

## **SPEAKING NOTES FOR GLOBAL COMPACT, GENEVA, 5<sup>TH</sup> JULY**

*Session 2: Responding to Mega-trends – Shaping the Future*

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It is an honour to be invited to speak at this summit which marks such a significant milestone in the progress of the Global Compact. Oxfam International appreciates the opportunity to respond to the McKinsey Review and provide our views on the key trends shaping the future. In doing so, Oxfam does not presume to represent civil society or other NGOs, but our views are based on wide consultations with many partners and allies.

It is clear that the Global Compact has made significant advances in terms of its reach. There has been extraordinary growth in membership, particularly in developing countries, and in new emerging partnerships for sustainable development. We applaud the increased focus on human rights, and the willingness to de-list companies who are not reporting on the principles.

This is a positive backdrop to the McKinsey findings. But it's plain, from Oxfam's experience and that of other NGOs, that there is much still to do.

### **Trust**

In this context of progress, the study confirms that business has a major trust gap with citizens, consumers and employees. Oxfam contends that this gap in trust will not shrink unless business itself changes the way it behaves. The gap between good intentions and actual outcomes – revealed by business leaders themselves – is very telling. It reinforces the public perception that Corporate Social Responsibility lacks substance – that it's just about spin and PR – which can only be countered with verifiable results. Particularly striking is the low CEO support for embedding ESG into supply chain management (59%), and the even lower self-reported performance (27%). Surely supply chains are an obvious

Achilles heel for companies trying to address the brand risk associated with poor performance? We think so.

We agree with McKinsey that this pressure for greater ethical performance will increase. More and more, the public expects corporate accountability, as well as corporate social responsibility. Citizen activism and ethical consumerism will continue to drive this expectation. These, now, are real forces.

The conclusion we draw – and here we differ from the study – is that good intentions and voluntary standards – though important, and laudable – are not enough. They won't help claw back the trust gap. This is very evident on an issue like corruption. Does anyone seriously think that climate change can be addressed through voluntary initiatives?

### **Public policy**

Oxfam agrees with McKinsey that business needs to be more engaged in public debate on the big issues – climate change, poverty, trade, security, migration and so on. Business has been largely absent from the Doha trade and development debate over the last six years, even though it is critical to the world economy and the lives of people living in poverty. Business has also been absent from the poverty debate. There has been huge civil society pressure on government to increase aid over the last three years, but little interest from business. However it is critical that there coherence between a company's public policy positions and their private lobbying. Transparency becomes increasingly important in this regard.

### **Education**

The McKinsey Review identifies strong CEO interest in the need for better education in developing countries, particularly given their human resource needs. Yet increased spending on education is one of the key issues in the aid debate – that donor governments must increase aid for universal education, starting with

primary education. This gives a country a basic building block to move out of poverty. It is – perhaps – the single most cost effective aid measure. It would only take US\$16 billion to achieve universal primary education but unfortunately there is not enough political will to achieve this. Business could make a real difference in this debate.

### ***Poverty Trends***

The UN Report on Progress on the Millennium Development goals was released this week. It shows that while some indicators have progressed, particularly the number of people living in extreme poverty (or under \$1 a day) overall we are well short of what is needed to achieve them by 2015, especially in Africa. We are also well short of the necessary aid commitments from donors – aid actually fell after the Gleneagles commitments to double it by 2010 – and there's no progress on trade, with the Doha Round still in limbo.

Poverty will continue to reduce, although unevenly, with major progress in India and China, but little or no progress in Africa. Urban poverty is growing rapidly, but poverty is still predominantly rural with 97% of the world's farmers and agricultural workers living in developing countries on very low incomes.

On current trends, inequality will continue to worsen. Over the last decade 53 of 73 countries, containing 80% of the world's people have become more unequal. This inequality is also increasing between men and women. As the World Bank forcefully argued in last year's World Development Report, reducing inequality is vital to reducing poverty.

Growing inequality is a major factor contributing to the nearly 1.5 billion people who are in work but unable to lift themselves out of chronic poverty. And there is growing recognition of the link between poor quality jobs and inequality. Sixty percent of the world's working poor people are women, mostly employed in the informal sector where wages are lower, and benefits and protection are non-

existent. Business should get firmly behind the decent work agenda and support – not oppose – the right to organise.

In sub-Saharan Africa, 120 million people live in chronic poverty. Poverty has actually worsened in several African countries, much of this driven by conflict or as a consequence of failed states, as noted by Paul Collier in his book the Bottom Billion. Again business has major role to play in such contexts.

Climate change has rightly captured global attention with a focus on how to deal with the affects of global warming in the future and how to find equitable ways to share the burden of reductions But Oxfam works with vulnerable and poor people who need help now in coping with harmful climate change that's already happening. We want all actors, including business to put poverty at the centre of their thinking on climate change.

From our experience it is clear that poverty, security and environment are not neat, separate issues. Likewise partnerships are becoming increasingly diverse. Increasingly NGOs like Oxfam work with partners and alliances, north and south, in the development, human rights and climate change arenas. Collaboration with business is growing as NGOs and business find they have common agendas.

We argue that there must be a stronger focus on local and national governments, who are primarily responsible for implementing policies that can drive change, or hinder it. While businesses have different responsibilities from governments they still have very direct impact on communities, the environment and the markets they operate in. NGOs should not be exempt from downward accountability either.

From our programs we know that active citizenship is growing as people realise the need to put people back in the centre of decision making. This downward accountability is central to good governance and for ordinary people taking

greater responsibility for their own lives. It is also critical to achieving human rights, ensuring they are not breached and that they are upheld. Increasingly we believe this will determine whether a company has a licence to operate or not.

It is not enough to rely on enlightened self-interest, and an ethical form of market based globalisation. We believe that the time is right for business to embrace human rights fully, accept that this means greater corporate accountability and to see the Global Compact as an important voluntary step along the way towards effective rules and forms of governance that address these global issues.

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