

WBCSD Focus Area: Development

Poverty remains one of the biggest challenges to sustainable development. The way businesses respond to this challenge, and their ability to generate wealth and opportunities, will prove crucial in the long-term. As a group of leading companies, WBCSD members work within a new mindset, beyond corporate philanthropy, to build inclusive business models that create new revenue streams whilst serving the needs of the poor through sound commercial operations.

Through the **Development Focus Area**, the WBCSD is seeking to:

- > **Raise awareness** – delivering tools and guides that advance our understanding of common development challenges and enable all sectors to address the corresponding opportunities
- > **Advocate the business contribution** – helping business work in partnership with all stakeholders to build synergies between Official Development Assistance and Foreign Direct Investment, to create the enabling business environment and international trading rules
- > **Get into action** – Working with our members, Regional Network partners, and other stakeholders to broker new business ideas that are both good business and good for development. This includes a partnership with the Netherlands' development agency SNV to broker real and sustainable business in Latin America

This Focus Area ensures cross-fertilization between WBCSD initiatives on *Water, Health, Energy & Climate, Sustainable Forest Products, and Ecosystems*.

Advocacy at a national level for the necessary enabling environment is taking place across the world through the *WBCSD Regional Network*.

Cambridge University's Program for Industry, in association with the WBCSD and *Oxfam*, has launched a **Business and Poverty Leadership Program** for senior executives and policymakers to examine the inter-relationship of business and poverty.

Program structure and resources from November 2005

Co-chairs: Thulani S. Gcabashe (Eskom), John Manzoni (BP), Julio Moura (GrupoNueva)

Working group: 70 companies and regional partners

Director: Shona Grant

Website: www.wbcds.org/web/development.htm

Business for Development

Business solutions in support of the
Millennium Development Goals



Table of contents

Foreword

Executive summary

1. Introduction – Business and development at the crossroads

- Creating wealth and opportunities – the key to alleviating poverty 12
- Leveraging business' core competencies 13
- Exploring new ways of doing business 14
- Maximizing opportunities for the poor 15
- Playing to each other's strengths 16

2. The business contribution to development

- **Creating sustainable livelihoods and lifestyles** 19
 - Unilever* – Improving health through iodized salt
 - Procter & Gamble* – Enabling safe drinking water
 - Holcim* – Offering low-cost housing solutions
 - GrupoNueva* – Boosting competitiveness for local farmers
 - EDF* – Providing solar power for rural villagers
 - Philips* – Bringing healthcare services to rural communities
 - Vodafone* – Introducing mobile banking solutions
- **Building linkages with local enterprises** 36
 - SC Johnson* – Improving livelihoods for pyrethrum farmers
 - Rio Tinto* – Encouraging self-reliance for local communities
 - Unilever* – Growing businesses for impoverished rural women
 - BP* – Building local supply capacity
 - Eskom* – Empowering local entrepreneurs
 - Rabobank* – Promoting farmers' co-operatives
 - ConocoPhillips* – Developing skills for women entrepreneurs

3. Growing business solutions for development

• Bridging the poverty gap – involving business	55
• Scaling up solutions	56
• Removing obstacles to growth	57
• Improving governance	59
<i>Establishing a robust regulatory and legal framework</i>	
<i>SME capacity building</i>	
<i>Investing in infrastructure</i>	
• Energy – the missing link	70
• Making markets work for development	73

4. Conclusion – Partnering for change

• Building a sustainable future	76
• Creating a multiplier effect	78
• Establishing key priorities	79

Appendices

• Millennium Development Goals (MDGs)	82
• Further reading	84
• Millennium Development Goals Matrix	85

Foreword

Chairs of WBCSD's Sustainable Livelihoods Project

At the 2002 World Summit on Sustainable Development in Johannesburg, business publicly 'stepped up to the plate' by demonstrating that we are taking our own role in development seriously. Part of that commitment involves talking frankly and openly with policy leaders. This publication is part of that ongoing discussion and debate. The fact that we are issuing it during the UN summit on the Millennium Development Goals is no coincidence.

Business plays a central role in creating opportunities for empowerment and development. The members of the World Business Council for Sustainable Development (WBCSD) are ready to play an even bigger role in creating sustainable livelihoods and building prosperous societies through their core business activities. Our primary driver is the real business opportunities we see in addressing some of the most pressing development challenges. At the same time, this is driven by the desire to show that globalization can and must be inclusive.

Our approach is also shaped by global realities. The products and services provided by the 175 WBCSD members touch the lives of an estimated 2.5 billion people each and every day. Yet most of the world's population is left out of the markets and remains trapped in poverty. By 2050, 85% of the world's population of some nine billion people will be in developing countries. If these people are not by then engaged in the marketplace, our companies cannot prosper and the benefits of a global market will not exist. Clearly it is in our mutual interest to help societies shift to a more sustainable path.

Thus many leading companies are investing in new ideas, piloting projects, seeking new partners, and redefining their roles in development. You will find a host of examples here. The key to this innovative approach is to think in terms of business solutions for development. These projects are designed to be profitable and thus self-sustaining. Projects that are not profitable cannot endure nor be replicated.

