people in developing countries.

The compromise on drug pricing was a crucial factor in the progress made on the MDGs, particularly Goal 6, but there is of course an array of diseases – and drugs to treat them – that remain outside the scope of the new drug pricing regime.

Finally, business has a significant consumption footprint. Production of internationally traded goods, vital to economic growth, account for approximately 30% of global CO₂ emissions. The mining sector accounts for 7% of the world’s energy use, an amount projected to increase. Agricultural production accounts for a staggering 70% of global freshwater consumption, 38% of total land use and 14% of the world’s GHG emissions (UNEP, 2010).
4. Bending the curve to achieve the SDGs

Reaching the SDGs will be a very tall order. However, the Overseas Development Institute has carried out the first analysis bringing together the best available projections across the SDG agenda (and, where there are gaps, developing our own), and this shows that, with some significant heavy lifting, the goals fall within the parameters of the possible rather than outside it (Nicolai et al., 2015). The exercise entailed reviewing past trends and projecting forward patterns of progress on one target per each of the goals to see how far they take us by 2030, the SDG deadline.8

The headline message is that no goal is currently on-track to be met (so none receives an A). However, this is not surprising – there would have been little point in the two-year global consultation process to define the goals if the end result was a commitment to deliver something that was going to happen anyway. It is important to note that the level of change needed also varies widely across regions and countries, with disparate starting points meaning significantly more gains are needed in some parts of the world over others.

4.1 Caveats

There are some caveats. Projecting what the world will look like in 2030 for all of the SDG targets is not feasible: not all targets are quantifiable, and, for those that are, projections or data are not always available.

This is an illustrative exercise. Among targets that could be projected, only one per goal was selected, in order to make analysis and discussion more manageable. SDG 12 is about far more than just waste, for instance, which is the target we look at here. The projections relate only to that specific target within a goal and should not be interpreted as reflecting how the entire goal will fare. The scorecard therefore presents the trend for a key target for each goal, as opposed to all targets under all goals.

With the additional proviso that projections are somewhat fallible guides to the future, the goals that will be most readily reached – that is, where the world is already more than halfway there and therefore scoring a B grade on our scorecard – are those on poverty, growth and biodiversity. That these are the three most achievable goals may seem surprising.

Our analysis was also clear that, without accelerated action by governments, the private sector and others, we will attain not even these three. In other words, they require reform. The majority of targets – as we’ve termed it, those that will require a revolution – fall in the middle range and score C, Ds or Es. These include those on health, education, ending hunger, sanitation and ending child marriage, as well as other indicators on reducing violent deaths, mobilising domestic resources, energy and industrialisation in LDCs. Here, progress is moving in the right direction but will need to be accelerated by multiples of current rates if the goals are to be achieved.

A final group of targets, including on inequality, slum populations and climate change, have been graded F as they are currently heading in the wrong direction. They will, in other words, require a reversal: a complete rethink in terms of approach, new commitments and, likely, significant levels of public pressure.

The good news is that a number of SDG targets could be close to fulfilment if the world as a whole is able to make similar rates of progress to top-performing countries. For example, while the world is projected to reduce extreme poverty by 70% over the next 15 years, the top 10 performing countries averaged a reduction of 92% from the early 1990s to the 2000s. If the world were able to achieve the rate of progress of the top-performing countries, extreme poverty would fall to just above 1% in 2030, as opposed to 5% under current trends (Nicolai et al., 2015).

The scorecard is based on global projections, but the level of change required varies widely across regions and countries:

- Sub-Saharan Africa. Projections show that, although the proportion of people living in extreme poverty in this region will fall by 2030, the absolute number may grow owing to population growth. Only two thirds of children in the region are projected to complete secondary education by 2030: while this is a large increase for the region, this compares with a proportion of 90% for the rest of the world. And almost all future increases in slum populations at the global level are due to occur here.

8 For full details of the methodology, see Nicolai et al. (2015).
• East Asia and the Pacific. Here, extreme poverty is set to fall substantially, but the region is projected to have the most uneven growth.
• The biggest environmental impacts are likely to stem from the emerging and developed countries (Brazil, Russia, India, China, South Africa (the BRICS) and the OECD economies), which are driving the negative global trajectory. Even in the richest countries, major shifts are needed to achieve the SDGs, particularly in climate change and sustainable waste management.

