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Set by world leaders in 2000 to provide time-bound, measurable targets to fight extreme poverty, hunger, and gender inequality, while improving the health, environment and education for all, the Millennium Development Goals (MDGs) provided a common vision for a better 21st Century.

Today, with just seven years to go to the MDGs 2015 deadline, and despite impressive progress on a number of fronts, the challenges we face are significant. An estimated 2.6 billion people earn less than $2 a day. More than a billion people have no access to clean water, and 1.6 billion people lack electricity.

If we are to remain on track to meet the MDGs on time, there needs to be a redoubling of efforts on the part of governments, international organisations, and civil society. And there needs to be an increased role for the private sector, given the importance of its dynamism, investments and innovation.

To this end, UNDP has been working with the private sector to present suggestions and models that show how businesses can find financial gains while furthering human development by including poor women and men in their business strategies.

Whether it is the financial services sector or agribusiness, a robust and engaged private sector can help alleviate poverty and contribute to human development by creating incomes and decent jobs, as well as by meeting the needs of poor consumers with better access to needed goods and services.

On the occasion of the upcoming High-level Event on the MDGs being convened at the UN at the end of this month, UNDP, together with a range of partners from the UN, the private sector and government, including the United Kingdom, will be organising a number of events to encourage companies further to do business in developing countries in ways which are both profitable and at the same time pro-development.

Just past the halfway point to the MDGs target date, it is essential that the force of the private sector’s vitality is brought to bear even more as part of global efforts to reach these Goals. Challenging and helping companies to find new business opportunities and develop business models that can also contribute to the achievement of the MDGs is an excellent way of helping to make that happen.

Bruce Jenks is Assistant Secretary General and Director, Partnership Bureau, at the United Nations Development Programme.

Success is not an aim, it is a moral duty

Many reasons are put forward as to why the Millennium Development Goals should be supported. Since 9/11, arguments about security have come to the fore. Whatever the merits of that, the foundation of the MDGs is above all about justice and mercy. And whatever our professions, as politicians, diplomats, businessmen or indeed journalists, there is something humbling in looking at the stories of people whose material circumstances, experience and expectations are so much less than anyone likely to be reading this special report.

Before we are called to consider the MDGs from a professional standpoint, we are called to consider them as individuals and align ourselves, however temporarily, with the vast majority of our fellow human beings. Surely we can acknowledge this: that when our history is written, this will be a matter upon which judgments about our generations will be made. Did we rise to the Call to Action, or did we walk on by?

The MDGs encapsulate the desire to see justice done and mercy shown. Business, as this edition demonstrates, can help deliver them. There are numerous examples of good practice in these pages and plenty of reasons to be confident that business will contribute significantly to this. But the political classes cannot abdicate their role without the MDGs failing. Aid pledges must be met, debt relief fulfilled, and trade opened up. At a time of economic crisis such as this it is easy to focus on keeping the home fires burning, to harden our hearts against the themes of better days. This would be a mistake, but worse, it would be a crime.

The war on terror has filled the imagination, seized the headlines, appropriated funds, and defined the recent age. Reaffirming the MDGs offers an opportunity to restore a moral balance, and to stake a claim on history that will be celebrated across the world.

Roderick Crawford is editor of Parliamentary Brief.
PAUL SKINNER, chairman of Rio Tinto, argues that business has a vital role to play in partnership with governments to deliver the sustainable economic growth upon which the delivery of the Millennium Development Goals depends.

Sub-Saharan Africa is the only region that, at current rates, will not meet any of the Millennium Development Goals (MDGs) by 2015. Of those employed in the region, 55 per cent do not earn enough to lift themselves and their families above the $1 a day poverty line.

Few would argue that providing a decent chance in life, basic education and healthcare should not be an important international priority. But what is the relevance of business to the MDGs? Surveys of businesses suggest that they see the UN or donor governments as most responsible for delivering the MDGs, with almost a quarter knowing nothing at all about them. Yet, in reality, it is national governments and businesses in Africa that have both the prime responsibility and the capability of delivering on the MDGs.

Whilst philanthropy is important, the most significant way business can contribute to the MDGs is through generating jobs, paying taxes, opening up supply chains and creating stronger linkages with local economies. It is this that will cause the type of growth than can deliver a significant social impact. Getting the fundamentals right to create sustainable economic growth is the most critical factor in delivering the MDGs and enterprise is the foundation for this.

Consequently, we must do all in our power to liberate the energies of Africa’s entrepreneurs — men and women, farmers, traders, small and medium enterprises (SMEs) and larger companies. Without this, governments will never be able to pay for public services and aid will be a revolving door that keeps spinning — the jobs and income needed to support the young and growing population will never be created and the MDGs will remain targets.

Business can play a catalytic role in partnership with governments in improving the conditions for doing business and tackling development needs. To realise this will require that business is built more systematically into economic planning and prioritising, and change a paradigm where business perspectives

Teamwork wins the day in Africa

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Promoting economic development in Ba-Phalaborwa

DESPITE a long-standing community programme, Palabora, South Africa’s largest producer of copper, historically sourced few supplies locally. Therefore, in collaboration with two other major mining operators in the Ba-Phalaborwa region, a programme was established to maximise the supply of goods and services sourced from local companies.

The programme created a common set of procurement standards and set up business linkage centres to assist companies in identifying and developing their ability to provide services and goods in a sustainable, independent and competitive way to the three local mining companies. The mining companies also maximised their local spend with local companies. The centres also identified potential business opportunities and helped local businesses to exploit them.

The programme achieved its aim of transforming the interaction of the mining operations with the local economy. From a very low base, around 40 per cent of supplies of goods and services now come from local companies. Over a decade, around 65 sustainable businesses have been established.

In areas where there is less economic development, additional effort is needed to realise the benefits that investment can bring.

www.palabora.com

The Palabora Foundation in South Africa provides the sewing machines and the materials for this class.
Investing in the community in Madagascar

AT Fort-Dauphin in southern Madagascar, Rio Tinto is developing a substantial ilmenite deposit. The region around the mine has low levels of economic activity and poor infrastructure by Malagasy standards.

Infrastructure investment, providing electrical power, potable water and waste disposal designed to allow the mine to operate has been extended to cover the town of Fort-Dauphin. A major deep-water port is being constructed which will allow for export of ilmenite and support wider economic activity.

Rio Tinto has contributed to a partnership with the government to invest in local schools — an investment in both the community and the future economy of the region.

A regional development plan has been put together with the World Bank, the Malagasy government and the local government. The plan ensures that revenue streams from Rio Tinto’s project, which will be the country’s largest foreign capital earner, will be invested in the region to fund economic and social development. The plan covers areas as diverse and challenging as migration, HIV/AIDS, malaria, conservation and domestic fuel supply, and designates the region as a national growth pole, with the mine and port integrated into the economic life of the region.

Madagascar contains five per cent of the world’s biodiversity. Rio Tinto’s project in Madagascar is planned with conservation in mind. Twelve per cent of the ilmenite deposit will be left untouched, two conservation areas have been created, and 100 hectares of forest are being planted to provide a sustainable source for fuel for the local population, taking the pressure off the island’s indigenous forests.

www.riotintomadagascar.com

are marginalised, or sought when plans are already fixed. Rio Tinto’s work with the government of Madagascar is an excellent example of such a partnership.

More can be done to quickly learn from and scale up successful public-private partnership models. There is a need for governments and policy makers to match their requests for the private sector to ‘up its game’ with their own concrete action and policies to improve the climate for business, specifically around improved governance, measures to improve the investment climate and support SMEs.

SMEs are a major source of new jobs and large companies can do a great deal to support them through their supply chain management, and develop the skills and knowledge required for their expansion. From Rio Tinto’s own experience, planning investment in a way that acknowledges this can pay big dividends, as our experience of significantly raising the level of local procurement of our own concrete action and policies to improve the climate for business, specifically around improved governance, measures to improve the investment climate and support SMEs.

It is important to recognise what has been achieved, rather than only focus on what still needs to be done. Although sub-Saharan Africa is lagging behind in meeting the MDGs overall, there are clear signs that in many countries long-term problems are beginning to be addressed and overcome — sustained economic growth and the levelling off of the incidence of HIV/AIDS in some countries, for example. This sense of confidence that problems can be managed and overcome injects renewed momentum and energy towards achieving the MDGs by 2015.

Working together, business and governments have the potential to achieve the MDGs in sub-Saharan Africa. At Rio Tinto, we are committed to playing our role and working with others to help them play their full part too.

Rio Tinto’s Paul Skinner also chairs the Commonwealth Business Council.
What must be done if we really mean business

This year of 2008 marks the half-way point in the global effort to achieve the Millennium Development Goals (MDGs).

The United Nations, the World Bank, the World Economic Forum (WEF) and others have all noted that despite a sustained period of global economic growth, which has contributed to some progress on the goals, an enormous surge of effort is now required if the world is to meet its targets. As the global economic outlook starts to look less positive, and in the face of high food and energy prices and the impacts of climate change, that surge is even more necessary.

The ‘development emergency’ declared at Davos in 2008 echoed an earlier finding from WEF’s Global Governance Initiative that the world is making ‘less than half the effort’ required to meet the MDGs. The IMF and World Bank’s 2008 Monitoring Report also concluded that ‘most countries are off-track to meet most of the goals, with those in fragile situations falling behind most seriously’.

Significant progress towards the goals remains possible but a massive injection of political will and government leadership is required to make this happen. It has also become increasingly clear that the MDGs cannot be achieved in the absence of a diversified and productive private sector.

The economic growth and wealth creation that is essential for their achievement will come primarily from private enterprise, whether driven by large multinational corporations, national companies, small and medium firms or social enterprises.

Such enterprise will also be the source of most of the innovations in new technologies, products, processes and financing mechanisms necessary for tackling environmental challenges. It is private enterprise that will build what UNDP describes as ‘inclusive business models’, which explicitly include the poor as consumers, employees, entrepreneurs, suppliers, distributors, retailers or sources of innovation in economically viable ways.

Governments in both developed and developing countries clearly have a crucial role to play in creating the appropriate enabling framework for such enterprises and for ensuring accountable and responsible management of public revenues and services. Yet they cannot meet their commitments to the MDGs without effectively enabling, regulating and partnering with the private sector.