Many NGOs understand that business can be a powerful ally in the fight against poverty. Even though they have different motivations, these NGOs recognize the huge potential in business solutions for development and are partnering with companies to help realize these possibilities.

Many policy makers also realize the potential for market forces in spurring economic growth and development benefits. As the UN Secretary General has said: "It is the absence of broad-based business activity, not its presence, that condemns much of humanity to suffering. Indeed, what is utopian is the notion that poverty can be overcome without the active engagement of business."

For business to embrace development, an enabling environment is needed. This is true for the entire spectrum of business from microentrepreneurs to large corporations. This environment must include a transparent, effective, and honest legal system, access to affordable credit, and access to technology not hampered by trade tariffs and barriers.

This publication is refreshingly explicit with regard to the realities of doing business in developing countries. In each of the fourteen examples of business models that deliver development benefits, companies describe the particular obstacles to growth they have encountered.

Importantly, we have identified three broad priorities: effective legal and regulatory frameworks, support for the small and medium-sized enterprises and investments in core infrastructure. Although we recognize that framework conditions vary from country to country and that policy must be tailored to each country's priorities, the business community sees these three areas as the foundations of a thriving economy.

Business cannot create the right investment climate. It is for policy makers to follow through their commitments with consistent and effective action. This will require steady, long-term commitment, action and coherent strategies that intimately involve the private sector.

There has been a very welcome growth in consensus recently on development issues. This is a time of great potential. The meeting of policy makers and world leaders in New York to review the progress on the Millennium Development Goals (MDGs) and work toward their achievement provides us all with a timely opportunity to rethink the role of business in development.

Given the right incentives, business-led solutions can help accelerate the pace of development efforts considerably. By focusing development efforts on creating supportive investment climates in developing countries, governments can provide an innovative way to leverage our collective resources and capabilities.

Our clearest message, this publication's overriding theme, is an invitation to government and civil society leaders to work closely with us to realize the MDGs. It is to our mutual advantage to go beyond them to create a world of opportunity and sustainable livelihoods for all.



Reuel Khoza
Chairman

Eskom Holdings



John Manzoni
Chief Executive
Refining and Marketing
BP



Julio Moura
Chief Executive Officer

GrupoNueva

Executive summary

Accelerating the pace of development

The Millennium Development Goals present a formidable challenge. In many countries poverty is deeply entrenched, preventing vast reaches of the developing world from realizing their economic and human potential.

As world leaders gather in New York to review progress on the Millennium Development Goals, it is becoming increasingly apparent that we are falling short in meeting these vital targets. If we do not find effective ways to dramatically broaden economic opportunities, the majority of the world's poor will remain locked in poverty.

Research on the impact of official development assistance (ODA) suggests that simply increasing aid will not provide lasting and cost-effective solutions. By contrast, strengthening the role of business – the prime engine of wealth creation – in development efforts offers a tangible, sustainable opportunity to bolster our efforts to combat poverty.

Given the urgency and the sheer scale of the challenge, harnessing synergies between aid and private sector investment is imperative. Directing a substantial portion of ODA towards improving the investment climate in developing nations offers a powerful means to more effectively engage the business community in our concerted global efforts to achieve the Goals.

The members of the World Business Council for Sustainable Development (WBCSD) strongly believe that **business is good for development and development is good for business.**

We all have a stake in creating peaceful, stable and prosperous societies. Widespread poverty remains an important barrier to sustainability. Sustainable development is a delicate balance requiring that we invest in economic and social progress while preserving the environmental resources on which our ecosystems depend. This demands an integrated strategy that creates wealth and opportunities while respecting our planet.

The private sector is already making a significant positive contribution toward development both through its core business and through pioneering business

ventures. Trade and industry foster entrepreneurship at all levels of society, creating broad-based wealth. Across the globe, the private sector is providing jobs that support families, funding governments and overseas development aid through tax revenues and fuelling economic growth.

Our companies are looking for fresh ways to address some of the world's most pressing development challenges. Many are engaged in corporate philanthropy, yet a growing number are moving far beyond this. Whereas philanthropy is inherently limited by geographic and budgetary constraints, the array of business activities our companies are actively pursuing have the potential to bring benefits to the poor in a far more sustainable and scalable way.

Leading companies are offering clear development benefits through investing in new ideas designed to create opportunities for the poor. These initiatives include tailoring products to specific needs, increased sourcing from local suppliers, and involving low-income communities in the delivery of new products and services.

SC Johnson in Kenya, GrupoNueva in Guatemala and Rabobank in Indonesia are significantly improving the livelihoods of local farmers through boosting their competitiveness. ConocoPhillips is developing the skills of women microentrepreneurs in Venezuela. EDF provides affordable solar energy to villagers in Morocco, too remote to connect to the national grid. Procter & Gamble has developed a low-cost product that purifies drinking water where no clean source is available.

BP, Eskom and Rio Tinto are working with local small and medium-sized enterprises (SMEs) to strengthen the fabric of both developing and transitional economies. Philips is expanding specialist healthcare provision to India's poor. Vodafone has developed a microfinance payment platform for African entrepreneurs. Holcim has also partnered with microfinance providers to offer low-cost housing solutions in Sri Lanka. Unilever has been pioneering new ways to deliver fortified food and hygiene products in Africa and India.

