

2nd Global Conference on Social Responsibility

15-17 February 2007

Dom Pedro Golf Resort, Vilamoura, Portugal

**CSR Plus
Strategies that Enrich the Poor
and Build Corporate Brands**

PRESS PACK

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PRESS RELEASE

Making money by making a difference CSR Plus – Strategies that build corporate brands by enriching the poor

“In today’s economy when the gap between rich and poor is widening, the biggest challenge for corporations is to draw the poor into the market economy. Indeed 5 billion poor of the world are the biggest business opportunity and a source of great innovation. They have a right to be treated as consumers and provided with world class products and services at a cost they can afford. The good news is that today’s technology makes it possible. Companies that will engage in poor markets will enhance their brand and become tomorrow’s winners”.

This was stated by Dr Madhav Mehra, President of the World Council for Corporate Governance, the organiser of the upcoming 2nd Global Conference on Social Responsibility in Vilamoura from 15-17 February 2007. The theme of the conference is CSR Plus – Strategies that Enrich the Poor and Build Corporate Brands.

Dr Mehra warns: “Instead of focusing simply on boosting profits, companies need to focus on the difference their business makes to the local communities. Companies that ignore their social and environmental obligations can get badly hurt in today’s economy. The strobe-like glare of the 21st century and the power of the blogger will simply not allow the business to focus on profits at the cost of society and environment. There is a clear message to the corporations – beware of the blogger. He/she can turn a hero into a zero overnight. So business will be well advised to take CSR seriously and not let it become simply an extension of their PR department”.

The conference has elicited huge response. The participants are from over 30 countries and include Nobel Laureates such as Shirin Ebadi (Nobel Peace Prize 2003), Ruud Lubbers - Former Prime Minister of Netherlands, Ola Ullsten, Former Prime Minister of Sweden, Former Prime Minister of Portugal, Baroness Amos, Leader of the UK's House of Lords, several ministers of the government of Portugal including Mr Manuel Pinho, Minister for Economy & Innovation, together with Mr Pedro Marques, Secretary of State for Social Security and Mr Fernando Medina, Secretary of State for Employment, Lord Michael Hastings CBE, Dr Olivier Giscard d'Estaing, Founder/Chairman INSEAD, France, Yogi Deveshwar, Chairman ITC, T. Shankaralingam, Chairman NTPC, Erica Mann - Germany's Member of European Parliament, Richard Howitt UK's Member of European Parliament, Chris de Noose, Chairman World Savings Bank, Kurt Hoffman, Director Shell Foundation, Suresh Prabhu (Former Minister for Industry, Power and Environment, India), Justice P N Bhagwati - (Former Chief Justice of Supreme Court of India, and Member of UN Human Rights Committee) and leading organisations such as the World Bank, British Council, RSPCA, Transparency International, World Savings Bank, CNN, BBC, Nestle, Shell, KPMG, Vodafone, Novartis, IBM, Telefonica, CSR Europe, European Business School, Business in the Community, Forum Empresa, Reliance Industries, Canadian Business for Social Responsibility, the Association of Chartered Certified Accountants, Centre for Sustainability and Excellence.

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Theme CSR Plus - Strategies that Enrich the Poor and Build Corporate Brands

Language: English

PROGRAMME*

Thursday, February 15, 2007

Registration		1600 hrs onwards
Session 1		
Opening Ceremony & Presentation of Golden Peacock Global Awards for Corporate Social Responsibility		1800 – 2200 hrs
Welcome Reception	1800 – 1830 hrs	
Welcome Address	1830 – 1835 hrs	Ola Ullsten , Former Prime Minister of Sweden
Theme Address	1835 – 1850 hrs	Dr Madhav Mehra , President, World Council for Corporate Governance
Opening Address	1950 – 1920 hrs	Baroness Amos , Leader of the House of Lords, UK Shirin Ebadi , Nobel Peace Prize 2003
Keynote Addresses	1920 – 1940 hrs	Yogi Deveshwar , Chairman ITC
Special Address	1940 – 2000 hrs	Ruud Lubbers , former Prime Minister of Netherlands Niels Christiansen , Vice President Nestle SA, Switzerland
Chief Guest's Address	2000 – 2015 hrs	Manuel Pinho , Minister for Economy & Innovation, Portugal
Presentation of Golden Peacock Global Awards for Corporate Social Responsibility		
Banquet Dinner		2015 – 2200 hrs

