

Report from GlobeScan Salon, Addressing Extreme Poverty

## **Reducing World Poverty: Companies and NGOs Expected to Collaborate**

October 2008

Global companies and international NGOs could strengthen their collaboration to reduce poverty, according to a group of directors, strategists and professionals that met in London, at the GlobeScan Salon, on 14 October 2008. Companies, in particular, should adopt a more 'activist' approach to poverty reduction, said participants at the Salon, 'Addressing Extreme Poverty.' Participants were mostly from the corporate sector, but also included representatives of NGOs and government.

The discussion took place as extreme poverty looked set to return to the global spotlight, amid recent rises in food and fuel prices, a potential reduction in international aid donations, and the unfolding global financial crisis. The rise in food prices alone is expected to push many more people—an estimated 100 million—into absolute poverty.

Participants heard how leading global companies, NGOs and governments were addressing global poverty. While the international community struggled to meet its poverty reduction targets, however, it remained unclear how global companies and NGOs would collaborate further to help meet poverty reduction goals.

### ***International poverty reduction in doubt***

Doubt over achievement of poverty goals is certainly widespread. Salon participants doubted that the Millennium Development Goal 'to cut in half extreme poverty and hunger' in the world would be achieved by 2015. When asked, 78 percent of the participants said they were 'not confident', and only 18 percent were 'fairly confident'.

Due to gaps in [international support](#), according to the UN, even despite massive poverty reduction successes in China. According to an Oxfam-commissioned global opinion survey conducted by GlobeScan last year, "Attitudes and Beliefs towards Global Poverty," most people are not optimistic that extreme poverty will ever be solved, even though they see poverty as one of the most serious issues facing the world.

Still, panelists at the Salon remained optimistic about poverty reduction. "We may not meet the MDG by 2015, but that's not a reason to give up," said Adam Leach, Chief Executive of the International Business Leaders Forum (IBLF). Chris West, Deputy Director of the Shell Foundation, observed that an interest in

development required optimism, “and I am cautiously optimistic for development in Africa.” Roy Trivedy, Head of Civil Society Department at DfID, pointed out that the world had seen an overall reduction in poverty since 2000, even if inequality had increased. For a UN assessment, click [here](#).

Panelists expressed particular concern over chronic poverty. “If you are 70 years old and blind, you need a welfare state,” said Duncan Green, Oxfam Head of Research. He pointed to huge inequalities experienced by people with disabilities, the elderly, and other “outsiders of the greater market economy” — citing the ‘[Chronic Poverty Report](#)’. Trivedy said that assisting people who are “harder to reach” with poverty reduction efforts was a challenge ahead until 2015.

The discussion turned to how best to tackle extreme poverty. Overall, Salon participants held divided views on which was the most effective approach: A slight majority said multinational business activity (41%), followed by government-to-government aid (31%), and then NGO-delivered aid programmes (25%).

### ***Oxfam: Active citizenship to redistribute power***

Green, author of a new book, '[From Poverty to Power](#)', challenged the MDG dollar-a-day definition of poverty. Citing an earlier [World Bank](#) survey among 60,000 poor people, he said “Poverty is about relationships and politics. The technical dollar-a-day definition saps the life out of the discussion.”

The most effective approach to poverty reduction requires redistribution of power, opportunities and assets, argued Green. Such redistribution depends on two elements: active citizens and effective states. Talking about the role of an effective state, he referred to Botswana’s management of diamonds, states in Asia and Latin America, and Korea (which was as poor as Sudan in 1958)—where “a competent and relatively authoritarian state ran a hands-on investment policy”. Democratic states tended to offer more equitable growth, and strong states are needed to “negotiate globalization”. He capped his presentation with a stirring Oxfam-produced promotional video to convey the points.

Trivedy agreed that active citizenship and effective states were crucial for reducing poverty. “Effective states must be capable of implementing policies through trained staff,” he added. “They must be accountable to citizens, through parliament and strong domestic media; and they must be responsive to citizens. It is important that citizens can make demands, even if the demands are not always met”.

