



Global public finance and funding the Millennium Development Goals

Antony Burgmans, chairman of Unilever, speaks at the 4th Jelle Zijlstra Lecture by Professor Tony Atkinson, Vrije Universiteit, Amsterdam - December 2005

12 December 2005: Here Antony Burgmans, chairman of Unilever, supports the plea for more emphasis on open economies. In his view, free trade is in the interest of all, because it leads to more economic growth - and wealth, jobs and prosperity. He fully supports the implementation of the Millennium Development Goals (MDGs), which he sees as one of the most important challenges for humanity in the years to come.

Ladies and gentlemen,

It is needless to say that I am honoured to have been asked to comment on the very timely issue of meeting the Millennium Development Goals (MDG's).

Let me start first with saying that I support the plea for more emphasis on the importance of open economies in the subject of public finance. It means that the *economic models* employed have to allow for the movement of goods, capital and people. I would like to add that perhaps even more importantly *governments* should allow and facilitate this process.

It is therefore crucial in my opinion that the current round of negotiations within the World Trade Organisation (WTO) are concluded successfully. Everyone in the audience is undoubtedly aware of current discussions as to the total gains to be made from this. And discussions there are! There are virtually as many facts and figures as there are studies. In my view free trade is in the interest of all, because in the end it leads to more economic growth and thus wealth, jobs and prosperity. In the process there will always be groups that will benefit more than others, but on the whole the direction is the right one. In this respect it is significant to remind ourselves of the fact that the current Round of negotiations is called the Doha *Development* Round, and not without reason.

Secondly I also fully support the need to actually implement the Millennium Development Goals (MDG's). This is one of the most important challenges for humanity in the years to come.

Let me make some remarks on the role of both business and government in this respect. I am convinced that both have a major role to play, both in their own right and through public-private partnerships, also including civil society such as Non-Governmental Organizations (NGO's).

I'll give you some examples from my own experience. Unilever – the company for which I have been working throughout my life – operates in most parts of the world, including Africa, where we employ some 50.000 people and as such are one of the largest employers on the continent. Unilever – with a long historic presence – has always attached great importance to further development of living standards in Africa, both from a business and humanitarian perspective, and has started activities in areas such as training and scholarships, partnership with UNICEF on fortified food, HIV/AIDS programmes and working with smallholders in tea to promote sustainable tea.

Many of our managers have been willing to contribute in one way or another to this improvement, be it through business or in other ways. For instance, Hans Eenhoorn has been one of them. After retiring from Unilever he has joined Kofi Annan's Hunger Taskforce which was set up to study ways to actually achieve one of the Millennium Development Goals related to eradication of hunger.

Unilever has various initiatives – both old and new – that aim to contribute towards implementation of the Millennium Development Goals. In the field of *Foods* I would like to mention the recently established partnership between Unilever and Unicef. This collaboration – in which Synergos is also involved – includes the Partnership on Childnutrition in India. The goal of this partnership is to halve under-nutrition of children in India under 5 within 10 years. Very ambitious and challenging at the same time. If we succeed it would be tremendous.

For those among you who would like to know more: Unilever will include its contribution towards achieving the Millennium Development Goals in our forthcoming sustainability report due to be published next year. And possibly you might also be interested in a joint Oxfam/Unilever study which was recently been published on the role that Unilever has played and still plays in poverty reduction in Indonesia.

More in general, it is a very hopeful development that we are witnessing a sort of a paradigm-shift in thinking about doing business in developing countries. I refer to the highly influential publications on the Bottom of the Pyramid (BOP) by C.K. Prahalad and Stuart Hart. There is increasing interest in the double benefit of the Bottom of the Pyramid, which both serves low income consumers' needs while at the same time providing business with opportunities.

Let us now turn to the role of governments. Some commentators often choose not to discuss the use of Official Development Assistance (ODA) and its effectiveness but instead to focus on new methods of funding the Millennium Development Goals. I think however that these are very much interrelated. The fact that a lot of people – and thus also the politicians that represent them – question the effectiveness of development aid, is one of the reasons for governments of the developed countries not to stick to their promises to actually allocate 0.7% of their Gross National Income (GNI) to Official Development Assistance.

In other words: we do need to face the problem of effectiveness as soon as possible (“how much bang for the buck ?”). Capacity building, good governance including anti-corruption are key elements to be tackled before resorting to different methods of funding.