Second Day: Friday, February 16, 2007

Session 2		
Keynote Session		0900 hrs – 1000 hrs
Chairman		Dr. A. R. Kidwai , Governor of Haryana, India
Keynote Addresses		Nikos Avlonas , Executive Director, Centre for Sustainability & Excellence Kurt Hoffman , Director Shell Foundation Chris de Noose , Chairman, World Savings Bank Institute
Tea / Coffee		1000 – 1015 hrs

Plenary Session 3		1015 – 1145 hrs
	Subject	Global Challenge of Poverty and Attrition of Natural Environment
	Chairman	Mr. Pedro Marques , the Secretary of State for Social Security, Portugal
	Keynote Speaker	T Shankaralingam , Chairman NTPC
		Dr Olivier Giscard d'Estaing , Founder and Chairman INSEAD
		Helen Ball , RSPCA
		Richard Howitt MEP for England
		Sir John Kaputin , Secretary General, African, Caribbean and Pacific Group of States (ACP Group)
Plenary Session 4		1145 – 1315 hrs
	Subject	Collaborating as a Strategy to Alleviate Poverty and Upgrade Environment
	Chairman	Mr. Fernando Medina , The Secretary of State for Employment, Portugal
		Alec McGivan , Head of Corporate Responsibility, BBC
		Cobus Schwardt , Global Director Transparency International
		Federico Cuneo , Chairman Forum Empresa of Peru
		Esther Trujillo Jimenez , Corporate Responsibility Manager, Telefonica
		Prof. Eva T. Thorne , Meyer and Walter Jaffe Assistant Professor of Politics, Brandeis University
Lunch		1315 – 1415 hrs
Concurrent Special Interest Workshops		1415 – 1545 hrs
Concurrent Session 3A	Subject	Building Corporate Brands by Making a Difference
	Speakers	Janet Blake , Head of Global CSR, BT
		Joaquim Croca , Vodafone UK
		Lehmbhar Singh , Director ONGC
		Jose Manuel Valasco , Director Cultural Assets, Union Fenosa , Spain
		Dr Stephen Hermann , TNS Infratest
		1415 – 1545 hrs
Concurrent Session 3B	Subject	Making Markets Work for the Poor
	Chairman	M. Damodaran , Chairman Securities and Exchange Board of India
	Speakers	Dr Shona Grant , World Business Council for Sustainable Development
		Kavilash Chawla , Principal Nur Advisors LLC, ISA
		Kaori Taketani , Nikkei Research Inc, Japan
		Rita Almeida Dias , Triple Value & Impactus, Portugal
Concurrent Session 3C	Subject	Embedding CSR into the Business
	Speakers	David Halley , Business in the Community
		Nina Mapili , Southern Africa Initiative of German Business
		V K Agarwal , Managing Director, RITES, India
		J K Mehta , General Manager, Corporate Planning, NTPC, India
		Sangeeta Kaushik , Senior Manager, Corporate Planning, NTPC, India
Tea/Coffee		1545 – 1600 hrs
Concurrent Special Interest Workshops		1600 - 1730 hrs

