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private sector solutions

Casper Sonnesson of the UNDP believes the private sector has an increasing role to play in reducing poverty

More than 1 billion people worldwide do not have access to drinking water, 1.6 billion have no electricity and 5.4 billion do not have access to the internet, according to the United Nations Development Program (UNDP). With its Growing Inclusive Markets initiative, the UNDP is trying to reduce those numbers and improve the lot of the world's poor not by throwing money at their problems, but by making it profitable for private companies to pitch in.

Following 50 case studies in third world countries including Egypt, Kenya, Mexico, the Phillipines, and Morocco, a recent UNDP report "Creating Value for All: Strategies for Doing Business with the Poor" highlights how private-public partnerships can take advantage of local labor and resources to provide clean water, electricity, infrastructure and other much-needed services while increasing their profitability and expanding business at the same time.

Among the case studies were two projects in Egypt: Sekem, an initiative founded in 1977, tackles the challenges of sustainable human development in agricultural regions here, providing famers and local workers the opportunity to advance. Eight companies have joined Sekem in restoring the environment through biodynamic agriculture and provide education and healthcare for both children and adults in rural areas, according to the UNDP.

The second organization, Environmental Quality International (EQI), has been privately investing in the oasis of Siwa since 1997, to develop production of organic produce using local materials and agricultural products. EQI is also improving the living conditions of the farmers and, according to a UNDP press release, employing 75 Siwans and providing 320 others with income opportunities.

Through its Growing Sustainable Business Project, an offshoot of the inclusive markets concept that is being implemented in 19 countries, the UNDP plans to funnel \$700,000 (LE 3.86 million) with the help of private sector partners into a project in Egypt. The details are still being worked out, says Nahla Zeitoun, senior research and policy associate in UNDP's Egypt office, in an email.

"[The GIM concept] recognizes that conventional policies for market restructuring cannot be taken for granted to reduce poverty, rather it considers explicit methods which encourage and promote participation by the poor," said Zeitoun.

Casper Sonnesson, acting director of the Private Sector Division of UNDP, who was recently in Cairo to promote the initiative, believes the Growing Inclusive Markets concept has great potential in Egypt, a country where about 40% of the population lives on less than \$2 (LE 11) per day and there is a greatly underutilized labor force. In a bt exclusive, Sonnesson spoke about the UNDP's plans. Edited excerpts:

How was the Growing Inclusive Markets Initiative concieved?

We come from a development perspective of course, so we always have that as a drive to try and find better and more effective ways to achieve poverty reduction and development. [...] There was a general assembly of the UN appointing a commision on private sector and development in 2004, which was made up of high level people who studied this issue and they came out with a report called unleashing entrepreneurship, which gave a broader view of how the private sector is contributing to development. They very much emphasized the role of local entrepreneurship and the importance of the development of the local private sector, to grow and play a role in job creation and liberal

services and so on. That was a high level political report, which was demanded or asked for by UN member states to look at this issue, but it didn't go much into detail, so the idea was with this report to be a follow up to the "Unleashing Entrepreneurship" report and to look more specifically in depth and at specific cases of how businesses contribute to development and poverty reduction as part of their business activities.

What is the timeframe for creating inclusive markets, specifically here in Egypt, and in the region in general?

Of course, we're trying to catalyze and speed this up as much as possible, but you also have to recognize that it is a longer-term process that is needed to develop markets that function well and that can be scaled up.

It's not something you can easily do overnight, you have to start somewhere and I think we are playing a role here as UNDP in Egypt, [by] taking messages from this report and turning them into concrete initiatives and actions. We are trying to facilitate and broker these linkages [...] by bringing together investors and encouraging investors to come in, which will result in us taking it forward. We have to use these initial examples in Egypt and in the region to demonstrate to others that this is in fact possible, [to promote] opportunities to work with governments, to enable environment and support services at a local level and then to expand it from there. [...] In terms of our own initiatives, we are launching some of them in Egypt to at least demonstrate in the next three years the viability of someone's business models and be able to point to some concrete successes that can be picked up by others.

How receptive do you think the private and public sectors in Egypt will be, or have been thus far to doing business with the poor?

I hope that they will be very receptive. I think we see some good commitment from the government already and I understand that the government here in Egypt and the Ministry of Investment are proactive in terms of looking at the broader role of the private sector in development and with the corporate social responsibility movement. They're working closely with UNDP and hosting UN Global Compact Network, which is the UN's initiative to encourage business to become involved and contribute towards UN goals. So I think there are already some good starting points.

Also, from the private sector's side, there has been a strong positive response for this broader agenda from multinational companies as well as from local companies. I think that's a good platform to start from because already, companies and the government recognize how businesses can contribute to development, even if it may have only been philanthropy and social investment.

Now the next step would be to encourage some of the more progressive companies to see how they can make it part of their core business model. The fact that we have some interesting Egyptian cases in this report is important. To see cases from your own country is more convincing than seeing a case from, let's say, Kenya.

It seems like there are a wide variety of projects that could fit under the Growing Inclusive Markets (GIM), how will you choose specific projects? Will UNDP be starting the initiatives, or will they rely on the public sector to come up with the projects?

I think we have to agree [with governments and the private sector] in general terms on which type of projects and which type of investments we want to support and focus on in the initial stages — [...] they have to be of a significant scale to be important and strategic enough. It's important to focus on a sector of the economy that has some potential to expand and to reach markets. [The selection process] will also have to be opportunistic.

Do all the companies have to go through the five strategic steps outlined in the report — adapting products and services, investing in infrastructure and training, leveraging the strengths of the poor, working with similarly-minded businesses, non-profit organizations or public service providers, and engaging in policy dialogue with governments — to be successful?

Companies don't have to use all the strategies, and in some cases it may only be a question of investing some more resources in training your workers and training the local producers to produce according to a certain quality. [...] You

may invest your own resources in that, or you can partner with an NGO and that may solve the main constraint you have in your business model. In other cases, you may have to look at several different constraints; [...] there may be some challenge with the enabling policy environment that makes it difficult [to do business]. There may not be enough infrastructure, and that may force you to come up with a combination of ways to address these constraints. It's a kind of an à la carte menu, by which you can pick and choose what best fits your company.

Of the five strategies, which, in your opinion, presents the biggest obstacle to local companies?

I dont know if I can say one is more important than the others, but [...] when you move out to remote areas in poorer countries, some of the basics are not in place. When you talk about the infrastructure and roads and electricity, some of these issues are essential if you're going to be able to operate a business and get access to markets, so these are big challenges.

Will having a large indigent population be an asset or a challenge to growing an inclusive market in Egypt?

The way we are trying to articulate it here, we're trying to see it as an asset. The indigent culture and the needs and the demands that these indigent populations have, but also the skills and the ways they're looking at the world; cultural assets can really help companies. They can help companies get comparative advantage to be innovative and understand how to do things differently. [...] It is the tradition and culture that makes it attractive for people to come and see what they can do with it. bt