4.2 Key goals for business
All of these goals will be relevant to business, but some are more so than others in that they directly relate to the core business of the vast majority of companies. These are the goals on poverty, growth, industrialisation, inequality and environmental sustainability. We look at these in more detail below:

Extreme poverty is projected to fall from 17% in 2011, to between 3% and 7% of the developing world’s population by 2030 if current trends continue, which is why this target receives a B grade.

Most of the gains in coming years are projected to continue to occur in Asia, with the number of people in extreme poverty in East Asia and the Pacific projected to fall from 150 million to 20 million, and that in South Asia from 400 million to 50 million. In Latin America and the Caribbean, no progress is expected on lifting the remaining 20–25 million people out of extreme poverty.
Most concerning, the vast majority of people projected to be remaining in extreme poverty in 2030 will be in Sub-Saharan Africa, where around one in three will be living on less than $1.90 a day (2005 Purchasing Power Parity); the number of people living in extreme poverty in the region is actually expected to rise by 50 million (from 410 million to 460 million) between 2011 and 2030 owing to population growth (Nicolai et al., 2015).

LDCs have averaged around 5% GDP growth over the past 10 years (Nicolai et al., 2015). If this continues, LDCs will come close to the target of 7% GDP growth, which is why this target receives a B grade.

Countries in South Asia, such as Bangladesh, stand out as having experienced significantly faster growth than other regions, averaging around the SDG target of 7%. In Sub-Saharan Africa and East Asia and the Pacific, however, which is where the bulk of LDCs are, growth is projected to remain around 5%. Moreover, already the IMF says growth for its slightly differently configured group of poor countries around the world, ‘low-income developing countries’, has fallen to 4% (IMF, 2015b).

Finally, the SDG target is based on GDP growth, which does not factor in differences in population growth rates between countries. If population growth were factored in, LDCs in Sub-Saharan Africa would be projected to undergo considerably slower growth than LDCs in both East Asia and the Pacific and South Asia.

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9 Target 1.1 By 2030, eradicate extreme poverty for all people everywhere. Extreme poverty is currently measured as people living on less than US$1.25 a day.
10 Target 8.1 Sustain per capita economic growth in accordance with national circumstances, and in particular at least 7% per annum GDP growth in the least developed countries.
<table>
<thead>
<tr>
<th>Goal</th>
<th>Target</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. POVERTY</strong></td>
<td>1.1 End extreme poverty</td>
<td>B</td>
</tr>
<tr>
<td><strong>8. GROWTH</strong></td>
<td>8.1 Economic Growth in LDC’s</td>
<td>B</td>
</tr>
<tr>
<td><strong>15. BIODIVERSITY</strong></td>
<td>15.2 Halt Deforestation</td>
<td>B</td>
</tr>
<tr>
<td><strong>3. HEALTH</strong></td>
<td>3.1 Reduce Maternal Mortality</td>
<td>C</td>
</tr>
<tr>
<td><strong>4. EDUCATION</strong></td>
<td>4.1 Universal Secondary Education</td>
<td>C</td>
</tr>
<tr>
<td><strong>16. PEACE</strong></td>
<td>16.1 Reduce Violent Deaths</td>
<td>C</td>
</tr>
<tr>
<td><strong>17. PARTNERSHIPS</strong></td>
<td>17.1 Mobilise Domestic Resources</td>
<td>C</td>
</tr>
<tr>
<td><strong>2. HUNGER</strong></td>
<td>2.1 End Hunger</td>
<td>D</td>
</tr>
<tr>
<td><strong>6. WATER &amp; SANITATION</strong></td>
<td>6.1 Universal Access to Sanitation</td>
<td>D</td>
</tr>
<tr>
<td><strong>5. GENDER</strong></td>
<td>5.3 End Child Marriage</td>
<td>E</td>
</tr>
<tr>
<td><strong>7. ENERGY</strong></td>
<td>7.1 Universal Access to Energy</td>
<td>E</td>
</tr>
<tr>
<td><strong>9. INDUSTRIALISATION</strong></td>
<td>9.2 Industrialisation in LDCs</td>
<td>E</td>
</tr>
<tr>
<td><strong>10. INEQUALITY</strong></td>
<td>10.1 Reduce Income Inequality</td>
<td>F</td>
</tr>
<tr>
<td><strong>11. CITIES</strong></td>
<td>11.1 Reduce Slum Populations</td>
<td>F</td>
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<tr>
<td><strong>12. WASTE</strong></td>
<td>12.5 Reduce Waste</td>
<td>F</td>
</tr>
<tr>
<td><strong>13. CLIMATE CHANGE</strong></td>
<td>13.2 Combat Climate Change</td>
<td>F</td>
</tr>
<tr>
<td><strong>14. OCEANS</strong></td>
<td>14.2 Protect Marine Environments</td>
<td>F</td>
</tr>
</tbody>
</table>
Industry as a share of GDP in LDCs is projected to increase only from 23% in 2012 to around 27% in 2030. Progress would need to be over five times faster to reach the target of doubling industry’s share of GDP in LDCs by 2030, which is why this target receives an E grade. This does not seem feasible on current trajectories in any region of the world, except in East Asia and the Pacific, where recent trends have been promising (Nicolai et al., 2015).