Concurrent Session 4A	Subject	Empowerment of the Poor	
	Speakers	Niels Christiansen , Vice President Nestle, Switzerland	
		Carlo Tortoro Brayda , Chairperson, Alchemy World Henry Onaga , Managing Director, CELLCOM, Nigeria Chris Ogbalu , Executive Director, CELLCOM, Nigeria	
		Yashashree Gurjar , Head Corporate Social Responsibility Ballarpur Industries Ltd	
		K. G. Ramanathan , Advisor, Reliance Group of Companies, India	
Concurrent Session 4B	Subject	Empowerment of the Poor	
	Speakers	Rosemary Hilhorst , Director British Council, Portugal	
		Emma Galama-Rommerts , International Council of Women, Netherlands	
		Dr Manu Kulkarni , Member of the National Population Commission	
		Dr. P Sarvanan , Founder, Sarvanan Hospital, India	
		Neema Mgana , Founder, African Regional Youth Initiative, Tanzania	
		Azam Ali , European Business School, UK	
Concurrent Special Interest Workshops			1600 – 1730 hrs
Concurrent Session 4C	Subject	Protecting Natural Environment and Combating Climate Change	
	Speakers	Warren Evans Director Environment World Bank	
		Jan Peter Bergkvist , Director Hilton Int.	
		Anthony Fitzsimmons , Commercial Director, Iskra Wind Turbines Stephen Brandon , Advisor, Iskra Wind Turbines	
		Habiba Al Marashi , Chairperson, Emirates Environmental Group	
Cocktails	Networking		1800 - 1900 hrs
Dinner	Dinner Address	Viscount Davignon , President CSR Europe, Belgium	1900 – 2100 hrs
Third Day: Saturday, February 17, 2007			
Plenary Session 3	Keynote Speaker	Laurence G. Sellyn , Executive Vice- President & Chief Financial and Administrative Officer, Gildan Activewear Inc., Canada	0830 – 0845 hrs
		Presentations by representatives of concurrent special interest workshops (10 mins. each) followed by discussions to crystallize a summary of solutions, conclusions and recommendations.	0845 – 1030 hrs
Tea / Coffee			1030 – 1045 hrs
	Sessions		1045 – 1315 hrs
	Closing Remarks	Richard Howitt , Member European Parliament	1315 – 1330 hrs
Lunch			1330 hrs
	Conference Ends		14.30 hrs
Sight Seeing / Tours / Golf			Afternoon

* programme subject to change without notice

Background Note
for the 2nd Global Conference on Social Responsibility
[Vilamoura II]

Connecting the World to the Board and the Board to the Village:

**Directives for a Working Group on CSR *Plus*; the role of
Business in Alleviating Poverty**

Ola Ullsten

Former Prime Minister of Sweden
Chairman World Council for Corporate Governance

Introduction

The UN Millennium Development Goals which range from cutting in half extreme poverty to stopping the spread of HIV/AIDS and guaranteeing universal primary education by 2015 requires a concerted action by governments, international donor and other organisations and civil society. It also takes the participation of the private sector. Development does not happen without economic growth, economic growth requires investments, which require an active involvement of small and large, national and multinational corporations to create the jobs and income needed.

The private sector always plays that role. How well or not so well business has contributed to the effort of the poor to build their livelihood have depended on a combination of a sense of social responsibility within the corporate sector and how well governments have succeeded in creating an enabling milieu for development friendly investments.

Progress has been made, but with close to 4 billion people living on less than 2 dollar a day there is a need for new thinking among all the partners in the MDG endeavour, business included. Hence how to make business a more effective contributor in the global campaign against poverty was the theme of a conference that was held in Vilamoura, Algarve, Portugal 16-18 of February 2006. The conference was organized by the World Council For Corporate Governance (WCFCG) and inaugurated by the Portuguese Minister of Trade and Industry.

The starting point for the discussions was the concept of corporate social responsibility (CSR) of which WCFCG is an ardent supporter. It was agreed that both in the light of business as partners in reaching the Millennium Development Goals and since corporations are operating within a more and more integrated world economy CSR may need a paradigmic change. CSR should be seen as a business *goal*

rather than an *obligation*. The scope of CSR should be widened and incorporated in a global strategy for the role of business in poverty alleviation and the protection of the environment. The crucial role of governance was emphasised.

In the forefront of this thinking is that also markets with very low individual buying power creates business opportunities, most of which so far has been more or less ignored and unexploited. The approach should not be one of spreading consumerism but to adjust product development, manufacturing, marketing and financing as to meeting the needs of the poor as consumers and to encouraging entrepreneurship as a force for development.

From idea to policy

The conference which was attended by business people and policy makers from some 20 countries recommended that a second conference be convened to follow up on the deliberation at Vilamoura. Such a follow up event would be based on a report from a working group of experts. The objective of such a group would be to analyse the intellectual foundation for an extended interpretation of CSR or a "CSR Plus" and recommend a plan of action for its implementation. Since then a new conference has been scheduled for February 2007, again in Vilamoura, Portugal.

The group should substantiate the prospects of developing low-income country markets both from the business point of view and from the point of view of what's good for the economy and the human well-being of those countries. It should take into account the different conditions for wealth creation that exist within the group of developing countries depending on their level of development. The ultimate objective of a CSR Plus should be sustainable growth in *all* developing countries - and the role of business in achieving that goal. It would be essential in this context to recognize the interrelationship between poverty and environmental degradation. Focus should be on governance at three levels, corporate, national and international or global.