### ***Shell Foundation: Tackling market failure by scale***

As global businesses have assessed their responsibilities to address poverty, their approaches have also evolved. Leach observed a shift from philanthropy, to

responsible business practices, and to ‘engagement and responsibility’. Indeed, as our survey found, world opinion considers international companies to have the greatest responsibility for resolving poverty, along with international institutions and governments.

Outlining the Shell Foundation’s business approach to poverty reduction, West urged businesses to go beyond giving to charity and acting responsibly, and to invest resources that develop functional markets and economies. “The business approach is to understand market failure, to tackle the problem, and create a self-financing system. Its focus is on customer, (not victims or beneficiaries), value added, and how they can pay.” For more on Enterprise Solutions to Poverty, click [here](#).

The business approach also focuses on the problem of scale. “Poverty is about scale, not about 50 people. And scale is the strength of business”, said West. “The logic of scale is needed to support informal businesses in countries like Uganda. Informal businesses need to be commercialized and freed from dependency on aid.” Leach agreed with this view, adding that sustainability was also important. “Business can do scale, but how to make it sustainable?”

Discussion then turned to efficiency and impact. West asserted the business approach brought efficiency because it required more accountability, “setting targets, making it transparent, and treating subsidies like gold dust with metrics.” Leach said efficiency was often determined by government, which sets conditions for what and how much can be done. He referred to a Caucasus microfinance programme that was inhibited from working by government.

But would global companies accept a political or “activist” role in reducing poverty? Salon participants said they should; they largely agreed (84%) that businesses needed to ‘push for political and social change, not just create wealth’.

### ***Willing to collaborate, no agenda***

A will appears to exist for further collaboration among businesses, NGOs, and governments to reduce poverty. Salon participants, for example, affirmed their interest in further collaboration: slightly more participants urged that poverty reduction should be the main focus for such collaboration among the three sectors (44%), and another group urged equal focus on poverty reduction and combating climate change (34%).

But what is the shared poverty reduction agenda? As Trivedy asked, “How do we build stronger cooperation and alliances to effectively address poverty reduction in the future?” Three broad options appeared to emerge from the discussions:

- Focus on MDGs: The MDGs could provide the most useful framework for collaboration on poverty reduction. Leach observed that MDGs are seen as a useful agenda for businesses. “The MDGs galvanized collective action; though they may be an inadequate measure of poverty, but without them the world would be poorer,” said Trivedy.
- Active Citizenship Approach: The approach appears to bring together overarching poverty reduction lessons. Green presented the agenda of redistributing power, opportunities and assets as one that all ‘active citizens’ could take part in. He did not specify whether multinational companies could be active citizens, but his presence at the Salon suggested they had a role. It is not clear whether businesses would accept such a politically active role.
- Business Approach: Companies, NGOs and governments currently carry out some collaborative projects that seek to transfer business skills to assist people affected by poverty. Business appears to accept the need for a collaborative approach with NGOs and governments. But would NGOs collaborate with businesses to reduce poverty; and how would experiences be shared in this regard?

If global companies, NGOs and governments collaborate further to reduce poverty, it will require consideration of the following questions: Do the MDGs provide a useful framework for bringing their efforts together to effectively reduce global poverty? Will business accept an agenda of political activism and strengthening the state? Will NGOs work with businesses on business-led projects to reduce poverty, and will they share learning?

There appears to be an opportunity for leading global corporations to take on poverty reduction. Collaboration needs leadership, and in the words of Leach, “Sustained political leadership is now more necessary than ever.” Especially so as government-funded poverty reduction work could be “squeezed” in the period ahead. “Addressing chronic poverty and the next part of the MDGs is a massive challenge for us all,” said Trivedy, warning about the potential erosion of public support. According to one survey cited, 57% citizens in the UK believe “all aid is wasted.”

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