This publication underscores the strong contribution that WBCSD member companies are already making to development. We highlight 14 business ventures, but this is just a sample of the portfolio of solutions that business can offer. Some 66 WBCSD member companies are actively involved in creating new development-oriented initiatives; 40 companies are currently testing new ideas that have the potential to become mainstream corporate activities. The WBCSD online case study portfolio¹ and video library² detail many more of these.

1 - www.wbcsd.org/web/slcase.htm

2 - www.wbcsd.org/web/slsexperience.htm

The Millennium Development Goals provide a framework for all development actors to coordinate their strategies. In this publication, we aim to show how each individual business initiative contributes toward a number of MDG targets (see Millennium Development Goals Matrix).

Some of these business initiatives are new and relatively small scale, yet even the smallest has the capacity to grow. They are already having a positive impact on a significant number of lives, and show strong potential to raise the standard of living for millions of people, if they can be scaled up.

WBCSD member companies want to step up the business contribution to development. Yet, there are limitations to what companies can achieve on their own. Companies do not operate in a vacuum; the business environment plays a critical role in determining their success.

Capital shuns high-risk countries. Where the business environment is exceptionally challenging, companies simply will not invest. Corruption, absence of basic infrastructure and the lack of basic rule of law deter companies from investing in many poor, remote regions and trap many countries and their people in poverty. Inappropriate or inadequate framework conditions stifle economic growth and choke off the route to prosperity, condemning citizens to a marginalized existence.

By contrast, business prospers in a competitive market-based economy. Where the investment climate is favorable, entrepreneurship flourishes. This enables companies, large and small to thrive and secure a return on their investment, strengthening the local economic fabric and maximizing development benefits.

Policy makers determine the conditions in which business operates; consequently, governments and international bodies play a key role in our success. We urgently need support from policy makers, focusing efforts on creating the right conditions for development-oriented business initiatives to take root and grow. The fight against poverty calls for bold and innovative strategies.

Framework conditions are the single most important factor affecting business investment. Improving these will bring us that much closer to achieving the Millennium Development Goals.

We strongly advocate focusing investment on:

- > **A strong regulatory and legal framework**
- > **Building the capabilities of local enterprises**
- > **Core infrastructure**

Tackling these areas will have multiplier effects on development. Improving governance not only improves the business environment but strengthens human rights. Building up infrastructure and promoting education are investments that benefit people, investments that underpin the achievement of the Millennium Development Goals.

A robust overall regulatory and legal framework to promote and uphold the rule of law is essential. Likewise, security of tenure and property rights are critical, especially since it is the very poorest who suffer most from their absence.

We urge policymakers and government representatives to continue to consider issues such as transparency, governance, equality before the law, a fair and independent judiciary and contract enforcement. An environment which does not have onerous bureaucracy is conducive for grassroots entrepreneurs, local enterprises and overseas firms, bringing new jobs, technology transfer and reversing the brain drain suffered by many developing nations. Stable, sound macro-economic policies are also an important prerequisite.

Creating a level international playing field for trade is also imperative to realizing the latent power of business. Unfair tariffs must be abolished, markets liberalized and the benefits of trade opened up to developing nations.

A vibrant SME sector is key to wealth creation. We strongly encourage targeting resources toward building SME capacity and investing in human capital through training and strategies for the retention of skilled workers.

Little can be achieved however when individuals and economies lack basic infrastructure. Water, energy and health are priorities to meet the needs of the poor. Public and private investment in appropriate infrastructure is imperative to facilitate trade and economic activity essential to achieve the Millennium Development Goals. We advocate increased investments in infrastructure such as roads, ports and above all energy to provide support for economic growth. For none of the Goals will be achieved without adequate energy provision.

Aid can be immensely effective in leveraging higher private investment into developing countries. If a significant proportion of overseas development aid can be devoted to creating the right environment for business, capital flows into developing countries could grow significantly.

“By supporting developing countries’ own efforts to provide an attractive environment for private investment, ODA can play an important catalytic role and help leverage additional private financing for development.”

OECD, *Mobilizing Private Investment for Development*

Long-term problems require new approaches and innovative solutions. Global challenges are all interlinked. Our priorities and choices will have far-reaching repercussions. There will always be tensions and trade offs. There are no perfect answers, no perfect solutions. Yet with almost three billion people living in poverty, the urgency of the challenge is staggering. We cannot afford to wait. What we can do is give business the means to strongly enhance its contribution to development, by enabling business do what it does best: create wealth and opportunities.

Introduction Business and development at the crossroads

1

Creating wealth and opportunities –
the key to alleviating poverty

Leveraging business' core competencies

Exploring new ways of doing business

Maximizing opportunities for the poor

Playing to each other's strengths



Creating wealth and opportunities – the key to alleviating poverty



The Millennium Development Goals (MDGs) present a formidable challenge. These targets are ambitious, yet their achievement will make a fundamental and lasting difference to billions of people's lives and help create a sustainable future for our planet.