Members should be chosen among people with background in business with emphases on operating in developing countries; business strategy; government; international development co-operation; environmental policy and analyses; international trade arrangements and governance, corporate as well as national and international.

Working with others

The Millennium Development Program is based on partnership between governments and intergovernmental organizations, civil society and business. Each of those categories of actors can have a fertile and enriching influence on the others. That ambition should be expressed in the composition of the working group. Partnership will also characterize the next conference – Vilamoura II. The report from the working group will form a centrepiece at Vilamoura II. Other papers on the subject may also be introduced. WCFCG would be happy to see other interested organizations becoming partner in this endeavour both through supporting the working group and by joining WCFCG as a host of Vilamoura II.

WCFCG wants to make head way for a global *grand strategy* for how to put the private sector at the centre of development as "the real engine for jobs and services for people" (Mark Malloch Brown, former UNDP Chief). Our aim is to make business leaders aware of their responsibilities as citizens to take part in combating poverty and environmental destruction. As businessmen and women they can take comfort in knowing that there also is a business opportunity laying ahead.

What we want to do with CSR Plus is *to connect the world to the board and the board to the village.*

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CSR Plus - Strategies that Enrich the Poor and Build Corporate Brands

Background Note

Our understanding of Corporate Social Responsibility needs a paradigmatic change. It has moved way beyond its philanthropic and community roots. CSR today is a business opportunity and needs to be treated as a business goal. It should permeate across all spheres of the business activity -manufacturing, product development, business development, marketing, procurement, finance, human resources and so on.

Poor are a business opportunity, a source of wealth creation and innovation. They should not be treated as the begging bowl of our economic system. 800 million poor of India represent one of the largest untapped consumer markets on this planet. Their combined economic power is greater than the economy of some sovereign nations. They are an immense source of innovation offering the biggest business opportunity of our times. Widening socio economic disparities since the advent of globalization are indicative of the lethargy of business innovation. The business should have a vested interest in thinking of revolutionary ways to remove the widening gap.

The greatest business challenge of our times is to draw the poor in to the market economy and reassure them that globalization will equally work for them. Corporate leaders like ITC, HLL and ICICI who have made a significant contribution in developing rural markets need to highlight business benefits of accessing the untapped poor markets. They should aggressively publicize the bottom line improvements so that more corporates are encouraged to adopt CSR as a business goal and not shy away assuming CSR is about giving handouts.

Oddly enough both poverty and global warming, the two most critical challenges of our times, have a common cure. It is in innovating products and services for the four billion poor making sure they are also eco-friendly and eco-efficient. The strategy is summed up in POISED (Poor Oriented Innovation for Sustainable and Eco-friendly Development) and can be achieved through eleven simple steps termed as PROACTIVATE: pricing non financial capital, radically increasing resource productivity, public private partnerships for innovating products for the poor, abolishing all subsidies, conserving natural resources, turning all products to services, introducing designs robust enough to stand heat, dust, humidity and mishandling but simple in skill levels, diversity in work force, mobilizing and activating women groups, transparency in governance and education for entrepreneurial skills.

Test of the progress is not whether we add more to the abundance of those who already have too much, it is whether we provide enough to those who have little. As Mahatma Gandhi said “the test of orderliness in a country is not the number of millionaires it owns, but the absence of starvation among its masses”. People can live with poverty but cannot stand injustice. Disparity drives people to desperation. These disparities are a time bomb waiting to explode and pose the greatest threat to the security of business. This is specially true in India where 54% of the population is under 25. Most of the unemployed are under 30. The business should have a vested interest in thinking of revolutionary ways to remove the widening gap. Pricing natural

capital can give immediate relief to the poor by transferring resources from urban rich to rural poor. This will make asset capital of the rural poor more realistic and help boost rural transformation.

Since global warming has become a reality, driving economy on consumer growth cannot be sustainable. We need to change our growth model. Conservationism, not consumerism should drive economic growth. On 8th December 1927, Mahatma Gandhi wrote in Young India "A time is coming when those who are in the mad rush today of multiplying their wants vainly thinking that they add to the real substance, real knowledge of the world, will retrace their steps and say: 'What have we done?'".