This is not to suggest that companies and markets are a panacea. Far from it. In situations of bad or weak governance, private enterprise can rarely make a sustained positive impact and in some cases can seriously undermine the MDGs.

In a growing number of cases, however, business offers a variety of solutions ranging from the job creation and income generation impacts of successful enterprise, to the targeted adaptation of individual business products, processes and value chains to collective action by groups of companies and multi-stakeholder alliances.

The business role

The specific business contribution will depend not only on factors such as the industry sector and the company’s business model, ownership structure and size, but also on the MDG in question and type of development intervention needed, such as increasing access to jobs, education, health, energy, water, technology and markets or improving accountability and
Regardless of the differences, most companies have the potential to make a contribution to the MDGs through one or more of the following three areas:

1. **Core business operations and value chains** (see Bruce Jenks’ article on page 13 for case studies of companies with profitable business models that act as drivers of MDGs)

2. **Social investment and philanthropy** (on page 5 Paul Skinner explains how Rio Tinto invests in the communities in which they operate)

3. **Public advocacy, policy dialogue and institution strengthening** (David Wheeler and Sabba Sobhani provide a study of how business can engage in advocacy and dialogue on page 9).

Large firms are now acknowledging that combating poverty is not only important for contributing to a stable operating environment and managing risk, but can also represent a major opportunity. They are implementing new business practices, often in partnership with public and civil society bodies, in order to develop these opportunities.

Political leaders and governments are, in turn, publicly supporting company activities that contribute to the MDGs. For example, UNDP’s Growing Inclusive Markets initiative is a strategic effort bringing together business leadership coalitions, donors, universities and foundations to study and promote more inclusive corporate value chains and effective public-private partnerships. UNDP’s Growing Sustainable Business programme is now operating in over 12 countries and many other UN agencies and bilateral donors are developing dedicated private sector units and partnership building programmes.

Another example is the MDG Call to Action, an international effort begun by the UK government and currently supported by 48 Heads of State and over 60 CEOs. Within this broader initiative is the Business Call to Action, aimed at engaging the core competencies and value chains of business to accelerate progress toward growth and the MDGs.

The Clinton Global Initiative is another non-governmental organisation launched within the past five years which engages business, philanthropic and community leaders to work on practical projects in such areas as education, energy and climate change, global health and poverty alleviation. In addition, the World Business Council for Sustainable Development (WBCSD)-SNV Alliance is helping to create inclusive business opportunities by linking local communities with big business.

At a local level, social entrepreneurs and small and medium enterprises (SMEs) continue to make a major contribution to the MDGs. Most of the world’s private sector activity takes place at this level, rather than within and between large firms.

Contact between large firms and the SME sector takes place through company supply chains. As such, enterprise development and business linkage initiatives and other projects to transfer skills, technology and finance to small companies and social enterprises is one of the most important contributions that large national companies and multinational corporations can make to the MDGs.

The business response

Articles in this special report exemplify the growing evidence that many companies are making a serious effort to align their core business functions with the needs of the societies in which they are operating. Even though business solutions often require complex collaboration with non-traditional partners as well as a significant re-think of conventional business models, there are a growing number of companies that have profitably navigated these challenges, and the development benefits appear to have been significant. However, despite these signs of progress, such projects must be urgently replicated and scaled up if the MDGs are to be met.

More work is needed on evaluating what works and what doesn’t — both in terms of new business models and partnerships, as well as public policy innovations.

There is a need to build greater awareness and capacity within business and government on the issues at stake, the business case for engagement and the tools for engagement. Above all, there is a need to engage thousands more companies, ranging from established multinationals to the emerging corporate leaders of Asia, Latin America, the Middle East and Africa.

While the private sector is playing an increasingly important role, much more could be achieved with greater vision and leadership on the part of business leaders themselves and with better policy frameworks and incentives from government.

The Global Business Coalition on HIV/AIDS, TB and Malaria notes, for example, that companies are currently doing ‘a fraction’ of what they could be doing in order to address these diseases. Market incentives and competition between companies may provide further impetus. Governments, multilateral groups and large NGOs in turn can all show leadership by recognising and encouraging the business contribution, as well as collaborating on solutions.

Progress charts from the UN Millennium Development Goals 2007 report prompt a set of questions: what proportional contributions have private sector efforts made to the MDGs, versus public and civil society efforts? Which initiatives have been most successful, and what were the success factors? What can be learned from unsuccessful initiatives?

At the moment it is hard to answer these questions. This in turn raises a further point: meeting the MDGs is, to a large degree, a hugely complex information management challenge. The best information management skills in the world lie in the biggest and most successful companies. Harnessing such skills in the context of the MDGs may be a crucial success factor in achieving the goals.

**Dave Prescott** is a freelance writer specialising in social issues at the interface between large firms and international development. **Jane Nelson** is a senior fellow at Harvard’s Kennedy School and director of business leadership and strategy at the IBLF. This article is adapted from the authors’ work Business and the MDGs: A framework for action. 2nd Edition. IBLF and UNDP 2008.
Mali is one of the poorest countries in the world. Roughly 64 per cent of its 12 million inhabitants live below the poverty line, and only ten per cent have access to electricity. In some regions of the country that figure drops to a mere two or three per cent. For those with access to electricity, the price is higher than in neighbouring countries due to infrastructure and natural resource issues.

Seeing an opportunity for wealth creation and social impact the energy giant Électricité de France (EDF) and its partners the French Agency for the Environment and Energy Efficiency, the Dutch energy company NUON and the French TOTAL together set up independent Rural Energy Sectors Companies (RESCOs).

However, when the RESCOs were first created Mali didn’t have a regulatory framework for public electricity provision, let alone private. But through the lobbying of EDF and its partners, with help from the World Bank, the Malian government adopted regulations that have opened electricity provision to private companies.

As a result, competition has been introduced. In 2006 alone Mali’s energy agency signed more than 50 contracts with small energy operators, a few of which are already in operation. Already 24 villages and 40,000 people — increasing figures — have access to electricity through the Malian-run RESCOs. Their low-cost electricity, based on solar home systems or small low-voltage village micro-networks supplied by diesel generators, have led to new income-generating activities.

These in turn have improved the quality of health care and education, increased access to clean water and reduced CO₂ emissions by between 80 and 90 per cent when compared with traditional energy sources such as coal. And despite the low tariffs for customers, the RESCOs expect to turn a profit this year.

The RESCOs would not have been possible or successful without engaging the governments of both Mali and France. So effective was that dialogue that EDF won an award from the European Commission for Best Renewable Energy Partnership with Developing Countries.

As part of the global effort to meet the Millennium Development Goals, private and public sectors need business models that include the poor on the demand side as clients and customers and on the supply side as employees, producers and business owners. Such models lay the foundation for sustainable and far-reaching development.

While many businesses have creatively worked around constraints to doing business with the poor, private enterprises cannot overcome all the obstacles by themselves. Governments, civil society, donors and the poor themselves must participate and a policy discussion between private enterprises and government is one of the most powerful tools.

Governments have great control over markets no matter how free they may be. Executive authorities decide regulations and legislation, how tax revenues are collected and spent, and how open or closed their domestic market will be to the international community as well as to the private sector.

David Wheeler & Sahba Sobhani

The light dawns
‘Sometimes individual public-policy engagement by entrepreneurs and companies can have far-reaching implications, changing market structures and in some cases opening entirely new markets’

They can gather and provide market information through household surveys or setting research priorities.

It is therefore in the interest of private enterprises to share priorities and information with the government of their own country as well as that of the country in which they want to operate, if they are a multinational. They can inform the government’s research priorities by highlighting new market opportunities; they can also lobby for improvements in education and other basic services, for legal empowerment of the poor, and for safeguarding human rights and environmental quality.

Policy makers, on the other hand, depend on accurate and up-to-date information to inform their decisions. But they are not always aware of the market dynamics and constraints to doing business with the poor, especially when new market actors or new products are introduced.

Private enterprises can provide this information to governments transparently and with accountability. They can calculate and share the positive effects of infrastructural or legislative changes on their customers, employees, suppliers and business partners.

Once a dialogue is open and active, the public and private sectors can go on to create collaborations and facilitate cross-sectoral partnerships. As Harvard economist Dani Rodrik wrote in his working paper, *Industrial Policy for the Twenty-First Century*, this communication is ‘an interactive process of strategic co-operation between the private and public sectors which, on the one hand, serves to elicit information on business opportunities and constraints and, on the other hand, generates policy initiatives in response.’

There are many different ways businesses and government can begin this ‘interactive process of strategic co-operation’. These discussions can happen unilaterally or collectively as part of a business association, policy initiative or stakeholder dialogue. At the same time some companies have affected policy simply by being innovative and successful — the demonstration effect.

For the individual company, engaging government alone can be the best available option to address a limited and specific concern such as encouraging the provision of public goods or services that are needed to operate in a particular locale. Sometimes individual public policy engagement by entrepreneurs and companies can have far-reaching implications, changing market structures and in some cases opening entirely new markets.

For other firms, collaboration is the preferred and often most successful option. These companies work in co-operation with companies that do similar business or with other stakeholder groups to pool their resources, skills and knowledge on specific and systemic constraints that affect the success of inclusive business models.

‘Policy change is most likely to occur when there is a critical mass of institutions and interests with the same concerns that are willing to act together,’ wrote UN Department of Economic and Social Affairs and the UN Capital Development Fund in *Building Inclusive Financial Sectors for Development*.

An example of a successful collaborative dialogue is the World Business Council for Sustainable Development and SNV Netherlands Development Alliance (WBCSD-SNV Alliance), which advocated Ecuador’s new government of Rafael Correa to put economic inclusion on the social development agenda. Correa took office in January 2007, and the Alliance soon assembled a powerful advocacy network of government agencies, businesses, NGOs and development agencies.

By August 2007, the president announced that in an effort to overcome Ecuador’s high level of poverty he would make economic inclusion a part of his social development agenda. Overall the government set aside credit lines totalling $87m for the next four years, with the aim to create some 250,000 direct and indirect jobs.

As the Alliance states on their website, ‘In order to achieve long-lasting result, the buy-in of the public and private sector, as well as civil society, is indispensable.’

Individual or collaborative engagement is effective, but demonstration effects can also influence policy, particularly when regulatory frameworks or public goods and services are absent or inadequate.