The Goals all have to do with the causes and effects of poverty: lack of income, lack of access to clean water and adequate sanitation, healthcare, food and housing. The key to alleviating poverty undoubtedly lies in broad-based wealth creation. In the developing and the developed world alike, business provides the engine for economic growth. Together with generating prosperity and opportunities, the private sector can deliver lasting development solutions.

Many large companies support strategies geared toward achieving the Millennium Development Goals. We in the World Business Council for Sustainable Development (WBCSD) firmly believe that **development is good for business and business is good for development.**

Business has always had a stake in creating sustainable, stable and prosperous societies. These provide not only a fertile ground for commerce and exchange, but lie at the very heart of empowering citizens. Historically, commerce has gone hand in hand with long-term improvements in quality of life and progress toward social rights and liberties. Entrepreneurial culture thrives in open, participatory and equitable societies.

“Business cannot succeed in societies that fail. Likewise, where and whenever business is stifled, societies fail to thrive.”

Björn Stigson, President, WBCSD

The work of our companies demonstrates how market-centered solutions represent a significant force for good. The fight against poverty calls for bold and innovative strategies. The business contribution to development, already significant, could be greatly enhanced through establishing robust framework conditions in low-income countries and through liberalizing the world trade system. In this publication, we put forward proposals to create an environment in which economies can thrive and development can take root in a sustainable way.

Leveraging business' core competencies



“I believe that companies, doing business in a responsible and sustainable way, can help raise the quality of life and standards of living in some of the poorest parts of the world.”

Antony Burgmans, Chairman, Unilever

Many farsighted companies have long seen it as part of their role in society to benefit disadvantaged communities and low-income groups in both the developed and developing world. Traditionally, business has fulfilled this role both through its core activities – providing jobs, paying taxes – and through its corporate philanthropy programs. However corporate philanthropy is inherently limited in scale and falls largely outside the scope of mainstream business activity.

Today our companies are establishing many dynamic and ground-breaking business initiatives that empower low-income people and foster sustainable livelihoods. These are real businesses. The principles that underpin our corporate social responsibility provide the foundation on which these new business models are built.

By investing in new business ideas that provide innovative products and services and create jobs and skills in low-income communities, companies act as a powerful catalyst for market-based development. Transforming these ideas into commercially-viable realities enables companies not only to invest large amounts of capital into implementing these; it also allows the scaling up of successful pilot projects, thereby improving the lives of significantly more people. By recovering initial costs and becoming self-financing, these business solutions can grow and spread far beyond the limited possibilities of even the best corporate philanthropy projects.

Though each region is unique in terms of the challenges it presents and each calls for a tailored solution, these scalable business models are highly transferable and can have a much greater sustained development impact.



The ground-breaking initiatives featured in this publication show how companies are pushing far beyond the conventional boundaries of corporate philanthropy to demonstrate how ‘inclusive business’ – business that includes all social groups – can make a difference to people’s lives. Many WBCSD member companies have embraced this new vision of the role of business, and many have already made important contributions to development.

This publication and the WBCSD online case study portfolio³ and video library⁴ highlight some 40 pioneering projects from across the globe spanning a variety of sectors. Our companies are committed to investing resources to develop their potential so that we can strengthen the business role in the concerted global effort to reduce poverty.

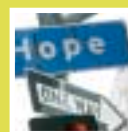
These initiatives create valuable community resources, such as new income streams for impoverished families, improved living conditions and the provision of essential services. Some of the benefits are clearly visible and can be directly attributed to the success of these business ventures. However, for many projects it is still early days, and it will take time for the tangible benefits to feed through. In addition, their innovative nature means that there are very few widely accepted indicators and monitoring mechanisms to quantify development benefits. This makes assessing these more challenging.

Many WBCSD companies are developing ‘social impact’ tools: new impact assessment methodologies to help measure the business contribution to local development. Wherever possible, these indicators relate to Millennium Development Goal targets. Given that the MDGs provide the internationally accepted framework for all development actors to coordinate their strategies, we have aimed to show how each individual business initiative contributes toward a number of MDG targets (see Appendix 3: *Millennium Development Goals Matrix*).

What is inclusive business?

Inclusive business – also termed *bottom of the pyramid (BOP)*, *pro-poor*, or *sustainable livelihoods business* – refers to doing business with the poor in ways that simultaneously benefit low-income communities and also benefit the company engaged in this initiative.

These innovative business models focus on fostering economic development and helping low-income families build more secure livelihoods, while creating new markets for companies. It is about ‘doing well by doing good.’



“Poverty is the deprivation of opportunity.”

Amartya Sen, Nobel economics laureate

‘Pro-poor’ businesses aim to create more opportunities for the poor to improve their own lives: opportunities for access to safe water, food, housing, education, medicines, transport and energy; opportunities to earn a living, to accrue income and to invest in the family’s future. These opportunities help the deprived to foster their own development.

Broad-based access to market-led opportunities is essential to kickstart the virtuous cycle of economic and human development. For a local economy to thrive, both the supply and the demand side of the market equation must be stimulated. WBCSD member companies are increasingly keen to help grow vibrant markets in developing countries as they realize their potential as future suppliers and customers. As the primary provider of economic opportunities, products and services, training and technology transfer, the private sector offers for many a route out of poverty.