A saving grace of India's poverty is that India's environmental footprint is one-twelfth of US. Against 80 tonnes of natural material used by an average American, India's per capita material usage is under 7 tonnes (per person). The rapid rate at which consumerism is growing in India can eventually lead to ecological catastrophe. There is a complete lethargy in eco-innovation. We need to curb the proliferation of products and innovate products for multiple use. A cell phone is a classic example. It is not only a phone but also a camera, a watch, a radio & a TV. All this at a fraction of the cost and size.

Innovations are no longer following the traditional 'S' curve. The cycle time between the launch, its diffusion and maturity is shrinking turning 'S' curves into 'I' curves. Our planet is in danger of being cluttered up with half-baked products that leave customers half-longing and half-spoilt. There is an urgent need to move from products to services, from tangibles to intangibles and gear the economy upwards from acquisition mode to experiential mode, if we have to avoid the ecological disaster.

Transparent governance system is the key to CSR success. Poor may be capital poor but they are asset rich. It is the lack of transparency in contractual transactions that prevents them from unlocking their assets. Hernando de Soto the noted author of "The Mystery of Capital" estimated that the trapped resources of Mexico are \$300 billion. India is bound to be higher. Besides, India's GDP based on purchasing power parity increases from half a trillion dollars to three trillion dollars, way ahead of UK. Poverty, therefore, is at least partially, a self-imposed problem in most of the world. FDI or philanthropy are but a mere fraction of the potential for capital-trapped in the country because of poor and opaque governance system. The primary face of private sector in most developing countries is the extra legal black market controlled by mafia, moneylenders, slum lords and strongmen.

Solutions to involve poor in the market economy have to be co-created through active partnership between government, NGOs and the business. Business has to be a major player. It is the business which is the biggest beneficiary of tapping the BOP- Bottom of the Pyramid, a term used by Prof. C K Prahalad for the poor. There are galore examples of how Hero Cycles, Reliance, ITC, HLL, ICICI Bank and Aravind Eye Hospital have improved their profitability by innovating processes to access this market. Hero cycles decimated the dominance of TI Cycles by designing cycles to take farm produce to the markets. Reliance mobile reached a million customers within 10 days of the launch. Studies have shown that return on capital employed on products innovated for poor markets such as Nirma was 121%. ICICI has 200,000 rural accounts managed by 16 managers through SHGs. In the case of Aravind Eye Hospital where only 40% are paying patients and the average charge for cataract surgery is \$50 including stay, the return produced constantly has been of the order of 120-130%. In the case of e-Choupal, ITC has been able to get the payback on their PC Kiosks within one full season.

Poor do not need handouts. They need education and infrastructure. Developing rural markets by encouraging transparency in governance structures will unlock the hidden assets of the rural poor and accelerate their integration in the market economy. Business can fundamentally alter the rural landscape and stimulate commerce and development by bridging infrastructure gaps in rural areas, linking the informal economy to established markets and providing distribution channels and transaction platforms.

The understanding of the way the new economy works is the key to our success. Its immense potential to transform society is tantalizing. Including the poor in market economy does not require huge subsidies. It needs investment in infra structure and entrepreneurial work. We are entering an era where there will be a lot of work but little employment. Our effort henceforth, should be to equip young people to become entrepreneurs. “Don’t give them fish. Teach them how to fish instead”.

In the new economy knowledge is the measure of wealth. Knowledge when shared benefits both sides. The degree of benefit is determined by the diversity between the parties. Greater the diversity more is the gain. This realisation can have a monumental impact on our geopolitical landscape. Societies divided today between classes, races, religions and regions can unite and reap the huge benefits from working together. This will signal the death of clannish and caste politics. As people realise that the value comes not from homogeneity but dissimilarity, the hatred based on religion and race will disappear. The case for affirmative action to increase diversity of workforce, therefore, has never been stronger.

Our main problem for far too long has been of posturing instead of practicing. We are being trained increasingly to become performers, adept in acting the part. Time has come to get real with the problems of poverty and ecological degradation. CSR provides a guarantee towards sustainability of the business. It cannot be regarded as a PR exercise. It is because of this that this Global Conference on Social Responsibility focuses on practical steps that will benefit the poor and raise profits. The urgency is not because social good is a competitive differentiator and part of innate human creed but that the alternative is anarchy where nothing but violence and terror will succeed. It was John F. Kennedy who said in his inaugural address back in 1961: “If we do not make a peaceful revolution possible we will only make a violent revolution inevitable”.