Despite fast GDP growth in LDCs in South Asia, industry’s share of GDP is expected to remain constant at around 27–28%. A similar challenge exists in Sub-Saharan Africa, where, for LDCs in the region, industry as a share of GDP is projected to be relatively constant, moving from 24% to 26% between 2015 and 2030 (Nicolai et al., 2015).

On current trends, income inequality is set to worsen globally, as four out of five people live in countries where the bottom 40% of the income distribution has experienced slower income growth than the average. Globally, the bottom 40% has grown around half a percentage point annually, slower than the average rate of growth since 2000, which is why the target receives an F grade.

Figure 7: Inequality: SDG 10. Target: reduce income inequality

Pro-poor growth is projected to continue in South Asia and in Latin America and the Caribbean, with the bottom 40% growing 1.5–2 percentage points annually, faster than the average. In Sub-Saharan Africa, growth is expected to remain relatively equitable as the bottom 40% is set to grow at the same rate as the average. However, inequitable growth is projected to continue in East Asia and the Pacific, with the bottom 40% growing 2 percentage points annually, slower than the average (Nicolai et al., 2015).

GHGs are already at levels that the International Panel for Climate Change considers so high that it will be difficult for the world to be able to address climate change effectively. Emissions would need to stabilise (and very quickly fall) for the world to get close to being on track to reach the 2 °C target, which is why an F grade is given.

Growth beyond current levels of GHGs is projected to occur almost entirely in the BRICS, where emissions are set to increase by 30%. The rest of the developing world is projected to maintain close to current emission levels, along with OECD countries, where levels are already high. Although this target does not refer to a quantifiable indicator, reducing GHG emissions is used as a proxy because this is the most important step in combating climate change effectively and therefore reflects the core demand of this goal (Nicolai et al., 2015).

11 Target 9.2 Promote inclusive and sustainable industrialisation, and by 2030 raise significantly industry’s share of employment and GDP in line with national circumstances, and double its share in LDCs.

12 Note that the figures for industry include mining and construction, as well as manufacturing.

13 Target 10.1 By 2030 progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average.
5. Business’ role in bending the curve

This time round, even if business was not at the table where the SDGs were written, it contributed to the drafting. Several private sector submissions from individual companies and business associations fed into the UN consultation process to define the next generation of development goals.

Examples include a joint letter to the High Level Panel, which was the first part of the goal design process, from a group of business associations comprising Business Action for Africa, Business Fights Poverty, the Business and Industry Advisory Committee to the OECD, Business in the Community, the UN Global Compact, the International Business Leaders’ Forum, International Chambers of Commerce and the World Business Council on Sustainable Development (Unilever, 2013).

Unilever in particular galvanised the process by formulating and coordinating a position for the business contribution to what became the SDGs. Partly as a result of this, the SDGs are now much more accessible to business than were the MDGs.

The actions of the world’s millions of companies, whether deliberate or not, will have a major impact on the achievement – or not – of these goals. As with the MDGs, day-to-day business activities – engaged explicitly with the SDGs or not – will employ people, generate incomes and tax revenues and, in many cases, produce and sell the goods and services that will help achieve the SDGs in health, education, hunger and water.

Can ‘business’ – and in particular the world’s 100,000-plus MNCs – also do more to advance progress towards the new goals, and in particular deliver the turnaround in performance necessary across key poor-performing areas indicated in the previous section – namely, industrialisation, inequality and climate change?

5.1 Structural transformation in Africa

One major determinant of success in the SDGs will be the transformation of the sub-Saharan Africa economy. As noted above, a major reason for progress on MDG 1, on poverty reduction, was the domestic performance of China, as well as that of India and a few other developing countries. In China, the industrialisation process created jobs through investment in heavy industry, construction and infrastructure and in labour-intensive manufacturing assembly of consumer products exported to the European and US markets. This in turn was driven by the supply chains of large multinationals, which do not for the most part own the factories assembling their products.