Irrespective of whether obstacles have taken the form of inadequate infrastructure, missing knowledge and skills, or restricted access to financial products and services, thriving enterprises that have used creativity and innovation to overcome them have proved the benefits of removing such constraints. Granted, the government must first hear about a business’s experience in order to learn from it. Either direct or mediated by a third party such as a development agency, communication about a winning inclusive enterprise is vital.

In the Philippines, Smart Communications, whose network covers over 99 per cent of the population, offers low-cost, prepaid mobile phone airtime cards and cash financial transactions through the option to send remittances using short messaging service (SMS) technology. Smart was an innovator, and the success of such products as Padala, the world’s first international cash remittance service linked to mobile phones, gave the company a foundation upon which to pursue more innovations and open discussions with the Filipino government.

Now Smart, other mobile phone operators and banks are in a policy dialogue with the Filipino government to address inadequate legislation on mobile banking, as well as many of the more delicate issues, such as payment systems, customer due diligence, consumer protection, deposit taking, electronic commerce, anti-money laundering and combating the financing of terrorism.

So far, local policy makers have expanded regulation and enforcement to combat money laundering and the financing of terrorism, enabled customer due diligence to be conducted by retail agents and allowed banks to regard prepaid card accounts as accounts payable and not deposits.

In turn, these measures have created a more effective, lower-cost regulatory regime, increasing the ability of operators such as Smart to expand access to the poor.

But businesses and governments cannot create more inclusive markets and combat poverty alone — civil society, donors and non-government organisations should play a role to ensure that these dialogues are beneficial to all.

More than 50 countries were poorer in 2000 than they were in 1990. A private sector actively engaged with governments in creating new opportunities for the poor is necessary if we hope to reverse that trend and meet the MDGs by 2015.

David Wheeler is Dean of the Faculty of Management at Dalhousie University and the co-chair of the Case Studies Working Group for Creating Value for All: Strategies for Doing Business with the Poor. Sahba Sobhani is the lead author of Creating Value for All and the Programme Manager at UNDP’s Growing Inclusive Markets initiative.
In an informal suburb of Guadalajara, Mexico, a growing family is struggling to expand its small house. Help arrives from a major industrial company called Construmex in the form of construction designs, credit and as-needed delivery of materials, enabling rapid completion of the project at less overall cost.

In rural Madhya Pradesh an Indian farmer gains access to soil-testing services, to market price trends that help him decide what to grow and when to sell, and to higher prices for his crop than he can obtain in the local auction market. The new system is the innovation of a large grain-buying corporation, which also benefits from cost saving and more direct market access.

Four billion people such as these form the base of the economic pyramid (BOP)—those with incomes below $3,000 in local purchasing power. The BOP makes up 72 per cent of the 5.75 billion people recorded by available national household surveys worldwide, and an overwhelming majority of the population in the developing countries of Africa, Asia, Eastern Europe, Latin America and the Caribbean—home to nearly all the BOP.

This large segment of humanity faces significant unmet needs and lives in relative poverty: in current US dollars, their incomes are less than $3.35 a day in Brazil, $2.11 in China, $1.89 in Ghana, and $1.56 in India. Yet together they have substantial purchasing power: the BOP constitutes a $5 trillion global consumer market.

The wealthier mid-market population segment, the 1.4 billion people with per capita incomes between $3,000 and $20,000, represents a $12.5 trillion market globally. This market is largely urban, already relatively well served, and extremely competitive.

BOP markets are by contrast often rural, especially in rapidly growing Asia. They are often very poorly served, dominated by the informal economy and as a result are relatively inefficient and uncompetitive.

Discussion of global business opportunity in the 21st century tends most often to be framed in terms of geographically defined ‘emerging markets.’ In contrast, the BOP markets that we describe in this paper are defined in terms of income.
The more we know about the bottom of the pyramid the more we can do to turn it from ‘them’ into ‘us’

In a world where high-margin profit opportunities in mature markets are increasingly costly to identify and to pursue, ascending BOP markets have particular characteristics that may make them more attractive now to business than ever before. Their size alone provides significant incentive for attention. More significantly, they are rich in opportunity to arbitrage what we call the ‘BOP Penalty’ — higher prices, lower quality, and poor access.

These are the very signals of competitive opportunity that businesses seek every day for the markets they already serve. Of course, risk — or the perception of risk — is a major inhibition to many companies. In this regard, the lack of accurate and current data is a further deterrent.

The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid, which we co-authored in 2007, draws on data from national household surveys in 110 countries and an additional standardised set of surveys from 36 countries. Using these data on incomes, expenditures, and access to services, it characterises BOP markets regionally and nationally, in urban and rural areas, and by sector and income level.

The report suggests significant opportunities for more inclusive, market-based approaches that can better meet the needs of those in the BOP, increase their productivity and incomes, and empower their entry into the formal economy.

Household surveys, while limited from a market research standpoint, provide direct information on the BOP as consumers that is not available from other sources of economic data. The result is the first systematic empirical characterisation of BOP markets. The Next 4 Billion shows emphatically the rich differences among those in the BOP and that the entire market must be analysed and addressed for private sector strategies to be effective. Of course, there are segments of the BOP for whom market-based solutions are not available or not sufficient.

Without hard data, it is easy to think about the BOP as a single, undifferentiated mass — ‘them’, certainly not ‘us’. We know a good bit about us, the rich citizens of advanced industrial countries. But neither businesses nor governments have gone to much trouble to understand the BOP as consumers, as producers, or as rational economic actors.

It is not surprising that the data reveal great differences among and within BOP populations. We see economic choices in expenditures and variations in expenditure patterns across income segments, across sectors and between countries. The numbers reveal the choices of the BOP, many of necessity. Logically, food dominates BOP household budgets.

Food and other sector expenditures are not static, however. As incomes rise the share spent on food declines while the share for housing remains relatively constant — and the share for transportation and telecommunications grows rapidly. These changes in spending preference have real implications for business and for government policy if they are to encourage competitive and equitable business engagement with low-income communities.

Four billion is a big number and it will take the efforts of millions of entrepreneurs, hundreds of thousands of enterprises, large and small, and the collective efforts of bilateral and multilateral aid agencies and non-governmental organisations to make headway in alleviating poverty.

The tools employed in the initial effort described here are not purpose-built, and both market research firms and private sector companies can and should carry out new market research. National household surveys can and should be amended to improve data collection that will better inform our understanding of the ‘BOP penalty’.

All this knowledge will in turn catalyse further private sector activity which benefits the majority of the world’s population: the base of its economic pyramid.

Allen Hammond, William Kramer, Robert Katz, Julia Tran and Courtland Walker are co-authors of The Next Four Billion: Market Size and Business Strategy at the Base of the Pyramid, a book published by the World Resources Institute (WRI) and the International Finance Corporation (IFC). More information on ‘The Next Four Billion’ can be found at www.nextbillion.net

FOOTNOTES 1. In the report current US dollars means 2005 dollars. Unless otherwise noted, however, market information is given in 2005 international dollars adjusted for purchasing power parity; for convenience, BOP and mid-market income cutoffs are given in international dollars for 2002 (the base year to which household surveys used in this analysis have been normalized). 2. The high-income population segment is approximately 0.3 billion worldwide. But neither its size nor its very large aggregate income can be reliably measured by household surveys, because the sample of such households in national surveys, especially in developing countries, is too small.
Big business has discovered that in helping the poor of this world both they and their customers can end up better off

With more than two billion people living on less than $2 a day, 1.6 billion lacking access to electricity and another one billion without access to safe drinking water, it is imperative to find a way to meet these needs in a rapid, effective and sustainable manner. In the race to achieve the Millennium Development Goals (MDGs) by 2015, one of the greatest untapped resources at our disposal is the enormous potential of the private sector.

The working poor, while lacking many basic goods, do not lack ideas, energy or the desire to take care of their basic needs themselves. Businesses that engage with the poor not only on the supply side as producers, employers and business owners but also on the demand side as clients and customers can reap vast benefits beyond mere income generation. The first and groundbreaking report from the United Nation’s Development Programme’s Growing Inclusive Markets Initiative (GIM), Creating Value for All: Strategies for Doing Business with the Poor, presents examples of organisations that have successfully and simultaneously pursued both revenue and social impact.

In 2006, then UN Secretary-General Kofi Annan requested a commission headed by Paul Martin, the former prime minister of Canada, and Ernesto Zedillo, Mexico’s former president, to produce the report, Unleashing Entrepreneurship. That report was a strong argument in favour of more private sector involvement in alleviating poverty. However, it was only the beginning of the GIM Initiative, which has continued since then to work towards its aims: raising awareness, through demonstration, of the mutual benefits of doing business with the poor; inspiring the private sector to action; and clearly presenting ways in which businesses, governments and civil society organizations can help facilitate more inclusive markets.

The GIM team achieves these aims by focusing on developing world businesses and by promoting business models that create value through incorporating the poor. These models are not so focussed on philanthropy that they become commercially unsustainable, valuable though such purely philanthropic ventures are to development. In addition, the initiative has a multi-stakeholder approach, with an advisory group that comprises an extensive network of development agencies, global business organizations and some of the world’s foremost research institutions.

Creating Value for All draws from 50 specifically commissioned case studies from researchers and academics in predominantly developing countries from across the globe, including studies based in Peru, Kenya and the Philippines to name just three.

Entrepreneurs have been able to successfully implement strategies from the report to overcome constraints that have hampered the ability of both local and international small and medium-sized companies to do business in a developing region. The report also explores strategies for multi-national companies. This bottom-up process, anchored in local knowledge, is producing a growing network of development practitioners, policy-makers, business people and civil society actors.

Drawing from these studies, we have identified the five main constraints to creating inclusive markets, both for the businesses

Bruce Jenks & Jean-Michel Severino

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Delivering the MDGs

These case studies of companies from across the world show how business can drive progress toward the MDGs.

**MDG 1: eradicate poverty and hunger**

*Juan Valdez Café Company, Colombia; CocoTech, Philippines*

Juan Valdez Café offers higher, more stable incomes to over 500,000 small-scale coffee growers. But even smaller-scale projects can have great repercussions. In the Philippines, where coconut farmers are among the poorest people, CocoTech involves more than 6,000 families in cocofibre net production.