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TACKLING POVERTY MAKES BUSINESSES PROSPEROUS

MAKING MONEY WHILE MAKING A DIFFERENCE

Madhav Mehra

Dr Madhav Mehra is the President of the World Council for Corporate Governance. He was the first elected Chairman of the World Quality Council, a body constituted by 52 national and international quality associations, in Chicago in 1996. He is a corporate visionary and futuristic thinker, internationally renowned for his innovative ideas in integrating issues of quality, environment, social responsibility and governance to develop a holistic approach to corporate and social transformation. He describes how regulatory challenges can be turned to competitive advantage.

The World Council For Corporate Governance has drawn corporate attention to the widening gap between rich and poor and the governance strategies required for bridging it. We have repeatedly argued that the socio-economic disparities are a serious threat to the security and sustainability of business. The business should have a vested interest in thinking of radical ways to draw the poor in to the market economy and reassure them that globalisation will equally work for them.

The good news is that tackling poverty makes businesses prosperous. It gives business the opportunity to innovate products for mass markets. The biggest market players of today, Microsoft, Walmart & Coca Cola, became big by targeting mass markets. The question is how to go even deeper what C K Prahalad calls the “bottom of the pyramid” in his celebrated book “The Fortune at the Bottom of the Pyramid”, those 5 billion people, 80% of the human population, who earn less than \$2 a day.

It is five years since the UN adopted the Millennium Development Goals of halving poverty by 2015. The latest figures available on poverty show poverty has actually climbed up in 2004. Hunger, the severest form of poverty, stalks 10 million more people across the world having risen from 842 million to 852 million. Poverty is not limited to Africa or Sub Saharan desert or developing countries. It has risen by 1.3 million in US, the world’s richest economy. 12.5 percent of the Americans are classified as poor compared to 12.1 percent in the previous year. Why the Millennium Project and the aid programmes that preceded have been so ineffective?

Hunger is more an issue of delivery than donation. The total expenditure required for elimination of starvation and malnutrition is \$19 billion. Compare it with the US military budget of \$416 billion. The incremental annual public investment needed to meet the World Food Summit goal of ensuring access to food for most needy is barely \$5.2 billion. Tsunami has received pledges of \$8 billion within 2 weeks. Tsunami experience showed food was not the problem. The problem was in distribution. There is unused donor capacity for feeding the poor. All we need is innovative ways to involve potential donors. Our challenge lies in raising public and corporate consciousness towards the cause and creating public confidence in our ability to reach the aid to the rightful. Public are wary of large bureaucratic organisations because of the inefficiencies inherent in them. Food programmes, therefore, will be more effective when they are market based and entrepreneurially driven.

The experience has shown that the problem of poverty cannot be solved simply through handouts. No amount of hand out can help an African farmer whose milk is unable to compete with the western farmer simply because the cows of the western farmer are subsidised at the rate of \$2 per cow per day which is twice as much as he makes in the whole day. Hernando de Soto, the Peruvian economist has analysed causes of poverty in his path-

breaking book "The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else" that poor countries are poor not because they lack resources or aid from rich countries, or FDI by multinational firms but because their governance systems are so poor that they lack enforceability of contracts. Consequently they develop extra legal economies ruled by slum lords, mafia and muscle men. These poor countries can be rich if we can unlock their trapped assets. He goes on to say that the proliferation of regulations makes the situation even worse because of the opaqueness of the system to anyone other than an insider. De Soto argues that his country, Peru, has more than 28,000 legislations per year at the rate of more than 100 per day. No one can keep pace with that rate of change. As a result corruption is prevalent at all levels.

Handouts suffer from lack of transparency, accountability and efficiency in the delivery system. The problem is not only with disbursing governments but also with lending agencies and funding organisations. Funding organisations have little regard for the virtues of transparency and accountability when applied to themselves. Indeed, they find it offensive if somebody even questions about them. They actually view this opaqueness as a strategic asset. Such situation is not unique for the UN where the oil for food programme is going through a scanner. This is endemic for almost every major funding organisation whether the World Bank, OECD, DTI, DFID, Commonwealth, European Commission or any of the other UN organisations.

