

The UNDP's Strategy to Include the Poor in Business

The UNDP has developed a sensible strategy to enable companies do business profitably with the poor even as they improve their living standards reports Toma IMIRHE.

The United Nations Development Programme (UNDP), has launched an intriguing new report its growing inclusive markets (GIM) Initiative called *Creating Value for All: Strategies for Doing Business with the Poor*.

The initiative itself was concurred in 2006 after the success of *Unleashing Entrepreneurship: Making Business Work for the Poor*—a 2004 report of the United Nations Commission on the Private Sector and Development prepared at the request of the UN Secretary General, Kofi Annan.

The initiatives braid aims are to raise awareness by demonstrating how doing business with the poor can be good for poor people and good for business; clarify the ways that businesses, governments and civil society organizations can create value for all; and inspire the private sector to action.

Explains Daouda Toure, UN Resident Coordinator and UNDP Resident

Representative in Ghana: "The central focus of the GIM report is the pursuit of opportunity while avoiding extreme deprivation. The report argues very powerfully that the private sector has a critical role to play in alleviating poverty and showcases how businesses are developing in difficult market conditions and how in the process they create mutual value for business and help the majority to graduate from poverty."

The new report itself draws from 50 actual case studies around Africa including two from Ghana: Barclays Bank Ghana's susu lending scheme for micro enterprises and Integrated Tamale Food Company's outgrowers scheme for farmers to produce organic mangoes.

The report identifies five constraints facing companies that want to do business with poor people. One is lack of market information about the market offered by the poor both for

production and consumption which makes doing business with them risky. Second is ineffective regulatory environments, which are subject to too much real tape which in turn imposes inordinately high opportunity costs and thus encourages informal, rather than formal business.

Third is lack of physical infrastructure, especially in the rural hinterlands where most poor people live. Fourth is lack of knowledge and skills among poor people which limits their productivity and demand for certain goods and services such as banking services for instance. Lastly, their access to financial services and products is restricted, both as consumers and as producers.

Nevertheless there are lots of opportunities for businesses ready to confront these challenges. There are sustainable profits to be made and new markets to be developed. Doing business with the poor engenders innovation in production packaging and marketing, which holds the key to business competitiveness and growth. It also enlarges the labour pool, offering the opportunity to get cheaper labour and leverage local labour. The value chain is strengthened too as small businesses do business with big ones in the production, marketing and sales processes.

The report lists five strategies used by the

businesses in its study to operate successfully in poor markets. One is to adopt products and processes. This requires, for instance, using ICT to reach poor markets, such as mobile banking where the setting up a bank branch is unprofitable, or the restructuring of business processes to make product or service access requirements simpler.

Next is the use of investment to remove market constraints. Businesses need to invest in infrastructure, create tangible benefits for poor markets and improve the performance of suppliers such as what ITFL has done by investing in an outgrowers network to remove supply shortages of organic mangoes.

Another strategy is to leverage the strengths of the poor by engaging them as intermediaries, or using them for microfinancing. Central to this is building on their social networks.

Next is to combine resources and capabilities with others, through mutually beneficial partnerships and collaborations with the poor to remove constraints in the market environment. Lastly, there is the need to engage in policy dialogue with the poor, especially where a company is pioneering new markets and much of the environment

for doing business has yet to be built. "Inclusive business models are consistent with Ghana's development agenda," says Robert Darko Osei, of the Institute of Statistics and Economic Research of the University of Ghana. "The business models in the report, like Ghana's development agenda, aim at poverty reduction and we creation."

To be sure, there are several examples of inclusive business models being developed and used for the benefit of the poor in Ghana. Ishmael Yamson, Unilever Chairman for example points out that company has used erstwhile poor people distributors, giving them credit finance and has introduced small unit packages of its products, which are affordable to poor and thus significantly increased sales. Another example is the retailing of mobile telephony airtime, popularly known as Space to Space.

Says Toure: "Growing Inclusive Markets a concept whose time has come and it has a major impact on the development debate in Ghana over the next few months. The National Long Term Development Plan is being discussed and finalized."