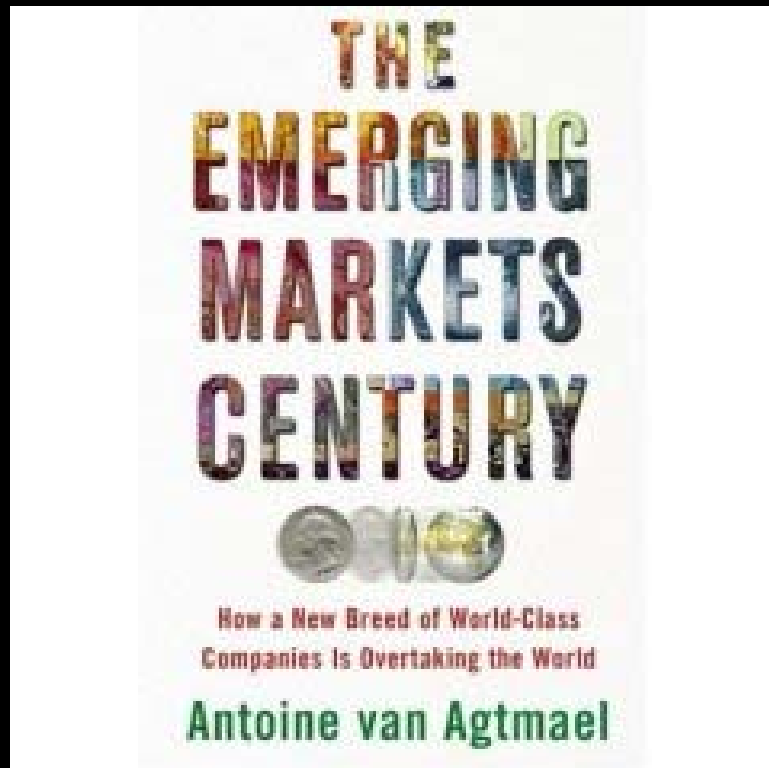


# From Capturing to Serving Markets: marketplace practice and CSR in emerging economies

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- 15 leading EMEs combined will be larger than the G7 by 2040
- In 2005, EMEs consumed 48% of the world's oil
- More than 50% of developed world exports now sold in EMEs
- At current growth rate, likely share of global output at PPP will rise to 65% by 2027



- Absolute poverty reducing but inequalities growing
- Widening income disparities - China's richest 10% owns 40% of assets; 2% of total wealth to bottom tenth
- Heavy disease burden - carry 80% of global diabetes burden; 25% in China & India
- Vulnerable & unresilient to crises

# EME: Pharma's new frontier

- Below-average performance due to deteriorating R&D productivity, unprecedented patent expirations, increased competition from generics and biotech & eroding reputation
- Lower R&D, manufacturing and clinical trials costs in EMEs
- Huge market potential - estimate that by 2020 BRICSA, Mexico and Indonesia could account for 1/5 global sales
- Investors pushing pharma to enter EMEs but adapt prices, employ flexible distribution systems, abandon blockbuster model for high-volume, low margin model.

## Serving EME markets: two considerations

- Adapting to customers and serving their needs
- Securing license to operate by accounting for
  - Impact of product/service on overall well-being of the population
  - Impact within the value-chain
  - Impact of presence (macro)

# Access to Medicines: a case in point

## Triple Disease Burden

2 billion people lack access to essential medicines - 4 million in Africa and SE Asia.

Financing healthcare out-of-pocket - can absorb up to 80% of poor people's expenses

Constraint on government budgets for public services

Unaffordable prices where no generic equivalent available

Lack of medicines to treat diseases that predominantly affect developing countries



## Addressing contextual realities - e.g.

Income Disparities in EMEs: Share of Income or Consumption in 5 EMEs (%)

	GDP per capita	Richest 20%	Middle 60%	Poorest 20%
Brazil	3,284	62.1	35.3	2.6
India	640	43.3	52.2	8.9
China	1,490	50.0	45.3	4.7
South Africa	4,675	62.2	34.3	3.5