As regards introducing possible global taxes, be it a Tobin tax, a brain-drain tax, taxation on ocean fishing, taxation on arms exports, bit taxes etc, I would say that imposing additional taxation is often – as we all know – the “easy-way-out” option.

I recall the striking 1966 Beatles “Taxman” song in which the Fab Four from Liverpool complained about their very high UK tax bills. As they sang from the perspective of the Taxman: “If you drive a car I’ll tax the street, if you try to sit I’ll tax your seat; if you get too cold I’ll tax the heat; if you take a walk, I’ll tax your feet”.

This is perhaps overstating the argument, and don’t get me wrong: I am not against paying taxes. The question is rather: what kind of quality service do we get in return? And before that: do we genuinely need them?

I would say: “first things first”. Governments should stick to their commitments, in particular now they have reaffirmed the Millennium Development Goals at the recent United Nations Summit in New York.

By the way, I share the call to ask from the newly emerging economies that they also contribute their fair share regarding aid to developing countries.

Apart from this, we should think twice to impose taxes on an international level, just because of the complexities involved. Let’s keep it simple. Resorting to new methods of taxation would involve significant costs to actually collect these taxes, let alone the costs and esp. time involved to get agreement on them in the first place. Of course I know it would also lead to substantial job creation, because many international conferences will have to be convened in the process, but I would prefer to try to make more effective use of resources.

The more so, as it is often stated that “unfortunately we have only limited understanding of the economic impact of the different proposals”, and remarked that the “double dividend” argument is often overstated.

As you may expect from a business man, I would not be in favour of unilaterally imposing the tax in the EU or in some countries in the EU. I think that would run counter to the concept of a level playing field – a principle that we have been trying to achieve in the EU for the last couple of decades.

Yes, I know France is now unilaterally imposing a tax on flight tickets. I read that this will cost an estimated 3000-4000 jobs in France. A Dutch daily (Financieele Dagblad 29 nov 2005) reported that this tax will bring about a revenue of approx. 200 million euro. As there are 800 million people who suffer from a structural form of undernutrition, the average benefit would be an additional 25 eurocent per person on an annual basis. This was contrasted with the average of 16.554 euro subsidies received by each French farmer on an annual basis.

The editorial cynically questioned the reason why France introduced such a marginal tax, while at the same time it blocks progress on further reform of the European Common Agricultural Policy that could have a much more significant impact on raising the level of income in the Third World.

I personally do not want to single out one country. All EU member states, the US and others have a huge responsibility here.

Let me now make a few other remarks about funding the Millennium Development Goals apart from taxation.

I am positive about possibilities like increased private donations, such as those by the Bill & Melinda Gates Foundation and a very interesting new 100 million dollar micro-credit initiative by eBay-founder Pierre Omidyar.

Micro-credit in my view is going to play a very important role in years to come. I am therefore thrilled that Her Royal Highness Princess Maxima of the Netherlands is so actively involved in increasing micro-credit awareness with the public at large.

Unilever has some experience with micro-credit. Our so-called Shakti project in India enables women in India to become a distributor of Unilever products in not easily accessible rural areas. This is done through micro-credits. It is clearly “win-win”: these women can double their income and Unilever sells products in places hitherto not covered. Happy to say that Shakti has been very successful. Besides micro-credit the availability of enough venture capital and equity financing is essential to enable SME's to serve as the gazelles of the economy.

Remittances are also mentioned by the Wider Project. Interestingly, the World Bank has just published the “Global Economic Prospects 2006” report which is specifically dealing with this. According to the World Bank international remittances had a value of 167 billion dollar in 2005 as well as an additional estimated non-registered 80 billion. This 247 billion dollar amounts to the greatest external source of financing

for developing countries, and is three times as high as the total development aid coming from the rich countries.

So there is a lot to work on:

- (a) an *effective* use of Official Development Aid *paid by all* who should,
- (b) a successful conclusion of the Doha Development Round,
- (c) additional Foreign Direct Investment (FDI) as a result of Bottom of the Pyramid-thinking, and
- (d) all other forms of funding combined including private donations and remittances,

Rather than on additional taxes, let us focus all our efforts (and hopes) on these four tasks at the moment.

Thank you for your attention.