Although the wages of the workers were not high and the jobs were not high quality, they nonetheless increased incomes sufficiently – compared with what these workers were earning before – to lift tens of millions out of poverty.

All this is well known. Also well known is that China is now faced with rebalancing its economic growth, moving away from exports and big investment projects to producing goods and services for domestic consumers. As wages rise in the regions of China where light manufacturing assembly has been located, the firms – mainly Asian-owned – undertaking these activities are beginning to move them elsewhere, to countries where wages are still low (Dinh et al., 2012; Berg et al., 2015). This shift provides an opportunity for other poor countries (and indeed poorer regions of China itself) to emulate China’s performance on poverty reduction and on industrialisation.

As in China, this will involve networks of businesses, led by the global corporates – mainly the small peak group of large multinationals – many of which engage actively with the SDGs and related global dialogues such as the UN’s Global Compact, with their supply chains the central mechanism through which impacts are transmitted to much wider swathes of other types of business.

The crucial linkages in the process, able to bring these activities into new countries and regions, are the medium-sized firms engaged in assembly operations, many of them new (and again Asian-owned) multinationals just beginning to operate outside their home countries.
5.2 Accelerating the transformation for the SDGs

Africa’s transformation is essential to make progress on the Goals, but of course business action to address the SDGs will have to involve a conscious acceleration, upscaling and broadening of the scope of what happened in China. This will need to be driven by the largest multinationals. The SDGs start from a much more advanced position than the MDGs in terms of business’ understanding of its own development impacts.

But how far we still have to go is reflected in it being only the most exceptionally pioneering large corporates, such as Unilever and Pearson, a tiny minority of a tiny minority, that have rethought their underlying business models explicitly using the MDGs (BusinessFightsPoverty, 2016).

Many more corporates will have to follow these examples and integrate the SDG framework into their business models, in a way that will vary across industries and product markets. But the Chinese model should not be replicated in full. Working conditions for many in terms of hours, health and safety, and freedom of association, are dire. The combined efforts of global multinationals, consumers in western markets and local civil society have begun to change this in China. In taking this model to other countries, business – both the global corporates and the Asian product assemblers - needs to start from a base level on labour standards which is acceptable today, rather than going backwards. Similar considerations apply to the environment, where Chinese industry has contributed to serious air and water pollution problems, over and above climate change impacts.

The ‘new multinationals’ will need to learn new ways to operate that improve performance on these issues, while remaining efficient low-cost producers. The leadership of their customers, the large corporates, will be essential in establishing and demanding standards.

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Figure 9: If Africa accelerates job creation, it could add 72 million additional wage-paying jobs by 2020.

Additional stable wage-paying jobs, 2010–20, millions

<table>
<thead>
<tr>
<th>Industry</th>
<th>Effective job-creation strategy</th>
<th>Business as usual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>14</td>
<td>6</td>
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<tr>
<td>Manufacturing</td>
<td>15</td>
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</tr>
<tr>
<td>Retail and hospitality</td>
<td>13</td>
<td>9</td>
</tr>
<tr>
<td>Government and social services</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>72</td>
<td>54</td>
</tr>
</tbody>
</table>

1Estimates based on 10 African countries: Angola, Algeria, Egypt, Ethiopia, Kenya, Morocco, Nigeria, Senegal, South Africa, and Uganda. Figures may not sum to totals, because of rounding.

5.3 Bending business’ curve

But business does not and cannot act alone. Equally necessary will be pressures from below – from labour organisations, community and consumer groups – to raise labour and environmental standards. Conflicts over better jobs and cleaner working environments between business and these groups will be inevitable but can evolve into partnerships to manage risk to create shared value. This is the trajectory that many corporations facing severe labour force health challenges from HIV/AIDS or malaria are following under the guidance of GBCHealth (Wildfeir-Field et al., 2016).

Some companies are also innovating further along the shared value spectrum. GlaxoSmith has announced it will stop seeking patents for its drugs in low-income countries and least developed countries, a move the drugmaker said could help the world’s poorest people access copycat versions of its medicines at affordable prices. In lower-middle-income countries, a group of 51 nations that includes Vietnam, Cameroon and Sri Lanka, it said it would file patents but aim to grant licenses to generic manufacturers to supply low-cost versions of its drugs in those markets in return for a small royalty. 14

Beyond this, delivering greater shared value may not involve reinventing the wheel. The initiatives that were born during the MDG era, such as the Southern Agricultural Growth Corridor of Tanzania, are still nascent and should be further nurtured.