**MDG 2: Universal primary education**

*Tsinghua Tongfang (THTF), China*

THTF markets computers to China’s rural population that include pre-installed distance education software, both for primary and middle school education and for minority language education. The minority language programme’s online video classes, recorded in quality middle schools with minority students, allow THTF’s rural customers to learn in their own language.

**MDG 3: Gender equality and the empowerment of women**

*Forus Bank, Russia*

Financial institutions can increase access to finance — an important need for the many women micro-entrepreneurs in developing countries. In Russia, over 80 per cent of Forus Bank’s clients are women, most of them in retail businesses; in 2006 the bank helped create 4,250 direct and 19,950 indirect jobs.

**MDG 4: Reduce child mortality**

*Pésinet, Mali and Senegal*

In Mali, where in 2000 more than 22 per cent of infants died before their first birthday, Pésinet is making a difference in the communities where it operates by providing an early warning method for monitoring the health conditions of children under age five from low-income families. In Saint Louis, Senegal, where Pésinet started, the infant mortality rate fell by more than 90 per cent between 2002 and 2005 from 120 per 1,000 live births to eight per 1,000.

**MDG 5: Improve maternal health**

*VidaGas, Mozambique*

The liquefied petroleum gas provided by VidaGas to clinics in Cabo Delgado improves the sterility of medical instruments used to deliver babies. Where most public clinics were once short of essential drugs, and most maternal deaths resulted from infection and hemorrhage caused by complications in pregnancy, today’s reliable fuel supply, cold chain for medicines and better distribution of medicines all improve maternal health.

**MDG 6: Combat HIV/AIDS, malaria and other diseases**

*A to Z Textile Mills, Tanzania*

A to Z provide affordable, long-lasting insecticide-treated bed nets that prevent mosquitoes from spreading malaria, reducing deaths by 50 per cent. The success of this enterprise lies in its extensive private-public partnerships. Sumitomo, a Japanese company, transfers technology and chemicals to A to Z through a loan from Acumen Fund. A to Z then buys resin for the nets from ExxonMobil, which donates funds to UNICEF to buy the treated nets for the most vulnerable children.

**MDG 7: Create the basic conditions of decent housing**

*A South African bank supported by the Agence Française de Développement (AFD)* is increasing the number of its social housing projects, targeting a growing number of the poorest households through the payment of an intermediary aid subsidy. It exemplifies the type of business model that includes the poor and offers gain for all.

**MDG 8: Develop a global partnership for development**

*Smart, the Philippines*

Smart is reducing the ‘digital divide’ and helping develop a partnership for development by providing low-cost, prepaid mobile phone airtime cards. It also eases financial transactions by providing the option to send remittances using technology. With a network covering over 99 per cent of the population, Smart’s focus on the low-income market enables it to serve 24.2 million people. In 2003, Smart was the year’s most profitable of the 5,000 largest corporations in the Philippines.

and for the poor themselves. These are: limited market information, ineffective regulatory environments, inadequate physical infrastructure, missing knowledge and skills, and restricted access to financial products and services.

To overcome these constraints takes creativity from and co-operation between many actors. In the report we note five of the most consistent and effective strategies: to adapt products and processes, to invest in training or infrastructure to remove constraints, to leverage the strengths of the poor to increase labour and management pools and to expand local knowledge, to engage in policy dialogues with governments, and to work with similarly-minded businesses, non-profit organizations or public service providers.

By using a more inclusive business model businesses drive innovation, develop new markets, enlarge the labour pool and strengthen supply chains, and at the same time are helping the poor to meet their basic needs, increasing their incomes and empowering them.

Moreover, business with the poor can be profitable, sometimes even more profitable than more traditional businesses. The Narayana Hrudayalaya (NH) hospital group, a cardiac health care provider to the poor in India, uses a business model that attracts full-price paying patients who, along with the NH foundation, subsidize surgeries for the poor. No one is denied health care even if they are unable to pay.

Yet profits are 20 per cent — higher than the leading comparable traditional hospital. Such financial self-sustainability allows enterprises like NH to increase their reach and thus their impact, particularly with regard to achieving MDGs.

A closer look at several of the case studies demonstrates the direct impact inclusive business models have on the MDGs (see Delivering the MDGs, left, to discover how companies from across the globe are using business acumen with a social conscience to create drivers of MDGs in their local communities).

Creating Value for All, by presenting these case studies, is intended to encourage the development of more inclusive business models like these. It also presents practical tools to enable businesses to see this through. One tool is the strategy matrix, which is designed to help identify market constraints and also to look at various strategies to address them. Another effective tool consists of so-called ‘heat maps’, which identify business opportunities by visually presenting geographical overviews of access to water, credit, electricity or telephone service for specific regions; see Tools for the job (page right) for a more detailed example.

Even when these tools are employed and
the private sector is ready to engage with the poor, private businesses alone cannot meet the needs of the poor. Examples such as A to Z Textiles in Tanzania show without doubt that businesses, non-governmental organizations, donors and local governments must all be involved.

Local governments can remove many of the constraints in the domestic market environment. For example, they can reduce the amount of red tape surrounding the upgrading of basic infrastructure such as transportation, electricity, water and data transmission. In addition governments can improve the living conditions of their poorest populations and encourage local business development by ensuring a functional and inclusive financial market, and by providing access to the legal system for the poor. In this way they can unleash the power of business.

But local governments cannot stand alone in fostering inclusive business models. Donor countries can also raise awareness among business and development practitioners about the opportunities and benefits of doing business with the poor.

Moreover, donor countries are in a unique position to facilitate dialogues between businesses and governments or other partners. And they can encourage development from the ground up by providing ‘patient capital’ and other appropriate forms of financing. One such form is the challenge fund for innovative inclusive business models that can be used to donate to international development programmes.

Challenge funds associated with the UK Department for International Development include the Business Linkage Challenge Fund and the Financial Deepening Challenge Fund, which offer grants for preparatory phases and for investments including investments to remove constraints on poor people’s markets.

A great example of the success of such funding is Vodafone’s mobile transactions service in Kenya, a country that has fewer than two million bank accounts serving 32 million people. In partnership with Vodafone, Safaricom Kenya developed M-PESA, an electronic money transfer product to make financial transactions faster, cheaper and more secure through the use of short message service (SMS). Now more than 6,000 people a day are signing up, helping Kenya and the UK meet MDG 8: developing a global partnership for development.

UN Secretary-General Ban Ki-moon recently issued a call to action on the Millennium Development Goals, urging an international effort to accelerate progress and to make 2008 a turning point in the fight against poverty. On September 25, the Secretary-General will reaffirm this call at the UN General Assembly. ‘Doing well’ and ‘doing good’ can be mutually reinforcing ideals. Inclusive business models create more independence and interdependence by recognizing the poor not only as consumers but also as drivers of growth. Such models lead to greater wealth as well as progress in human development. In short, when markets include poor people we all win.

Bruce Jenks is Assistant Secretary General and Director, Partnership Bureau, at the United Nations Development Programme. Jean-Michel Severino is Managing Director of the Agence Française de Développement and a member of the blog www.ideas4development.org. Creating Value for All and more information on GIM can be found at www.growinginclusivemarkets.org

Calling the immobile

In South Africa large portions of the country’s poor population lack access to mobile telephony, despite a quite advanced national mobile phone sector. Heat maps like the one above show that in urban areas, 43 per cent of households living on less than $2 a day have access to a mobile phone but in rural areas only 31 per cent do. Moreover access varies depending on the region.

Cell phone penetration is strongest in the west and weakest in the central part of the country. Free State has the greatest disparities: at least 40 per cent of people earning more than $2 have mobile phone access but fewer than 20 per cent of those earning less than $2 a day do. This visual overview can act as a first look at possible markets.
Development could be much more effective if we started to think outside of the box

Current approaches to effective aid assume that we are in control and that change is predictable. Neither is true, but such assumptions are blocking donors from responding effectively to a largely unpredictable and dynamic policy environment. New ways of thinking about aid are now needed to make it more effective.

International aid agencies have got stuck on a treadmill of a certain way of thinking where the emphasis is on technical mechanisms of resources and architecture. A sole focus on these may render invisible possible and useful approaches that, if recognised, could be nurtured and strengthened.

Addressing power as central to aid relationships allows for serious critical examination of the organisational cultures and practices that shape expectations of what international aid can and should do. Relational power produces perverse consequences in which the orthodox perspective confirms previously-held convictions.

Evidence is sought to check that one is still on track, not to ask whether there are other tracks. Alternative ways of understanding and tackling problems are ignored or dismissed as irrelevant. The choice of indicators is too often assumed to be just a technical matter. Power influences whose ideas count and what is deemed a ‘result’.

Once this is recognised, opportunities can be opened up for dialogue and learning: aid becomes more effective once donors look for and appreciate diverse perspectives. Governments and multilateral organisations can improve the success of their aid relationships through adaptive learning, recognising diverse realities experienced by others and the existence of political relationships in which international aid is embedded.

Aid can be more effective if factors such as trust and relationships that recognise and address issues of power are taken into account — in addition to the technical. For example, according to a UN official cited in a recent paper, many of her agency’s most effective country level interventions are those that have not been reported because these were concerned with investing in relationships rather than achieving the kind of outcomes that get included in logical frameworks.

Perhaps aid is only as effective as it is because of what is today not going reported. How many opportunities are we missing for making aid work better?

Donors need to think about how power is operating in everyday practice. For example, even in an international aid conference, the way in which the conference is designed, how diversity is recognised and responded to and the processes that can generate exclusion in the room unless specifically addressed. Such critical reflection costs nothing and can start tomorrow.

The following four steps do not require any additional resources or re-arrangements of development’s institutional architecture. These are simple low cost steps to more effective aid.

1. Donors need to learn more about the particular context in which they are working. What works in one place, may not work in another or even in the same place at a different moment in history or with a different group of donors. Such learning is becoming a practical challenge for many donor staff, whose time is spent in donor co-ordination meetings or in reporting to their own management. Staff and their government counterparts need to re-organise their time to get out of the capital city and listen to what people tell them.

2. Diverse perspectives need to be built into methodologies for defining and assessing the success of aid. While there are some obvious arguments for better co-ordination and more efficient use of resources, a balance has to be struck between this and encouraging diverse points of view for solving complex problems.

