

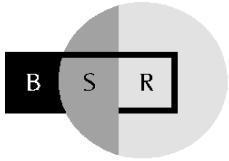
# BUSINESS AND ECONOMIC DEVELOPMENT



*“What contribution does  
business make to economic  
development?”*

AccountAbility &  
Business for Social Responsibility

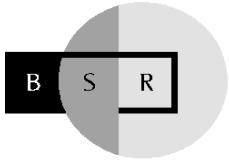
24 June 2004



**Corporate  
Sector is *the*  
Driver of  
Economic  
Growth**

- ❑ **Wealth** 51 of the 100 largest economic entities are companies
- ❑ **Huge Growth Potential** World's top 200 corporations account for a quarter of global economic activity while employing less than 1% of its workforce
- ❑ **Capital Flows to Developing World** 80% is from the private sector

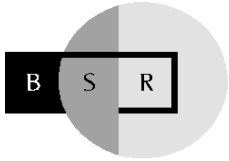
[Sources: Institute of Social and Policy Studies / US Agency for International Development, 2003]



...and is  
increasingly  
being asked to  
address  
sustainability  
issues

(Forecast for  
2015 by CIA)

- Demographics** The world population will be 7.2 billion - 95% of who will live in developing countries
- Food** a 20% increase in numbers of malnourished people
- Water** More than 3 billion people will live in “water-stressed” environments
- Environment** Degradation of arable land and tropical forests will continue. Greenhouse gas emissions will increase substantially
- Health.** Disparities in health status between developed and developing countries will widen. AIDS will consume more than 50 per cent of many health budgets