Source: Human Development Report 2006, UNDP

# Being responsible, being successful: Three minimum components

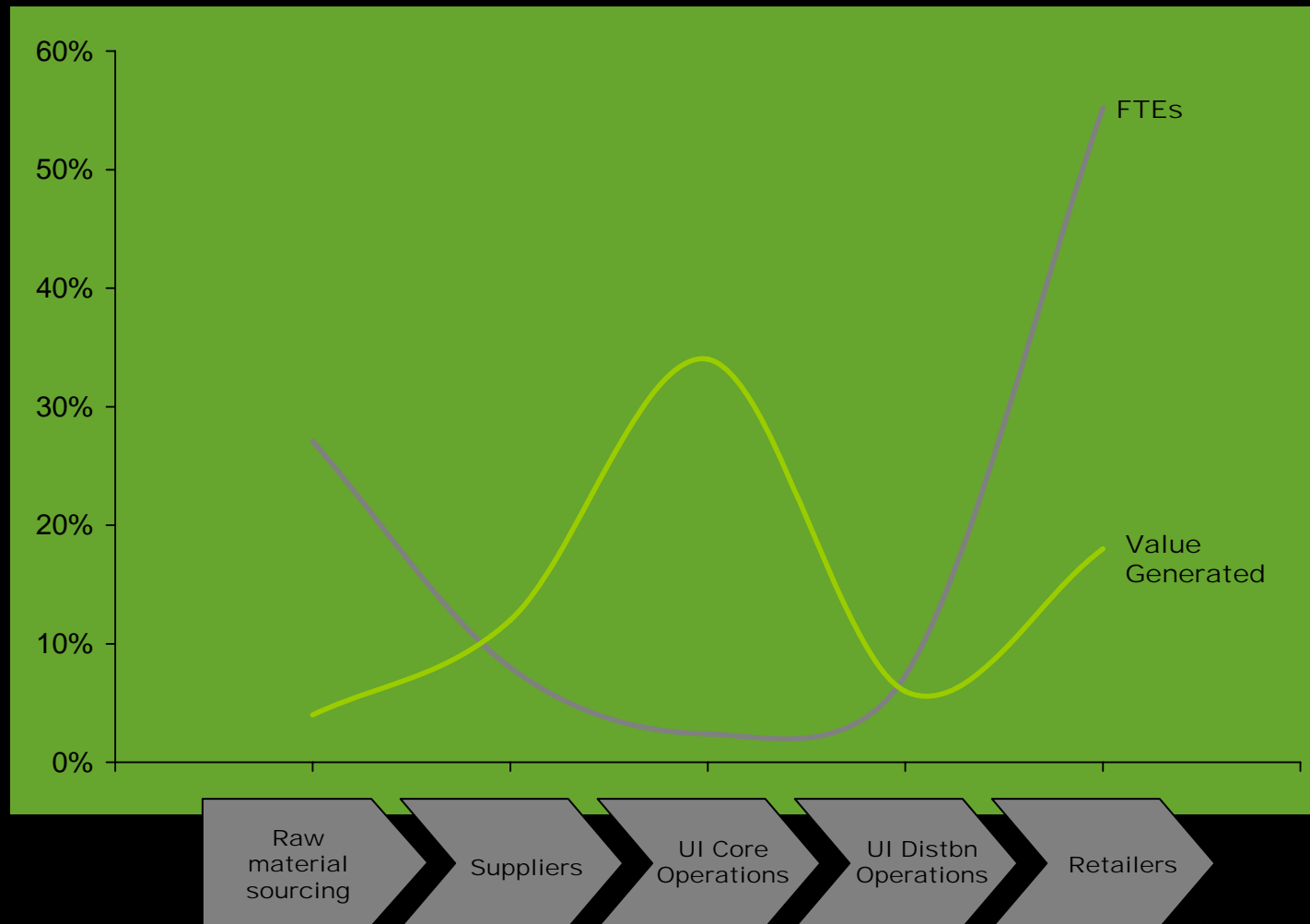
1. A strategy that ensures medicines **prices** are equivalent to that which generic competition can provide by adopting -
  - A pricing scheme that allows price to be brought down to equivalent; &/or
  - A flexible approach towards patenting incl. compulsory licensing.
2. An explicit policy of supporting governments' use of public health safeguards & flexibilities provided under the **IP** regime
3. Invest in **R&D** relevant to disease profile including formulations suitable for poor populations & particular groups (children, breastfeeding mothers)

# Responsible Investment in EMEs

EU/US companies steadily entering EME markets +  
growing EME company portfolio slowly leading to:

1. Increased analysis of ESG in assessing risk & opportunity
2. Increased attention to ESG in balancing equilibrium of risk within portfolio (universal ownership theory)

# Oxfam-Unilever Study: The Value Chain



## What is CSR???

*“CSR encompasses not only what companies do with their profits, but also **how they make them**. It goes beyond philanthropy & compliance & **addresses how companies manage their economic, social & environmental impacts**, as well as their **relationships in all key spheres of influence: the workplace, the marketplace, the supply-chain, the community & the public policy realm.**”*

Kennedy School of Government, Harvard University

## Resources

Oxfam International, Investing For Life: Meeting poor people's needs or access to medicines through responsible business practices (2007)

Oxfam GB, Exploring the Links between international business and Poverty reduction: A case-study of Unilever in Indonesia (2005)

Oxfam GB, This Business of the MDGs (2008)