Both consensus and contestation are drivers of pro-poor change. If the former dominates, there may be a tendency to look only for a single diagnosis and solution, thus shutting out the possibilities of creative dialogue and the collaborative challenging of implicit assumptions about how the world works that hampers innovation and constrains imagination.

3. In addition to measuring results, donors need to assess the quality of relations at project/programme, country and international levels against indicators agreed with partners that could be regularly reviewed and widely commented upon. Because an emphasis on performance measurement can lead to mutual risk-adverse behaviour, compensatory process indicators might include ‘preparedness to take risks’, ‘embracing and learning from failure’ and ‘willingness to change one’s mind’.

Such assessments could be supported by country specific studies to bring to light the way relationships are managed and the lessons that can be learnt. Such studies will make visible processes that may be reinforcing existing power relations and thus hindering the effectiveness of aid resources and instruments.

4. Aid agencies need to develop the competences of staff in organisational and personal self-awareness, to develop sound understanding of the power, position and biases they hold in relation to others. Power has an adverse effect when we impose our own point of view. Alternative ways of understanding and tackling problems are ignored or dismissed as irrelevant; those putting them forward feel disempowered and will drop out of the conversation. Organisational and individual critical self-reflection delivers benefits for donors as well as the others they seek to help. Like them, donors also will learn and think differently, to imagine new possibilities and to debate alternative choices.

Rosalind Eyben

Rosalind Eyben has been a Fellow at the UK In Institute of Development Studies since 2002, after a long and varied career as an international aid practitioner and policy analyst, including serving as the first Chief Social Development Adviser for the UK’s Department for International Development. She has authored a number of publications on the international aid system including Relationships for Aid published by Earthscan in 2006.
Thinking back one or two years, who would have predicted the current turmoil in global markets for finance, food and fuel? Thinking back further, who would have imagined the spread of the Internet, the collapse of the Soviet block or the post-9/11 world?

So what are our chances of predicting the world in 2015? Not great but we can say something. The current pace of global change is accelerating and creating both challenges and opportunities. There are some major global and regional transformative processes and emerging issues the character of which is marked above all by increased inter-dependence between the North and South and East and West.

Commentators have noted the tendency of these to destabilize existing livelihoods, unravel social fabrics, create conflict and exclusion as well as disrupt international markets. These processes are also reinforcing the diversity in what was once the ‘Third World’: at one end of the spectrum there is a group of accelerated developers in the BRICs (Brazil, Russia, India and China), the BRICETS (Eastern Europe and Turkey) and the Goldmans Sachs N11 (the next countries expected to experience fast economic growth). At the other end of the spectrum there are the 50-60 countries termed LICUS (Low Income Country Under Stress) that might be classified as ‘fragile states’.

Distinctions between developed and developing worlds are also changing — China is forecast to have overtaken the United States as the world’s largest economy by 2015, with India not far behind. Parts of Sub-Saharan Africa. Four of the world’s richest billionaires are Indian. Many policy issues are common to countries at different levels of economic or social development.

This increased global interconnectedness is expressing itself in a growing variety of ways such as volatility in global markets (especially food, fuel and credit), climate change, natural resources, technology (notably ICTs and industrial bio-fuels) and terrorism and security. The net outcome of these is rapid and widespread change to lifestyles and livelihoods and potentially an increase in conflict over resources and large-scale national and international migratory movements.

The MDGs have played a major role in focusing policy since their original incarnation in the 1990s and some bilateral agencies, notably the UK’s Department for International Development, have gone as far as to judge the value of all their activities

Eight years ago we could never have imagined what the world would be like today. So how can we know what it will be like in 2015?
on the contribution to achieving the MDGs. What happens when we no longer have the MDGs? What will guide policy after 2015?

Development policy is already reconfiguring. We have major new donors — most notably China and the new non-state actors such as the Gates Foundation; new contexts and institutions — a new aid architecture, decentralisation, terrorism legislation; newly emerging policy narratives — the resurgence of economic growth as key to development and the more nuanced agendas of citizenship participation. Such changes may determine whether or not policy processes emerge in favour of the poor and marginalised.

So, how can we promote pro-poor policy after the MDGs and amid all these complex changes, some of which mediate in favour of the poor and many of which may not? Here are four options:

1. We could carry forward the same MDGs without a timeline. This would overcome the distorting effects of targets such as children in school but with few books, teachers and sometimes not enough buildings. Yet the timeline has been a rallying call.

2. We could take the same MDG targets but with a new timeline. Jeffery Sachs has argued for 2025 and others for 2020. However, will another five to ten years be enough to make progress?

3. We could have new or different kinds of targets with or without a timeline. For example, the aid effectiveness agenda is based on process targets rather than outcome targets: it calls for nationally ‘owned’ development strategies building on the poverty reduction strategy process. This might better suit the current policy architecture and would entail much greater opening of development policy to non-state actors. These non-state actors could participate in the formation of a national strategy leading to genuinely national development goals rather than a state dominated approach that subverts accountability.

4. We might have new or different kinds of targets that go beyond the ‘traditional’ lens of material consumption/deprivation. Well-being is emerging as a complement — and even perhaps an alternative — to the more traditional ways of thinking about and measuring poverty and deprivation. It extends attention from what people can do and be to how people feel about what they can do and be. It goes beyond the material to consider relationships and values, beliefs and behaviour.

Breaking the inter-generational transmission of poverty requires not only disrupting the transmission of material deprivation via public policy such as nutrition or education programmes and projects but also the creation of progressive norms and values in terms of relationships and behavioural norms via public policy campaigns that seek to influence how people think and behave — for example, campaigns on feeding and schooling girls for example.

This would suggest public policy would move beyond material provision — public expenditure, growth, etc. — into areas in which policy intervention is considered at best highly controversial: values, relationships, norms and behaviour. It is this line of thinking that underpins the recent popularity in behavioural economics books such as Thaler and Sunstein’s Nudge.

In short, international development policy post-2015 is certain to be more global as we all become more connected by global markets, climate change, migration and information technology. It is also likely to be more complex and less predictable because of all these global changes — and the speed at which they are happening.

Society-owned strategies and goals will be needed to guide development policy as will continued reflection on the impact of global changes on the transmission of intergenerational poverty. And policy will need to take into account non-material deprivation, taking into account values, norms and behaviour.

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Jane Nelson

In 1970, 70 per cent of resource-flows from the United States to developing countries originated from the US government in the form of Official Development Assistance (ODA). Today, the United States Agency for International Development (USAID) estimates that private capital from American citizens, residents and companies accounts for 85 per cent of these resource-flows.

This private capital is being channelled to developing countries through a combination of foreign direct and portfolio investment, commercial bank loans, remittances, non-governmental organisations, religious groups, universities, foundations and corporate philanthropy. Together with new approaches to ODA it is changing the face of America’s engagement in international development.

The US business community, ranging from multinational corporations and corporate foundations to trade and industry associations, has played an increasingly important role in this transformation, engaging in both the public policy debate on foreign assistance and mobilising commercial and philanthropic resources to developing countries.

This emerging private sector role has been driven by a combination of factors. These factors include direct business interests as US companies expand and compete in the global economy, changing public expectations of business and increased activism both at home and abroad.

Also contributing to the new role of the private sector is the growing recognition within the development community of the importance of private sector development and entrepreneurship as engines of growth in developing countries and as crucial to achieving the Millennium Development Goals (MDGs), and also a variety of incentives, directives and partnerships led by the US government.

All of these factors will continue to be important in ensuring continued US business engagement in development, especially in the face of growing economic uncertainty globally and increasing protectionist pressures domestically.

Over the past decade, the following types of activity have been particularly important in engaging the US business community in international development initiatives, and are likely to be of ongoing relevance in the future:

- Voluntary business-led coalitions;
- Government agencies focused on private sector development;
- Government-led corporate accountability mechanisms;

• Public-Private Partnerships and Funds. Voluntary business-led coalitions have served to catalyse hundreds of major corporations to support development goals. The US Chamber of Commerce, for example, has established a Business Civic Leadership Center, which has an active programme focused on researching and promoting the role of business in emerging economies and in disaster response and rebuilding, drawing on and learning from American Chambers around the world.

The Initiative for Global Development was launched in Seattle in 2003 and engages business and civic leaders around the United States to support advocacy and public policy dialogue aimed at achieving more effective international development policies. The Business for Social Responsibility has evolved from a US corporate responsibility coalition to a global network, with an office in China focused on promoting responsible business practices and labour standards. Trade associations in industries such as the pharmaceutical, chemical, energy and financial sectors have also established dedicated programmes to promote and broker new market-led approaches to international development.

The Committee Encouraging Corporate Philanthropy is another relatively new CEO-led coalition that provides tools and research to increase the quantity, quality and strategic impact of corporate giving, both financial and product donations as well as employee volunteering, with a programme on international giving.

The Brookings Institution has launched an Initiative on International Volunteering and Service, with over 150 participating groups, including corporations, all working to encourage more global volunteering by Americans, including the implementation of new public policies and programmes to facilitate this.

And the Clinton Global Initiative offers a final private-led example which in less than five years has helped to catalyse an estimated US$10 billion, mainly for international development projects, through over 500 commitments from corporations, foundations, development NGOs and individual philanthropists.

The US government has also played a role in promoting the global corporate social
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responsibility (CSR) of American companies, especially in developing countries. There is currently no broad federal mandate for CSR, but a 2005 study by the US Government Accountability Office (GAO) identified 12 US agencies and over 50 federal programmes, policies and activities focused on mandating, facilitating, partnering and endorsing responsible business practices abroad.

Of particular note in terms of their scale and impact are government-led initiatives to increase private sector investment and entrepreneurship in developing countries, to improve corporate accountability and transparency in sensitive industry sectors, and to jointly mobilise public and private funds for key development objectives such as global health and education.

The Overseas Private Investment Corporation (OPIC), for example, has adopted an increasingly strategic approach to working with US companies to fulfil its mandate to support market-led solutions to economic and social development in developing and transition economies.

Among other initiatives, it has launched an Enterprise Development Network in partnership with the private sector that is dedicated to financing and insuring the expansion of micro-sized, small and medium-sized enterprises.

Both OPIC and the Export-Import Bank of the United States also now require the companies they work with to meet certain social, environmental and transparency standards.