“In theory, practice and common sense terms... most routes out of poverty start with enterprise.”

Kurt Hoffman, Director, Shell Foundation

Many of our companies aim to empower people through providing affordable quality products and essential services that improve people’s lives. All are mindful of the need to provide these products according to locally appropriate delivery mechanisms and to tailor our products to individual and community needs and wants.

In the developing world, small and medium-sized enterprises (SMEs) are major drivers of innovation, entrepreneurship and employment. Building up a healthy mix of quality large, medium and small companies is essential to strengthen and broaden the economic base. We strongly support strategies to build capacity for local entrepreneurs and to invest in training to ensure a skilled workforce to develop the local economy.

Our business models are built on our core competencies. A number of our companies, rather than focusing on selling to the poor, are working to include small companies from poor communities in their supply chains, and thus become business partners.

Playing to each other's strengths



“NGOs are now turning to market forces as a catalyst for change.”

Claude Martin, Executive Director, WWF

Many success stories involve partnerships with government agencies and NGOs, and many new partnership models are being created. Indeed, 13 of the 14 business examples discussed in this publication have a strong partnership component.

Procter & Gamble (P&G), for instance, is working with UNICEF and relief agencies to bring PUR[®], its water purifying sachets, to disaster-stricken areas and remote villages. Philips is collaborating with local hospitals and NGOs in India to provide specialist diagnostic services to rural areas.

Leading cement producer, Holcim is working with a microfinance provider to supply low-cost housing solutions in Sri Lanka. Unilever has partnered with Ghana's health ministry and UNICEF to reduce the prevalence of iodine deficiency, thus bringing major improvements in maternal and child health.

“On the NGO side, we are witnessing a shift of understanding of the potential to work with business.”

Mike Aaronson, Director, Save the Children UK

Business can benefit enormously from the on-the-ground expertise of development organizations and vice versa. There is growing recognition within the development community that the private sector brings technology, resources, effective delivery, global reach and an understanding of how to bring a product to market, none of which are core competencies of development agencies but all of which can be used to help meet development needs.

Over the last decade, the business and public policy agendas have drawn closer. A shared vision and forward-looking strategies provide an unprecedented opportunity to work together toward poverty alleviation.

Creating sustainable livelihoods and lifestyles

Unilever: Improving health through iodized salt

Procter & Gamble: Enabling safe drinking water

Holcim: Offering low-cost housing solutions

GrupoNueva: Boosting competitiveness for local farmers

EDF: Providing solar power for rural villagers

Philips: Bringing healthcare services to rural communities

Vodafone: Introducing mobile banking solutions

Building linkages with local enterprises

SC Johnson: Improving livelihoods for pyrethrum farmers

Rio Tinto: Encouraging self-reliance for local communities

Unilever: Growing businesses for impoverished rural women

BP: Building local supply capacity

Eskom: Empowering local entrepreneurs

Rabobank: Promoting farmers' co-operatives

ConocoPhillips: Developing skills for women entrepreneurs



“Some people regard private enterprise as a predatory tiger to be shot. Others look on it as a cow they can milk. Not enough people see it as a healthy horse, pulling a sturdy wagon.”

Winston Churchill

Trade and industry have historically been the drivers behind nations’ economic growth. Governments create the frameworks that encourage – or hinder – this economic development. By building a business-friendly environment, policymakers can enhance the private sector’s role in human development and bring us closer to achieving the Millennium Development Goals.

The business initiatives we feature here show how companies can improve the lives of some of the world’s poorest people through finding new ways to address their needs and by bringing them into mainstream economic activity; thereby increasing prosperity for all.

Companies recognize the importance of selling appropriate products and services to the poor and buying from the local resource pool so as to help generate local income. When engaging in fledgling economies, we focus on the poor both as aspiring customers and business partners.

Our featured projects illustrate how WBCSD member companies supply products and services geared to people’s needs and aspirations and how we source materials, labor and services from low-income communities. For instance, Unilever’s Annapurna fortified salt is produced and distributed by local enterprises in Ghana. Similarly, in providing solar panels to rural households, EDF is creating local jobs along the whole value chain.

We show in our MDG Matrix (Appendix 3) how each of the projects described – and other examples of companies’ businesses – is contributing to specific MDG targets. The investment in these businesses is still relatively small, yet a growing number of companies are currently testing and piloting these models. If they prove financially viable, we can anticipate a surge in these types of business ventures, as they become an integral part of companies’ core business strategies.



Smart design

As our world becomes increasingly globalized, we are becoming more mindful of the fact that business and communities can only achieve sustainable growth through respecting the delicately balanced ecosystem in which we all live.

Poverty represents a major threat to the environment and to our ability to achieve sustainable development. It is intricately linked to other global issues and cannot be tackled in isolation. Climate change and conservation of environmental resources integral to our ecosystem are also major concerns.

If we succeed in raising the standard of living of some three billion people, this will undoubtedly dramatically add to the stress on our environment. Increased consumption is a core byproduct of development. Therefore our imperative is to design products and services with environmental sustainability in mind. For instance, cleaner energy sources, such as solar power or biomass, deserve prominence in our portfolio of energy options.