In a recent report on the progress of Millennium Development Goals to UN Secretary General, Professor Jeffery Sachs, the noted director of the Earth Institute at Columbia University and also the director of Millennium Project, has pleaded for doubling of the development aid. He has done well by emphasising the importance of accountability and transparency to bring credibility to the Millennium Project. He has called upon governments, donors and civil societies to prepare specific compliance guidelines that include spot audits, evaluation and publication of performance indicators. Leading civil society organisations such as Transparency International and private accounting firms should help ensure that the increased aid flows to the targeted areas.

The US, the world's richest country, spends barely 0.15% of its GDP on international aid against the commitment of 0.7%. How can Americans be inspired to get their government to do better than that. More important is the question of how the aid is used. There are inherent fallacies that lead to the failure of funding through governments. It lacks sense of ownership. It is regarded as easy money. Easy come, easy goes. The real constraint with international aid is not funds but the capacity to use it. Most aid remains unspent and rarely goes to those who have capacity to spend. Those who have a stake in spending are rarely involved. So whatever spending is done is through entrenched incumbents and an incestuous circle of friends and protégés. Poor rarely benefit from such aid. On the contrary the aid mechanism can work wonderfully if driven through market forces, creating incentives that create value at each stage of delivery.

The poor really do not need handouts. They need healthcare, education and infrastructure. Infrastructure plays a far more important role than most people imagine in the development process. Developing rural markets by encouraging transparency in governance structures will unlock the hidden assets of the rural poor and accelerate their integration in the market economy. Business can fundamentally alter the rural landscape and stimulate commerce and development by bridging infrastructure gaps in rural areas, linking the informal economy to established markets and providing distribution channels and transaction platforms.

Public expectations of corporations have undergone a profound change during the last decade. Kenichi Ohmae in his book "The Borderless World: Power and Strategy in the Interlinked Economy" has defined the role of corporations as follows:

"A corporation is a social institution whose responsibilities extend far beyond the wellbeing of its equity owners to giving security and a good life to its employees, dealers, customers, vendors and subcontractors. Their whole life hinges on the wellbeing of the corporation."

Charles Handy says "a business is no longer just an economic instrument, the principal purpose of a business is not to make profit, full stop. It is to make a profit in order to continue to do things and to do so even better and more abundantly."

This is a far cry from which Milton Friedman said in 1970 – "the social responsibility of a business is to increase profits". The expectations of people from business have changed vastly over the last few decades. In a millennium survey about 60% of those polled stated that they will punish companies who were found to damage environment. Today a company's market capitalisation depends on how they take care of the social and environmental issues. In this scenario a company that focuses on profit alone is certain to make no profit.

Companies that wish to create sustainable wealth have to look after 3 things - people, profit and planet. This is what is called a triple bottom line approach. In traditional business one only watched a single bottom line i.e. reduction of costs to maximise profits. This equation is now considered inadequate. Companies have to look at society and environment issues.

We think that socio economic inequalities provide imperatives that provide compelling reasons to make poverty alleviation a business issue. Business has been the greatest beneficiary of globalisation. The rapid expansion of trade and cross border capital flows made possible through the globalisation have created unparalleled opportunities for growth and financing of business. At a recent lecture Joseph E. Stiglitz the noted Professor of Economics at Columbia University & former Chief Economist of the World Bank asserted that inequalities in developing countries have increased by 2% since the Uruguay Round which founded WTO 10 years ago. A recent FAO study on hunger reports that hunger is actually on the rise and 18 million more people have slipped into hunger in the second half of the decade.

Globalisation cannot work properly if the poor are not made part of it. They need to be reassured that globalisation can benefit them equally. The biggest business challenge of today is to bring the poor into the market economy. It should be in the self-interest of corporations to do that as a matter of top priority. Business has to realise that sharpening of the inequalities as a consequence of globalisation is the greatest threat to the security and sustainability of their businesses.

Secondly, for the first time in human history business has the power and technology to make a difference in human lives. It has a social cause to make profits instead of the invisible hand of Adam Smith.

Thirdly and more importantly, businesses have to realise that throughout history businesses have expanded and multiplied only by reaching what C K Prahalad, the noted management guru calls, 'the bottom of the pyramid'. Both Microsoft and mobile telephony that spawned some of the 21st Century's most successful businesses have proved the point. Microsoft succeeded because it aimed to reach every home. IBM failed because the vision of its founder Thomas Watson was "there was to be a world market of just five computers". Reliance Infocomm, a mobile phone operator in India received one million applications in the first 10 days when it offered a mobile phone for \$10. India today has more mobile phones

than landlines.