Likewise, the Millennium Challenge Corporation, which has developed a rigorous process for encouraging good governance and mutual accountability with the governments that it funds, is working more actively with the private sector to ensure development outcomes that are not only more accountable, but also pro-growth and pro-poor. The government-funded African Development Foundation and Inter-American Development Foundation are both doing likewise.

The US government has also spearheaded several international corporate accountability initiatives such as the Voluntary Principles on Human Rights and Security in the extractive sector, in co-operation with the UK government, and a coalition with the textile sector that has now evolved into the independent Fair Labor Association.

Finally, the US government has launched several public-private resource mobilisation initiatives. Examples include the President’s Emergency Plan for AIDS Relief (PEPFAR), which has leveraged millions of dollars and other resources in a public-private partnership effort aimed at bringing HIV/AIDS interventions to scale. Another notable initiative has been USAID’s Global Development Alliance (GDA).

Established in 2001, GDA aims to significantly expand and deepen the impact of US development assistance by leveraging government funds with the resources, skills and innovation of private sector partners. Since 2001, it has worked with a wide variety of corporations, corporate foundations and business networks as well as NGOs and private foundations to form more than 680 alliances and mobilise more than US$9bn in combined public and private resources. Projects have ranged from efforts to strengthen agribusiness value chains to education and health to harnessing remittances and Diaspora funding.

The above examples illustrate some of the initiatives underway in the United States led by both government and the private sector itself to engage US business in international development. In many cases these initiatives have been spurred and/or encouraged by civil society engagement and activism.

While there has been progress, much more could be achieved. In particular, there is a need for the US government to markedly improve the co-ordination, integration, efficiency and effectiveness of its official aid and trade assistance programmes and to more strategically engage the business sector as well as other non-governmental actors ranging from development NGOs, foundations and universities to individual philanthropists and volunteers.

In December 2007, the bipartisan, public-private HELP Commission released its report on US Foreign Assistance Reform. Entitled Beyond Assistance and based on nearly 22 months of extensive consultations and research, the report stated, ‘Our foreign assistance system is broken. We ignore this reality at our peril.’

Among its seven recommendations were calls to, ‘do more to help developing countries build vibrant private sectors’, and to ‘create a new business model and engage non-governmental partners.’

The commission stated, ‘We must actively engage new non-governmental actors and leverage the resources from the explosion of growth in philanthropy and private investment. We believe that new initiatives, increased funding, and most importantly, lasting results will occur if we more proactively collaborate with non-governmental actors.’

Regardless of the results of the US presidential election, such an imperative must be met if the United States is to fulfil it immense potential to be a champion of international development and the MDGs.

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McCain or Obama, the imperative is to ‘do more to help developing countries build vibrant private sectors’
According to the Organisation for International Law and Child Labour, there are more than 5 million 5 to 14 year olds, working across Latin America. In many of these countries, a child is more likely to be forced into work in order to contribute to their family income than complete a basic education.

At Telefónica O2, we believe that business has a responsibility to make a positive difference. We are convinced that our activities benefit the countries in which we operate and result in greater economic, technological and social development. Nevertheless, we believe that our activity should be combined with other social and cultural projects wherever we operate.

We embrace this role through our commitment to the United Nations Millennium Development Goals aiming to improve the quality of life for young people, across the globe, by 2015.

Through Telefónica’s Proniño scholarship programme, Telefónica are taking action in 13 countries to help eradicate child labour, and get children reintegrated into schools. This not only gives them a chance to get a basic education but to enjoy their childhood and learn through play. To date, over 58,000 children have benefited from Proniño — giving them a chance for a good education and a hope for a better future.

Proniño works with nearly 20,000 volunteers across South America supporting the work with children and their surrounding communities. The volunteers come from many different countries and the diversity they bring gives the children an insight into the wider world.

Heidi Danaher was one volunteer working in Ecuador. She was shocked by what she saw at one refuse tip. ‘It was a horrible place to work and dangerous too — even hospital waste such as syringes is dumped along with all the other rubbish. People were scavenging amid rotting waste for items to sell or sometimes even to eat. This is daily life for these people.

‘The aim is to get children into school instead of working in dreadful conditions for a pittance. As an incentive to go to school, children are given a rucksack, boots, pens and pencils, a pair of shoes and some pumps to wear. Many children were in bare feet so they would certainly need the shoes to go to school.

‘We went to one farming and fishing village where all the families helped with the work. One father had five children, his wife had left and he...
had to support his sick mother too. The sense of gratitude and relief at the provision of a school place and school kit for his eldest child was amazing. Testament to the importance of this programme. He understood that schooling could make a difference to his son’s life.

‘The village school had one teacher with 27 children in the class, all different age groups. Facilities were basic yet they had all the necessities — desks, chairs, pens and a whiteboard — and the keenness to learn. School starts at 8.30am and finishes at 12, so children can still help their parents in the afternoon if they have to, or go to one of the Proniño centres if they need help with school work.’

Juan Camilo Carreras’s story is just one of many. ‘I worked at the rubbish dump in Porto Viejo in Ecuador, to help my mother. We collected rubbish to earn money. The air was bad and it made everyone sick. My childhood was hard. One day at the dump we met Diana, from Proniño. She told us how important it was for me to go to school. After we all talked, my mother agreed.

‘Proniño gave me a scholarship which let me stop work and start school. I was scared at first. I wasn’t used to playing with other children. Life got so much better. Proniño gave me back my childhood. I went to special classes with Proniño. I learned how to play. My mother went to classes too. I wanted to continue studying, to do well and make something of myself. I have studied hard and now I’m at university. I’m saving for the future. Proniño has given me a chance for a better life, a good education and a future.’

Juan is just one of 58,000 children whom Proniño have helped so far. Jonathan Arana is another. He was born ten years ago in Managua, Nicaragua. When he was eight he had to give up his passion, football, because he had to work. He had to get up at four o’clock in the morning to deliver the tortillas made by his mother, Carmen Aguirre Ponce. For Carmen, single and with another two children, that decision was not easy because she had always been clear about the principles and values of her family, but her financial situation became so difficult that in the end she chose to make Jonathan her assistant. They both thought it would be temporary, but Jonathan worked for two years.

During that time, he didn’t give up school, but his education suffered. He was responsible for earning a living for his family while still a child and he had no free time, so he was always tired. The arrival of Proniño at José de la Cruz Mena’s school in Managua changed the situation.

‘I don’t deliver tortillas now and I’d like to become a lawyer to help those in need. Now, when I go home, as well as doing my homework, I can play football with my brothers and friends’, says Jonathan.

But this is not all we do. Another major programme is Educared which is designed to introduce both children and their local communities to internet technology. It provides a vast array of online education resources that helps support the work of Proniño. Each year, Telefónica invests over €50m euros in social action programmes, and the business is currently engaged in a range of activities to promote diversity, digital inclusion, environmental and child protection.

Vikki Leach is Head of Corporate Responsibility & Policy at Telefónica Europe plc.

To find out more about these activities, please visit our recently published Corporate Responsibility Report or, access the Telefónica group website for further information about Proniño http://www.fundacion.telefonica.com/
The past 20 years have seen an unprecedented rise in wealth, along with new technologies and the growth of global markets. But globalisation is also increasing the divide between rich and poor, making it increasingly urgent that we extend the benefits of the global economy to the three billion people — half the world’s population — who live on less than three dollars a day.

This inequality is a concern not only for ethical reasons, but because such an imbalance implies economic and security risks associated with such an imbalance. Capitalism must continue to fuel innovation and productivity while ensuring opportunity for those at the bottom of the economic pyramid.

Aid and charity have been deployed to address global crises but have often failed to deliver lasting change. And while the development community has begun to focus on enhancing livelhoods by providing greater access to jobs and credit, the poor also need access to affordable goods and services like safe water, healthcare, housing and energy.

Those in the lower two-thirds of the income pyramid have traditionally been ‘invisible’ — ignored by the private marketplace and addressed by top-down government programmes that lead to further dependence.

Creating real access for the poor requires a range of investment and charitable approaches. But because flexible philanthropic capital can be the most risk-seeking, a new class of social investors is experimenting with innovative ways to bring goods and services to the poor. The use of ‘patient capital’ — capital targeted at investments with clear social impact and lowered expectations for the timing and size of financial returns — is leading to the development of enterprises that can address the needs of low-income consumers in challenging markets.

Acumen Fund, a non-profit venture capital fund established in 2001, reflects the growing interest in using markets to solve tough problems of poverty. Acumen Fund raises charitable funds which it then invests in equity and loans in enterprises that deliver affordable healthcare, water, housing and energy to the poor. Acumen Fund is active in Pakistan, India, Kenya, Tanzania and South Africa, managing more than $30m in investments. It aims to be repaid its capital plus modest interest; any returns are reinvested into other enterprises working to solve problems in these areas.

Acumen Fund sits at the center of the ‘blended value’ discussion. It is a non-profit fund seeking charitable donations that it invests in private enterprises from which it expects a reasonable but often below-market financial return on the capital invested. It partners with corporations, foundations, individuals and government. In addition to capital, Acumen Fund provides investees with management assistance, strategic planning and on-the-ground support by Acumen Fund Fellows.

Acumen Fund also invests in sharing best practices and lessons around specific business models, metrics, etc. It measures success by its social impact as well as its ability to be repaid on obligations outstanding. The financial returns measured by the Acumen Fund are meant to be indicators of the potential for these enterprises to attract private capital. This capital is ultimately more plentiful than aid or philanthropic funding and perhaps better suited to addressing the needs of the majority of the global population.

Mumbai is a city of 18 million, a crowded and unruly maze of streets with few ambulances fitted to serve emergency needs. Emergency medical services are in the early stages of development in India and ambulance service is extremely fragmented and disorganised. Shaffi Mather, Ravi Krishna, Manish Sacheti and Naresh Jain, four well-heeled professionals, decided there had to be a better way to provide services than to rely solely on charities and government. They found such institutions to offer well-intentioned but ineffective services in an industry that was growing increasingly corrupt.

So in 2002, Shaffi and his partners founded ‘1298’ to become India’s first world-class ambulance company with an ethos of ‘service for all’ and an emphasis on professionalism. The company focuses on profitability but does not maximize profits as its paramount objective. Instead, it measures success based on numbers served, quality of services and ability to turn a profit.

The business applies a sliding-scale pricing model, based on the hospital to which one is taken. Those who go to public hospitals for the poor do not pay. Those who are driven to more expensive hospitals pay accordingly. In other words, there is a cross-subsidy pricing model inherent in the business.