“If the entire world population enjoyed Western lifestyles, it would require 5.5 planet Earths and its natural resources to meet everyone’s needs.”

UNDP, Human Development Report 1997

Supporting freedom of choice

Some express concern about big corporations selling their products and services to the poor. Critics maintain that impoverished communities will be manipulated by clever marketing and enticed to buy ‘little dreams instead of useful products.’ They question whether poor people in isolated communities can make responsible purchasing decisions.

We believe that the most effective way to empower people is to trust individuals to make their own decisions. Few would contend people’s right to a say in the way they are governed. Individual participation is key to a free society. Based on the same principles of individual freedom, no legitimate case can be made to deny people the right to make their own purchasing decisions. If market-based solutions provide a broader spread of cheaper, higher-quality products and better services with the potential to significantly improve lives, then we believe it would be presumptuous and morally wrong to prescribe to the world’s poorest what would be good or bad for their development. No one has the right to dictate three billion people’s aspirations.

The crux of the debate on sustainable consumption is not so much whether international companies should be encouraged to bring their products and services to developing countries, but rather what types of products and services they choose to offer and how these are provided.

The world is an increasingly transparent place. Companies that behave as responsible global corporate citizens, within a framework of positive social progress, will be more competitive in the long term and rewarded by satisfied customers, regulators and employees. Companies that behave irresponsibly will find that they become known for this approach to business. An integral part of corporate accountability involves providing and informing consumer choice. In addition, the positive social and environmental impacts of our operations serve not just the long-term interests of society, but our own future sustainability.

Reconciling affordability and desirability

We can only be successful in developing countries if we provide a product that meets a need and is affordable. This product must also be desirable, as people, especially those with limited incomes, are highly reluctant to spend whatever little money they have on anything but the best. In many respects, they are far more discerning customers than the affluent. Accessibility, affordability and desirability represent a huge challenge, but this challenge also provides companies with an opportunity to apply their core business competencies to innovate and design sustainable solutions.

We refer to the ‘three billion poor’ across the globe, but these three billion do not represent a single homogeneous group. They embrace a wide range of resources, education levels, and socio-economic contexts. People’s needs and wants vary significantly according to region, culture and income level. Through effective market segmentation, companies can differentiate products, identifying those appropriate for high-growth potential countries and those best suited for very poor, remote communities.

Business models also need to be adapted to the targeted customer group. When P&G tried to bring PUR® to the very poorest regions of the world or disaster-stricken areas, it found that making the product affordable was virtually impossible without recourse to some subsidies or an injection of aid money. In comparatively better off regions, the business model is more likely to be financially viable. In partnership with NGOs and development agencies, companies can help to lift the poorest out of the poverty trap, so that they can become self-reliant customers, instead of remaining recipients of aid indefinitely.

‘Leapfrog’ approach

Some countries are just beginning to climb the development ladder. There is no need for these to replicate the development path of their richer counterparts. In these countries, there is a great opportunity to design, from the outset, innovative solutions and technologies that will minimize the negative impact of increased consumption on the environment. In the field of telecommunications, Africa has already bypassed landlines in favor of mobile phones. Wherever possible, this ‘leapfrog’ approach should be encouraged.

“Developing countries present a real opportunity for sustainable consumption. There, we can start from a clean slate and develop appropriate products and services that serve people’s needs in a more efficient, integrated way.”

Paul Meyer, CEO, Voxiva



Business for development – Selling to the poor

Unilever • Improving health through iodized salt • *Ghana*

Procter & Gamble • Enabling safe drinking water • *Worldwide*

Holcim • Offering low-cost housing solutions • *Sri Lanka*

GrupoNueva • Boosting competitiveness for local farmers • *Guatemala*

EDF • Providing solar power for rural villagers • *Morocco*

Philips • Bringing healthcare services to rural communities • *India*

Vodafone • Introducing mobile banking solutions • *Kenya / Tanzania*

Unilever

Improving health through iodized salt • Ghana

The challenge

Iodine deficiency currently affects 740 million people in developing nations. The serious health problems it causes include goiters, mental retardation in children, brain damage, congenital defects, miscarriages and stillbirths. UN research suggests that 30% of children under five in Africa suffer from iodine deficiency disorders.





The business contribution

When the Ghanaian government tried to get people to switch to salt fortified with iodine they initially had little success as iodized salt was offered in impractical 50 kg sacks at twice the price of raw non-iodized equivalents. With 45% of local people living on less than \$1 a day, consumers ignored the health benefits, price being their most important concern.

Unilever is a leader in nutrition, hygiene and personal care products, active in 150 countries worldwide. Annapurna is a Unilever staple brand of products fortified with micronutrients including iodine, iron and vitamin A. Unilever aimed to help combat iodine deficiency and wanted to offer iodized salt at close to the price local people paid for the non-iodized product. This presented a significant challenge. In 1999, Unilever, in partnership with Ghana's Health Ministry and UNICEF, decided to develop a new business model to achieve this.