Further progress is likely to come through this kind of project approach, and while sometimes these pilots can provide a model to be scaled and replicated, this will not be the case everywhere.

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Box 3: Improving reporting under the SDGs

Under the SDGs there is a specific mandate for business: to uphold and implement principles of corporate responsibility. Target 12.6 reads: “encouraging companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle”.

There is evidence that companies are improving their reporting. A 2015 survey from the World Business Council on Sustainable Development found that:

- An increasing number of companies report on impacts beyond their direct operations, suggesting a widening focus on upstream and downstream impacts and the value chain.

- The time lag between the end of the reporting year and the publication date of reports is declining, with financial and non-financial reporting cycles becoming more aligned.

However, only 30% of respondents to the survey said they focus their reporting on those issues they consider to be material to their business. Moreover, the survey covered a very small number of companies (169).

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6. Conclusion

The MDGs were a crucial input into the changed terms of the development debate. During their implementation, it became clear that progress on poverty reduction, environmental sustainability and creating the kind of society to which we aspire was not only for governments or charities to deliver. It is rather a process involving all actors in society – including business.

The SDGs are sharpening this argument, and forward-looking business will want to stay one step ahead.

Some businesses are already either engaging with the SDG agenda or planning to. Almost 1,000 companies from 90 countries around the world responded to the PricewaterhouseCoopers SDG Engagement Survey 2015. The outcome of this certainly suggests business will step up. It shows 92% of businesses are aware of the goals (compared with just 31% of citizens) and 71% are already planning what to do, with the greatest focus, perhaps unsurprisingly, on SDG 8: decent work and economic growth. Respondents said they were considering not only the potential good they could do for society, but also the financial benefits of doing so.

But while the SDGs begin at a much higher level of awareness about development, the above still represents only a very tiny percentage of all business. And realistically, even within this, it is probable that a very large proportion of employees outside of corporate strategy, public affairs and CSR departments remain unclear of what sustainable development in general, let alone the SDGs themselves, could and should mean for their daily work lives.

It may sound trite, but the most important contribution business can make to attainment of the SDGs is to do its core business better. Investment should result in higher employment, with more secure contracts, safer and more predictable working conditions and decent pay. Taxes should be paid promptly, willingly and transparently in the jurisdictions where the profits are actually earned: both in recognition of the benefits for business of a fiscal system fully embedded into a social contract – to pay to educate future workers, for instance, who could in turn demand better standards of governance from political leaders – as well as to encourage others. Climate-smart solutions should be built into infrastructure from the outset, as an integral part of business plans.

Beyond this, contributions will still need to be around core business, but further along the shared value spectrum, to innovate and partner in ways that will provide durable public goods.

The big question remains, of course, will business do all of this? The survey above is encouraging in that it shows business is approaching the SDGs from the perspective of benefit to the bottom line as well as that of altruism.

However, there is a risk that some businesses will continue with current plans, even while they repackage them in SDG garb. Naturally, there is an equal danger of governments doing the same thing. There is also a continued danger that, in spite of the expanded mission of the SDGs, it will continue to be the CSR departments that are required to take up the agenda. Companies attracting recognition and praise from the media for generating quality jobs and paying taxes – as opposed to being pilloried for the opposite – may help tilt the balance. The role of consumers, NGOs and unions in changing perceptions of best practice and the appropriate role for business in society will also be important.

Finally, while the analysis of business impact on development happens mainly at the macro level, in the case of these innovations, in fact, the contribution it makes is likely to be at the micro level, depending on the right mix of culture and experimentation. Progress will probably happen through pilot projects that depend on a specific set of relationships in a particular country context, to deliver incremental change. Scale may come later, or not at all.

The SDG agenda provides a blueprint for CEOs of multinational companies, one-person innovators and small businesses to deliver change that will both benefit themselves and contribute to realising a vision for the future. In his 2008 address to the UN General Assembly, Bill Gates famously called the MDGs ‘the best idea for focusing the world on fighting global poverty that I have ever seen’. Phrased this way, the MDGs have served as a form of ‘soft’ regulation shaping business thinking. The SDGs are the next generation of this soft regulation, as well as a business opportunity that should not be missed.

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