The company covers its costs through a combination of premium payments made by wealthier clients and by reduced capital costs for ambulances. (As city residents learned of the for-profit model’s effectiveness, they began to donate new vehicles to 1298 rather than giving them to a standard charity.) Furthermore the company is operated efficiently with a constant push to lower costs while maintaining quality service.

1298 originally intended to staff each ambulance with a driver and a doctor only. However, doctors are accorded high status in India and are expected to behave in a certain way. When customers saw doctors lifting patients, they assumed them to be of low quality. Until attitudes change, 1298 employs assistants to lift patients with the drivers and to support the doctors’ needs.

There is no better listening device than the market. By holding itself accountable to reliability and profitability, 1298 must understand its customers — even those who can’t afford to pay. Customers provide feedback and 1298 listens. Others are also taking note: recently, the government of Maharashtra adopted 1298 as the main call-in number for ambulances.

Not only have thousands of lives been saved through its operations, but 1298 has also created a blueprint for building an efficient public-oriented company that can effectively serve the needs of all people regardless of ability to pay.

Jacqueline Novogratz is the CEO of Acumen Fund.
As we strive to reach the Millennium Development Goals, our modest success in the ambitious aim of reducing global poverty has been overshadowed by an unsettling trend toward wider income inequality. Without a doubt an important factor in this trend is the increasing disparity in access to markets.

Why is access to markets important? In countries where the competitive provision of goods and services is weak, not only is their delivery unpredictable, expensive, and of lower quality, but opportunities for wealth creation through the provision of goods and services by individuals and businesses are limited as well.

Moreover, future innovation in products and services for a specific market is limited by access to technology and infrastructure. Over time people excluded from these markets are left further and further behind as innovations built on previous technologies pass them by. For example, the invention of the TV remote control becomes irrelevant to those without access to electricity, and online banking is of no use to someone without internet access.

One area where this is starkly apparent is in the market for financial services. Access to financial services gives people the ability to save for lean times, smooth consumption, provide better healthcare and education for their children, and allows entrepreneurs to start and grow new businesses.

Yet more than two billion people around the world are entirely without these services and lack even a basic savings account. Even more people are under-served and are faced with severely limited services that do not meet their needs.

In some areas this is due to a lack of infrastructure, but more often the meagre incomes and small transaction sizes of this population do not justify the high fixed setup costs involved in making financial services available through physical branches. Thus traditional banking results in prohibitively high costs for customers to set up and use a bank account.

For example, in Cameroon it takes an average of $700 to open a checking account and banks require applicants to provide at least four documents. Not surprisingly, only 20 per cent of households in sub-Saharan Africa have an account at a financial institution, and in some countries like Tanzania account ownership is as low as five per cent.

This pattern persists not only between countries but within them. Rural communities are especially prone to being excluded from financial services. In India, 60 per cent of the adult population has a bank account; however, in rural areas account ownership is less than 40 per cent.

The solution to this problem will not come from simply increasing the global footprint of mainstream banks whose structures are often ill-designed to serve the needs and cost-constraints of the poor. Instead the most exciting opportunities are coming from a combination of disruptive technologies and a deeper understanding of the needs of under-served customers. For example, several companies are deploying innovative applications that take advantage of the ubiquity of mobile phones to create more affordable, accessible and customer-centered financial services that leapfrog traditional offerings.

Companies like Globe Telecom and Smart Communications in the Philippines, WIZZIT in South Africa, and MTN, Celplay and Safaricom throughout Africa are providing users with the capability for SMS-based financial transactions that allow instant person-to-person money transfers, including receiving remittances from family members abroad with a simple text message from one phone to another.

Going a step further, a service from Rêv Worldwide and MPOWER Mobile provides not only an SMS-based mobile payments platform but also links directly to a user’s reloadable debit card, giving users the ability to buy and sell products and accept debit and credit card payments using their mobile phone. In Kenya, Safaricom’s M-PESA has attracted three million users since its inception a year ago, showing the latent demand for these payment services and the rapid adoption of the technology in developing countries. Innovations like mobile banking will not only help the poor move away from cash transactions, but may open growth opportunities for small- and medium-sized companies. SMEs are an important engine of growth which is often anemic in developing countries: few SMEs exist, and even fewer actually grow to become large companies. By reduc-
ing the obstacles that stand in their way, innovations like mobile payments increase
the ease of doing business with companies, and thereby increase companies’ chances at
success.

For example, a Rêv Worldwide programme in partnership with a national paint store chain in Mexico will allow painters to expand their customer base, reduce the cost of doing business, and document their transaction history to improve their access to
credit. Painters will be able to accept debit and credit card payments from their customers using their cell phones, expanding their customer base to those who prefer to use credit.

Once the painter receives his payments for the job, the money is loaded onto his prepaid debit card that he can use for both business and personal purchases. Now the painter can request a documented cash flow statement to be sent to a potential lender and demonstrate his creditworthiness. The painter now is not only in a better position to make more money but is also better able to leverage his income-stream to build wealth.

These innovations show a new and refreshing wave of entrepreneurs who are not only tapping into a latent demand profitably but tackling head on the self-reinforcing cycle of inequality. Governments and multilateral organisations have an important role to play in stimulating this type of private sector innovation.

Certainly governments play a crucial role in the prevention of money laundering and terrorist financing activities, all the while maintaining stability and averting financial crises. However, in doing so they often inadvertently hinder the expansion of financial services to the poor.

For example, transaction taxes can keep people from moving away from an informal and inefficient cash economy. One-size-fits-all ‘know your customer’ rules with antiquated identification requirements make it more difficult for virtual banking to develop. Unless countries start to examine how their existing policies hinder this type of entrepreneurship, they will lose out on an economic revolution.

Well-functioning markets are the fastest avenue for individual wealth creation and if this latent potential can be unlocked the Millennium Development Goals will be more easily and quickly achieved.

Suzi Sosa is the Chief of Staff of MPOWER Labs Inc. Marcela X Escobar is the executive director of the Center for International Development at Harvard University.

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**THE WORLD BUSINESS AND DEVELOPMENT AWARDS**

**TEN OF THE BEST**

There are ten winners of the 2008 World Business and Development Awards (WBDA) which showcase innovative private sector initiatives contributing to the Millennium Development Goals (MDGs). Announced on 24 September the winning companies represent inspiring examples from all over the globe, together improving the lives of over 75 million people.

Established by the International Chamber of Commerce in 2000, and later joined by The International Business Leaders Forum and the United Nations Development Programme, the WBDA recognise the contribution of the private sector to achieve the MDGs through their core business. The 2008 WBDA received an unprecedented 104 applications from 44 countries.

Four European companies, three African, two companies from Asia and one from South America won awards in 2008.

3K&A, a Ghanaian firm, developed a profitable soybean processing plant and developed new soy products. It profited from rapid growth in soybean production, made possible through investment in farming techniques, commercial skills and planning. In consequence, 2,800 local farmers are now earning over £530 per agricultural season.

Nigeria is the second largest rice importer in the world. Olam Nigeria Limited decided to invest in local production of high quality rice for Nigeria’s domestic market. In partnership with USAID/Nigeria it developed a supply chain model that encouraged the use of improved technologies, farmer capacity building and commercial linkages to market outlets, leading to on-farm productivity increases of 260 per cent in 2006.

M-PESA is the third African winner. It has brought mobile banking to millions of Kenyans, helping poorer communities build incomes and work their way out of poverty. M-PESA is widely commented on in this magazine (see pages 13-15, 24-25, and page 26).

Diageo joined a programme to develop the cultivation of a beer-friendly sorghum in Nigeria and train farmers to grow the crop. Diageo breweries in Nigeria now source 95 per cent of their grain from local farms and sustain around 27,000 jobs.

Haygrove identified a willingness amongst high-value tourist hotels and restaurants in Gambia to switch from imported to locally-grown produce. The barrier was unreliability and poor quality of supply. Haygrove and partners breach this barrier through ‘Gambia is Good’, a project that dramatically improved local horticultural production’s yield, quality and diversification.

Endesa, Spain’s largest utilities company, set out to make electricity accessible to the poorest Brazilians. It created a system of credits in return for recyclable waste, thus improving recycling and helping low-income customers to pay for their electricity or to get connected for the first time.

Syngenta helps farmers increase their yields sustainably through innovative tools and technologies. It developed a tropical sugar beet yielding the same quantity of sugar per hectare as cane, in half the time. This directly improves the livelihoods of smallholder farmers and their communities in developing countries, helps increase food production and generates employment, protects and improves soils, and ensures more efficient use of precious resources, especially water.

ZMQ Software Systems develops ICT products for new markets at the base of the economic pyramid by reaching out to grassroot and under-privileged, marginalised communities. ZMQ released four mobile games on HIV/AIDS awareness and in just 15 months the four games reached 42 million people in India with a download of 10.3 million game sessions.

Sistema Ser (SSer) improves the lives of those at the bottom of the pyramid by increasing their access to healthcare in poor regions in Argentina. It has a self-financed system that provides primary care at low prices. Purchasing a card for about $4 per year allows people to buy a variety of medical services and prescription drugs at rates significantly below the market. It currently has 20,000 members.

Before SMART Communications introduced low-cost mobile phone subscriptions in the Philippines in 1994, the country had only one million landline subscribers and 102,400 mobile phone owners, all of whom belonged to the more affluent social classes. By end of March 2008, there were 58.9 million million mobile phone owners, of which 31.6 million subscribed to the SMART network, giving the poor access to communication and micro-enterprise opportunities (see also pages 9-10, pages 13-15 and page 26).
Financial services are critical to economic growth and human development. Banking, savings, investment, insurance, debt and equity financing all help people to build assets, guard against uncertainty, generate income and create options for their futures. But the world’s poor — the four billion or so living at the so-called ‘base of the economic pyramid’ (BOP) — are today largely excluded from the market for formal financial services.

There are many interconnected reasons for this including informality, insufficient information, inadequate infrastructure, inappropriate regulation, and cultural bias among financial services firms and the poor themselves.

As a result, workers in Nairobi must take time off work to bring money back home to the Kenyan countryside, enduring the physical risk of carrying cash. Owners of family-run stores in the Philippines must pay for delivery in cash, putting themselves and delivery drivers at risk.