Launched in 2000, Annapurna iodized salt production is now wholly outsourced to third-

MDG impact

-  Target 1 • Income • direct
-  Target 2 • Hunger • direct
-  Target 5 • Child mortality • direct
-  Target 6 • Maternal health • indirect

party suppliers, thereby creating local jobs in manufacturing and distribution. Unilever works closely with these firms to boost quality and strengthen their management.

The innovation

Unilever works with local companies to streamline production and distribution and thus minimize costs and ensure Annapurna's affordability. The entire supply chain has been reconstructed: stripping out bureaucracy, removing production inefficiencies and cutting out intermediaries.

The salt is packed in 500, 250 or 100 gram sachets; the smallest of these are sold at \$0.06 – within the price range of the very poorest. Delivery mechanisms are tailored to the local context. A microcredit program has been set up in partnership with a local bank, allowing Ghanaian women stallholders to buy Annapurna salt and other products to sell on.

In partnership with the Ghana Health Service and UNICEF, Unilever is working to change mindsets and established eating habits. Roadshows create awareness of the health problems linked to iodine deficiencies. One project involves visiting 3,200 rural schools to educate children who then will teach their parents about the importance of using iodized salt.

The benefits

Local communities are empowered through health promotion. In 1998, 28% of the Ghanaian population used iodized salt; by 2002 that

proportion had risen to 50%. Better health increases people's ability to carry on with their daily activities, be it work, school or household chores.



Establishing new partnerships with local suppliers has created 200 jobs in local enterprises. Unilever helps local firms build capacity, investing in training, skills transfer and best practice. This enables local salt producers to rapidly improve their output and quality.

By training 400 women micro-entrepreneurs who now sell Annapurna sachets from their stalls, Unilever has helped bolster micro-enterprise. Annapurna salt provides an important source of income for these women.

Obstacles

Distribution to Ghana's predominately rural population is difficult due to extremely poor local infrastructure. High distribution costs coupled with low margins means this business model can only be financially viable where high volumes are sold. To help tackle this, Unilever has developed new retail distribution channels.

Health benefits can only take root if local people are educated on the need for iodine in their diet and change their consumption behavior. Health education in Ghana is progressing, though half of the local population still rely on raw non-iodized salt. Unilever has recently joined forces with UNICEF to raise awareness about the benefits of iodized salt in remote villages.

Unilever also competes with local enterprises that still sell non-iodized salt. Most of these small enterprises operate in the informal sector, are not registered and often do not pay tax. The



government has recently placed a ban on non-iodized salt. According to 1994 legislation, all salt sold should be iodized, however this legislation has not been effectively enforced. Fair and consistent legal enforcement is essential to create a level playing field to encourage healthy competition between market players.

Way forward

Sales of Annapurna are expanding to other African nations. Annapurna iodized salt has recently been launched in Nigeria. The Unilever Health Institute is currently developing additional products fortified with micronutrients. Under the same brand, biscuits fortified with vitamin A and zinc have also been launched to help boost children's immune systems.

Unilever is also collaborating with the Micronutrient Initiative and UNICEF on test marketing 'double fortified' salt.

“We at UNICEF can push things so far but to put real tangible things in place you need the private sector.”

Ernestina Agyepong, Nutrition Project Officer,
UNICEF Ghana

Procter & Gamble

Enabling safe drinking water • Worldwide

The challenge

More than 1 billion people still lack access to safe drinking water and an estimated 2.2 million children die each year because of preventable diarrhoeal diseases.

The business contribution




Procter & Gamble (P&G) markets almost 300 household products to over five billion people in 140 countries. In 2000, P&G launched PUR®. This technology is essentially a water treatment system for households not served by a safe drinking water supply, or for use in disaster relief. Since its introduction, PUR® has provided 260 million liters of clean drinking water. It has been successfully used in many countries including Bangladesh, Zimbabwe, Sudan, Ethiopia, Iraq and in the tsunami ravaged region of South East Asia, where 15 million sachets were delivered – enough to treat 150 million liters.

Over the last few years, Procter & Gamble has been investing considerable resources into improving access to safe drinking water for those who lack it. Since 1995, the company has collaborated with the US Centers for Disease Control and Prevention (CDC) and has worked closely with NGOs, local and national governments and health organizations.

The innovation

The product consists of a sachet of ingredients commonly used in conventional municipal water treatment, reverse engineered to effectively act as a mini-water treatment plant. Each sachet is

MDG impact

-  Target 5 • Child mortality • direct
-  Target 6 • Maternal health • direct
-  Target 10 • Safe drinking water • direct

effective in removing bacteria, viruses, parasites and some heavy metals from contaminated water. It works through a process of precipitation, coagulation, flocculation and disinfection.

Each small sachet costs around \$0.10 and can provide 10 liters of clean drinking water (enough for an average family for two days). Sachets dramatically improve the microbial quality of stored water and reduce diarrhoeal illness.

The PUR® approach is complementary to the development of piped water infrastructure. Sachets are robust and compact, making them easy to transport and store; a design particularly suited to natural disaster and other emergency relief. In addition, they are simple to use.

Because basic infrastructure and education is often lacking in regions that need safe water most, P&G collaborates with relief agencies. Healthcare workers teach local people about the need for clean drinking water, how to use the product, and promote safe water storage.