## Why the Project?

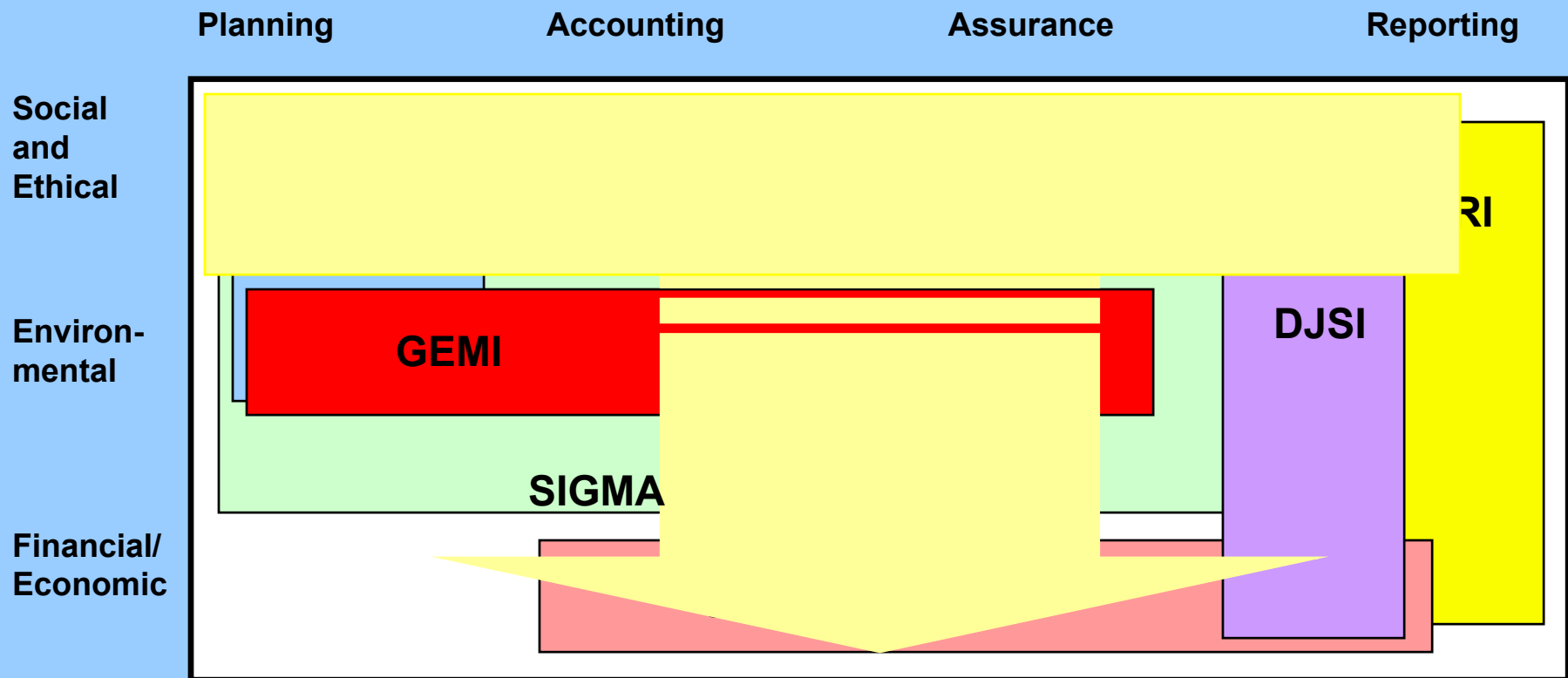


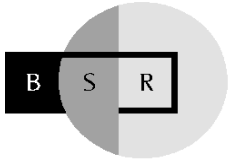
- ❑ Increasing recognition that economic impact is most direct pathway along which business creates social & environmental outcomes.
  
- ❑ Research aims to raise understanding of:
  1. How some leadership companies understand and manage their economic impacts
  2. The place of economic impact in social & sustainability reporting and more broadly emerging corporate responsibility standards
  3. Public policy implications for companies, their stakeholders and governments alike
  4. How corporate responsibility frameworks might better support economic development-oriented performance



# Mapping Standards - Mind the Economic Gap?

[www.economicfootprint.org](http://www.economicfootprint.org)



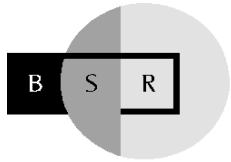


Why?



## ❑ Lack of clarity about what corporate economic impacts are:

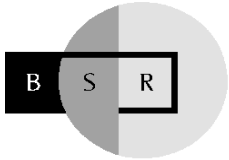
- Financial  $\neq$  economic
- Who are key stakeholders? Development for who?
- Which impacts are most important - what is material to business?
- Is there a practical fit with core business functions?