It takes Bangladeshis three or four hours to travel and queue at designated banks to pay their gas bills. Employers in South Africa often direct-deposit their employees’ paychecks into bank accounts, forcing those among them with lower incomes to queue at the ATM on payday because ‘bank money’ is not accepted at the places they do business.

Fewer than one billion out of 6.5 billion people worldwide have bank accounts at all. In contrast, nearly four billion have mobile phones. The ubiquity and convenience of the mobile phone has given the mobile channel great potential to open up the market for formal financial services of all kinds — from simple payments to insurance, savings and credit — to poor people who are currently excluded.

In Kenya, M-PESA offers migrant workers the ability to send money home via their mobile phones. The service gained 2.37 million subscribers in little over a year. In the Philippines, Smart Communications enables small shop owners to pay for deliveries with mobile money, allowing them to reduce risk, aggregate orders and receive discounts for buying in bulk with the equivalent of cash.

In Bangladesh, GrameenPhone’s gas bill payment pilot has proven a resounding success, even though customers must still travel and queue at the banks to pay their electricity bills.

In South Africa, Wizzit enables employers to deposit employees’ paychecks directly into their mobile money accounts, which they can use to purchase airtime and other goods and services.

Today’s examples do not yet add up to financial sector inclusion but they point to what is possible. It is not too early to start thinking longer-term about laying the foundations for growth on a global scale.

I recently had the opportunity to interview 15 CEOs and other leaders in the mobile money sector in connection with the inaugural Mobile Money Summit in Cairo, co-hosted by the GSM Association, International Finance Corporation, Consultative Group to Assist the Poor, and the UK Department for International Development. They identified three keys necessary for global growth: utility, capacity and an enabling environment.

**UTILITY**

Mobile money cannot enable financial sector inclusion without much greater integration into customers’ economic lives. Remittances and remote payments are the current ‘killer apps’, but they must catalyse an order of magnitude increase in the number of ways and places it is possible to use mobile money. A greater diversity of applications must be developed, including savings, credit, and insurance. Mobile money must eventually be accepted wherever money is accepted.

**CAPACITY**

The end goal of ubiquity requires a whole ecosystem of players to become involved, developing mobile money applications, accepting mobile money, and using mobile money, from the biggest, slowest-moving banks down to the smallest, grassroots kiosk owners and individual consumers. They will all require capacity-building. Big developing country banks might need to increase their cultural openness to serving the poor. Microfinance institutions might need to improve their tech-readiness. Small businesses and individual consumers might need to build financial literacy and basic business skills.

**ENABLING ENVIRONMENT**

Mobile money is real money. It is the responsibility of the regulator to protect consumers and ensure financial sector stability. At the same time, to achieve financial sector inclusion, regulators must permit innovation — indeed, they must encourage and facilitate it. The right regulatory approach will be proportional, weighing the potential gain against the potential damage. It will also be incremental, allowing the channel to emerge and adding regulation as risks manifest thus enabling mobile money to blossom in ways that might not be predictable.

Cross-sector partnership and public policy dialogue will be critical to building all three foundations. Mobile network operators and technology providers must collaborate to ensure that services move toward interoperability. While mobile network operators have been the primary drivers so far, now banks, microfinance institutions, insurers and many others must take some initiative in developing new applications and services.

To meet the capacity-building challenge, international financial institutions, development donors, government agencies, NGOs and corporate CSR departments can contribute resources and expertise, particularly with regard to small businesses and BOP consumers. And business and government must engage in ongoing, open dialogue to achieve the delicate balance that regulating this emerging channel requires.

As UNDP reminds us, human development is about expanding people’s opportunities to live the kinds of lives they have reason to value. Financial sector inclusion is a necessary step. Using the power of business and technology, mobile money promises to accelerate our progress in this critical direction.

Beth Jenkins is Learning Director of the Full Economic Citizenship Initiative at Ashoka and a non-resident Fellow of the CSR Initiative at the Harvard Kennedy School.

Beth Jenkins

The field day beckoning the money markets

Photo: IDRC/By, Djibril

OCTOBER 2008
Over the past year, rising food prices have placed basic foodstuffs out of the reach of the poor and threatened to drive 100 million more people into poverty. As families and national and global leaders struggle to address the complex factors behind the crisis, it is increasingly clear that all sectors will need to work together to meet the challenge of global food sustainability.

Nowhere is the situation more urgent than in Africa, where per-capita food production has stagnated for the past three decades. Leaders such as former UN Secretary-General Kofi Annan have called for a ‘uniquely African’ revolution in food production to drive economic growth and bring lasting solutions to poverty and hunger on the continent.

Realising such a revolution will require the commitment of all sectors, not least business. The market power of the private sector together with its capacity for innovation, execution and efficiency represent a powerful force for improving agricultural production and marketing.

However, the private sector faces substantial challenges when applying these capabilities in Africa, due to both the complexity of food value chains and also obstacles in the business enabling environment such as poor infrastructure or governance. Overcoming these challenges requires cross-industry collaboration as well as partnership between business, government and civil society. It also requires new and effective business strategies and models.

The Business Alliance Against Chronic Hunger was formed in 2006 by member companies and partner organisations of the World Economic Forum to catalyse the implementation of scalable business solutions to hunger. Led by a group of 30 global and local partners including NGOs, and with strong support from the government of Kenya, the Alliance initiated pilot work in Siaya District, a community with high levels of poverty and hunger, but strong potential for increasing food production. The aim was to increase local food production and income levels.

The lessons learnt from this pilot project should help the hungry poor to feed themselves.

Lisa Dreier
help companies to galvanise commercial and economic growth in regions previously seen as too difficult and unprofitable to be attractive to business. Such business ventures must necessarily focus on meeting the needs of poor customers and doing business with small-scale producers and entrepreneurs in those regions. The result of this is that they can provide better quality, more affordable and more widely available essential goods and services in poor regions, and new opportunities for local producers and entrepreneurs to increase income levels. This, in turn, can help empower communities to reduce hunger and poverty.

A second goal of the work in Kenya is to strengthen private sector engagement in shaping and contributing to broader regional goals for sustainable development. Placing its work within a framework of locally driven efforts to meet the Millennium Development Goals (MDGs) has enabled the Alliance to engage the commitment and partnership of a broad array of stakeholders and to ensure complementarity with their efforts.

There will be 14 initiatives during 2008 to test business-led approaches along the food value chain. Pilot initiatives are undertaken by corporate ‘champions’ and relevant partners, with the Alliance playing a facilitating and monitoring role. The Millennium Village Project, which works with approximately 11,000 farming households in the Siaya district, is a key partner in a number of the initiatives.

The Kenya pilot work has informed a set of business models that strengthen food value chains and is defining strategies for scaling them more broadly. These include:

- Expanding retail distribution networks for agricultural inputs and food products. This includes training, equipping and supplying small retailers, including agri-dealers, enabling diversification of retailers’ products and services and improving access to finance for customers, particularly farmers.

- Sourcing high-value crops from small producers for direct retailing through supermarkets or for processing into food and beverage products. To achieve commercial-scale volumes, this requires organising producers into groups; training on production and quality standards is often also needed.

- Developing value-added processing and packaging opportunities for small producers. This includes small-scale production of processed goods for retail sale, commercial-scale processing opportunities and the development of new packaging technologies for use in poor markets.

- Expanding access to finance through innovative banking, insurance and investment models, and new technologies (such as SMS-based financial transfers) that extend services to poor rural areas.

As a complement to these commercial business models, this partnership approach engages both business and government in dialogue and collaboration around common priorities, including efforts to improve the business enabling environment through targeted public investment in infrastructure, public services and capacity-building for farmers and entrepreneurs.

The Alliance’s activities mirror a larger trend in the private sector toward seeking win-win solutions that generate both social and commercial returns. Social returns relevant to hunger can include improvements in household income; quantity, quality and accessibility of food supply; nutritional and health status; and capacity strengthening for food production or entrepreneurship.

Potential returns that are relevant to the business and its bottom line — in the near or long term — include generating profit and increased market share, expanding distribution networks, increasing supply chain efficiency, flexibility and quality, increasing innovation, securing brand-recognition and reputational gains and strengthening regional economic growth for the long term.

The Business Alliance Against Chronic Hunger is the first business coalition in Africa to focus on reducing hunger by improving food value chains. As such, it serves as a unique vehicle and potential model for mobilising broader-scale private sector support for agricultural development.

Its initial experience has demonstrated that a cross-industry, multi-stakeholder approach can facilitate business engagement in chronically hungry regions that are largely unserved by the private sector. Establishing market linkages and providing needed goods and services to producers and entrepreneurs can raise local food production and incomes.

Securing and expanding these gains requires innovative and collaborative approaches — and financing — to scale up commercially viable business models. When applied on a large scale they have the potential to substantially accelerate sustainable food production in Africa, while helping to reduce hunger and poverty.

Lisa Dreier is Director of Public-Private Partnerships at the World Economic Forum.
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Twelve million people are victims of forced labour worldwide. Human trafficking was responsible for two-and-a-half million of them.*

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Energy will be one of the defining issues of this century. One thing is clear: the era of easy oil is over. What we all do next will determine how well we meet the energy needs of the entire world in this century and beyond.

Demand is soaring like never before. As populations grow and economies take off, millions in the developing world are enjoying the benefits of a lifestyle that requires increasing amounts of energy. In fact, some say that in 25 years the world will consume about 50% more oil than it does today. At the same time, many of the world's oil and gas fields are maturing. And new energy discoveries are mainly occurring in places where resources are difficult to extract, physically, economically and even politically. When growing demand meets tighter supplies, the result is more competition for the same resources.

We can wait until a crisis forces us to do something. Or we can commit to working together, and start by asking the tough questions: How do we meet the energy needs of the developing world and those of industrialized nations? What role will renewables and alternative energies play? What is the best way to protect our environment? How do we accelerate our conservation efforts? Whatever actions we take, we must look not just to next year, but to the next 50 years.

At Chevron, we believe that innovation, collaboration and conservation are the cornerstones on which to build this new world. We cannot do this alone. Corporations, governments and every citizen of this planet must be part of the solution as surely as they are part of the problem. We call upon scientists and educators, politicians and policy-makers, environmentalists, leaders of industry and each one of you to be part of reshaping the next era of energy.