The success stories of Gramin Bank in Bangladesh, Casas Bahia in Brazil, Cemax in Mexico and ICICI Bank and Nirma in India show how accessing the poor markets have transformed both these businesses and the poor constituencies they served. No amount of handouts could have improved the lot of the poor served by these businesses. ICICI Bank has developed a new model of relationship with its customers. It has no direct contact with its half a million rural clients. It monitors their loans which are as little as 6 dollars with instalments of 20 cents each month through self help groups formed by rural women. Cardiac care and cataract operations are reaching new heights of process innovation in India. A cataract operation in Aravind Eye Hospital costs barely \$50 including stay. 40% of the patients are treated free. Yet, the hospital is debt free and has a return on capital of 120 to 130%.

ITC, a former subsidiary of British American Tobacco has transformed rural India. It had serious problem in sourcing pulp for its papermills and soyabeans for export. It organised the poor tribals of Andhra Pradesh with wastelands into self supporting farm forestry groups. It provided them with high yielding, disease resistant saplings. It claims to have greened some 26500 hectares of wastelands with 108 million saplings and ensured high quality woodbased raw material for its paperbased business. In another initiative called e-choupal linking the villages electronically through a PC kiosk, it has saved Rs 270 per tonne for farmers and the same amount for itself in procurement of soyabeans.

Another revolution has been brought by Unilever subsidiary in India, Hindustan Lever. They have created a distribution network of some 30,000 women called Shakti Ammas to distribute their products in remote villages as direct-to-consumer initiative targeted at individuals at the bottom of the pyramid. Training these women in entrepreneurial skills will have a cascading effect on the rural economy. Scaling up this model worldwide can have phenomenal results in alleviating poverty and bringing the poor into the market economy. .

There is a huge debate raging about CSR and its purpose. CSR is the market response to the changing expectations of the stakeholders. It has moved way beyond its philanthropic roots. CSR is not meant to benefit society at business's cost. CSR is integral part of the business. Market valuations of companies today have little to do with their profits. These are determined by the public perception of the long term sustainability of the business which in turn is measured by its business ethics and social acceptance. It was not long ago that a survey suggested that 60% of customers would punish companies which were found environmentally and socially irresponsible.

Fortunately, the detractors of CSR have little influence on the company's sales. These are influenced by their teenaged children whose expectations from businesses are vastly different from their parents. Today's markets are driven by 2 billion teenagers and not by the great and good of the City. Adam Smith has been often misquoted and misinterpreted to subserve sections of business lobbies. He staunchly believed in the social purpose of the business and also authored a less known book "The Theory of Moral Sentiments". He was unaware of the WorldCom, Enrons, Marconi & Equitable Life or the Nixon doctrine that guides the corporate morality: "You can disobey all the ten commandments as long as you follow the eleventh one "thou shalt not be found out". Corporations continually strive not to be found out. Had Adam Smith lived in the 21 Century, I am sure, he would have been the first proponent of CSR ?

This is not to say there is no pernicious element in the current practice of CSR. NGOs dissuading companies to invest in developing countries such as India and Bangladesh on the ground they are employing "sweatshop" labour are throwing the baby with the bath water and

doing harm to CSR.

The true significance of CSR lies not because of its social purpose but because this is the only way for companies to make profits in a market where public expectations from corporations have undergone a sea change. The manner in which companies engaged in chemical, tobacco and mining and fossil fuel businesses have latched onto CSR is indicative of the business case of the CSR. These companies are smart and have realized that there is money to be made by making a difference to the lives of people.

Global corporations today have to face new geopolitical realities. As their businesses expand and operations extend beyond their borders, they have to transcend their parochialness and develop global mindsets. Having cried hoarse all along for minimising the government role in corporate agenda they cannot bank on governments alone to solve the egregious problems of poverty, peace and pollution. They have to take a proactive role and become part of the solution. The discontent stemming from disparities and inequalities provides lush recruiting ground for the evil ideologies that can spell doom for sustainability and security of the business. They have to realise that their biggest challenge today lies in managing diversity and bridging disparities, investing in local communities, seeking their trust and making a difference to their lives. That is the only way to survive and thrive. The alternative is chaos, anarchy and strife.