Some  
companies  
that were  
managing  
economic  
impacts

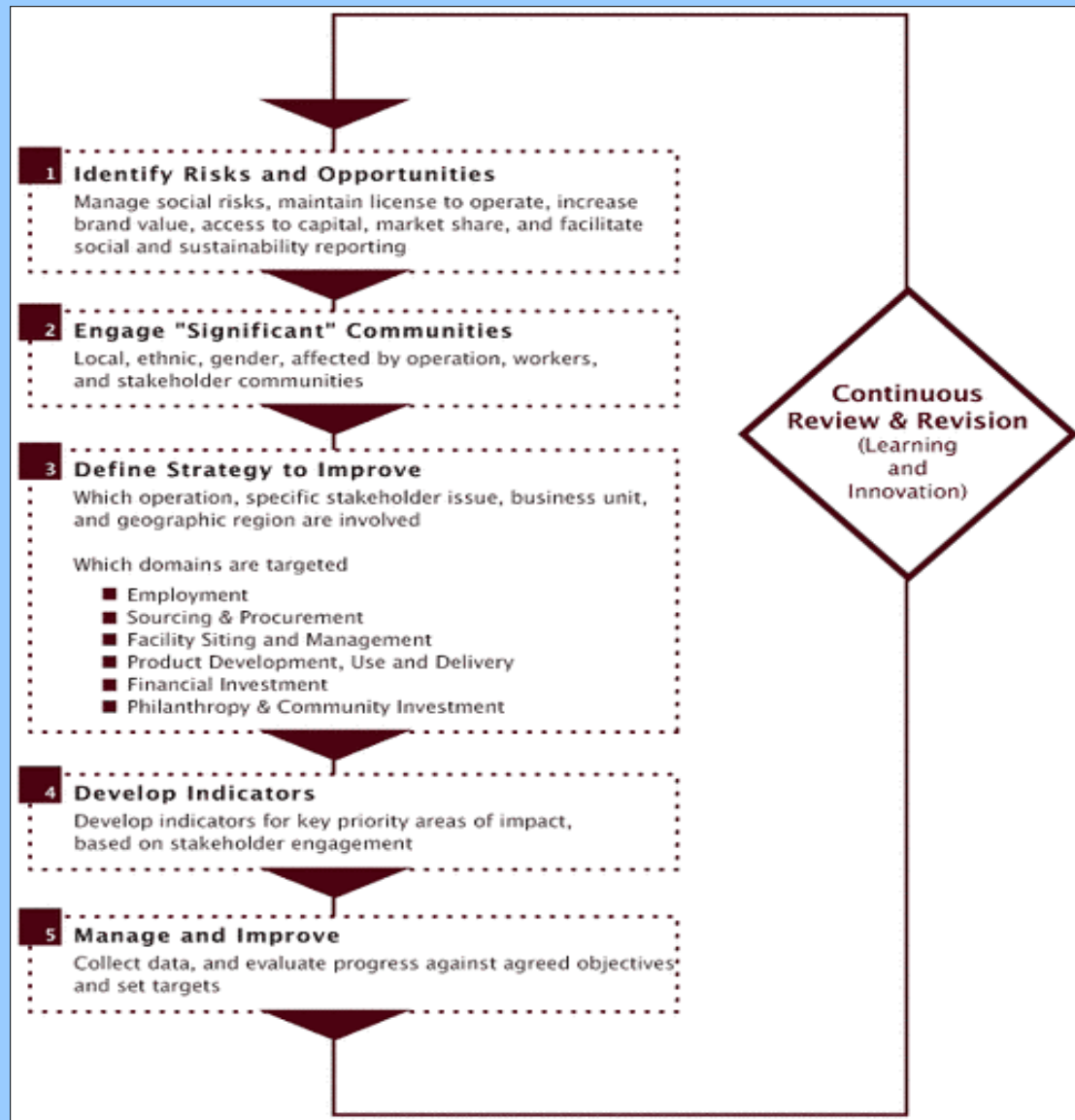


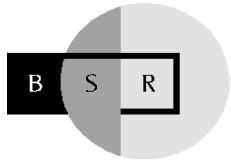
- ❑ **Economic choices lead to social and environmental outcomes.** Leading companies are aware that economic impacts of their operations influence social and environmental outcomes - positive and negative - so need to be managed in a responsible way
- ❑ **Managing economic impact are important business tools in managing stakeholder relations in different contexts.** A corporation's economic impact on its many stakeholders varies with geography, sector or issue. Being able to gauge and disclose performance can help win a licence to operate, improve regulatory relations and respond to particular community concerns
- ❑ **Reporting is an internal driver of business change.** Developing a system for measuring and disclosing economic impact on material issues, can help to enhance performance by stimulating learning, informing management decision-making and managing risk.



**Managing  
 Economic  
 Development  
 with  
 Communities**

# Summary Process Model





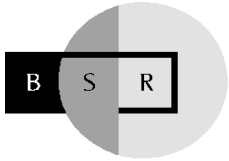
Phase Two -  
Sectoral and  
geographic focus



**Objective: To normalise economic impact management as an aspect of business performance.**

- ❑ **Sectoral Business Research.** What are the key business functions, strategies and public policy issues that affect corporate economic impacts in the agriculture, financial services, extractive, & pharmaceuticals sectors?
- ❑ **Corporate Responsibility Practices** Share learning on why and how companies manage economic impacts as part of broader corporate responsibility practices

**helen:**

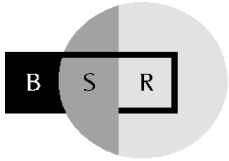


**Phase Two -**

**Emerging questions  
for companies**



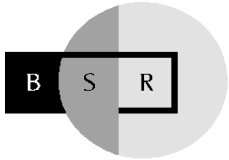
- 1. How does a company in my sector deliver its most significant economic impacts?**  
Siting  
Employment  
Product and service development, use delivery  
Sourcing and procurement  
Investments and fiscal contributions  
Philanthropy and community investment
- 2. What is the role of stakeholder engagement in determining which impacts matter most?**
- 3. What is the role of public policy - how does this help/hinder the potential impact of business activities on products on target communities?**



## KEY FINDINGS

**Economic impacts of business depends on the business model and its place in the value chain:**

- **Production – side characteristics (mining, agriculture).**
- **Impact of consumption (pharmaceutical, financial services products).**
- **Indirect impacts can be be more significant than direct impacts.**



## Key outputs

- **Sectoral briefings: Snapshots of how sector manages economic impact including case studies**
- **Final Report September 2004 distributed globally through research partners networks**

## Key audiences

- **Companies**
- **Standards makers**
- **Relevant policy makers**
- **Advocacy groups**
- **Other?**