The benefits

When tested in 514 households in 14 villages in Guatemala, where diarrhoea is a leading cause of death, families who used the product to treat their drinking water had in addition to cleaner water, 40% less diarrhoea than households that used standard handling practices. These households also had 50% fewer prolonged episodes of diarrhoea in children under two. The World Health Organization (WHO) says the provision of safe water alone will

reduce diarrhoeal disease and other enteric diseases by 6% to 50% even in absence of improved sanitation and other hygiene measures.

PUR® sachets provided almost 10 million liters of safe drinking water to Haiti, where in 2004, civil unrest, severe flooding and heavy damage from hurricanes meant that clean drinking water was particularly hard to obtain. Here, PUR® sachets are distributed via a network of women’s groups through P&G’s partner Population Services International (PSI).

Unsafe drinking water has led to epidemic levels of malnutrition and life-threatening diarrhoeal disease in Sudanese refugees who are fleeing into northern Chad. P&G has collaborated with AmeriCares and the International Rescue Committee to help address this issue by providing enough PUR® sachets for more than 10 million liters of drinking water.

Obstacles

Poor distribution networks and inadequate health education are major obstacles to extending the use of PUR®. Distributing low-cost health products to rural areas represents a significant challenge, especially where roads are non-existent or in poor condition. P&G is tackling this through partnerships with NGOs that have both distribution reach and local expertise.

Similarly, health education and an understanding of the importance of clean water are pre-requisites for promoting use of a product such as PUR®. To achieve this, P&G has partnered with the International Council of Nurses (ICN) and other health promotion specialists.

Way forward

P&G is currently pursuing two separate models to



deliver clean water where it is most needed – ‘social marketing’ and ‘emergency relief’.

‘Social marketing’ aims to provide sustainable access to clean water. P&G sells PUR® to NGO partners in Pakistan, Haiti, Kenya and Uganda who have their own local distribution networks. PUR® is then sold by local distributors, the profits providing a source of revenue for these low-income families. P&G also provides PUR® at cost to international relief agencies for use in natural disasters and humanitarian crises.

The company is developing many other partnerships. In Uganda, P&G promotes health education with the ICN and its Ugandan affiliate. P&G has also helped found the International Network to Promote Household Water Treatment and Safe Storage, a WHO-backed network. P&G’s work has been supported by the United States Agency for International Development’s Global Development Alliance (USAID GDA), and the UK Department for International Development (DFID).

As part of its Children’s Safe Drinking Water Program, the company has also recently formed a new alliance with UNICEF. Joint programs will focus on supporting UNICEF’s efforts to bring safe water to schools, helping families in emergency situations and reducing household exposure to arsenic-contaminated water.

Holcim

Offering low-cost housing solutions • Sri Lanka

The challenge

In Sri Lanka, almost 23% of people live below the poverty line. The challenge is to provide well-constructed affordable housing for the very poorest. Some 12.5% of the population still live in wattle and daub huts with few, if any, facilities.

The business contribution

Holcim is a major world supplier of cement, aggregates and building-related services. As the leading provider of cement to the Sri Lankan market, Holcim Lanka is also looking to address the housing needs of this country's very poorest. Launched in 2005, 'House-for-Life' is a new partnership initiative between Holcim Lanka and microfinance provider, Ceylinco Grameen. Through this project, local micro-entrepreneurs borrow money to buy a house. This custom-built home has been specially designed as a shop-house, providing each family with the premises to run a small business.







Holcim Lanka provides the initial funds and technical skills behind 'House-for-Life.' Ceylinco Grameen administers the loans and maintains a close relationship with borrowers.

The innovation

This innovative partnership project combines micro credits with Holcim's low-cost housing concept. Loans follow the successful Grameen Bank model (from Bangladesh), with a few local adaptations.

In Sri Lanka, some 90% of Ceylinco Grameen's

MDG impact

-  Target 1 • Income • indirect
-  Target 3 • Education • direct
-  Target 4 • Gender equality • direct
-  Target 11 • Housing and sanitation • direct
-  Target 16 • Youth employment • indirect
-  Target 18 • Technology transfer • direct

borrowers are women micro-entrepreneurs. Those qualifying for 10% per annum a 'House-for-Life' loans are existing customers who have already proven their creditworthiness and built up a strong relationship with the bank.

Ceylinco Grameen provides intensive support for these fledgling businesses. Women learn accounting and other management skills and receive direct assistance with marketing and distribution. Should borrowers fail to meet their weekly repayments two weeks' running, a follow-up home visit helps them deal with any problems.

In late 2004, Holcim Lanka set up a revolving fund of \$50,000 to be replenished through loan and interest repayments. An initial seed fund was invested in the Grameen housing loan scheme, an additional sum financed the development of the model shop-house and the construction of the initial ten houses. Families have already settled into the first of these. To strengthen resources in the local community, the first few houses were constructed at Palavi Puttalam, an inland rural area, north east of Colombo close by Holcim's plant. A further five have been built in rural hinterland south of the capital, upgrading slum dwellings to decent housing.

The benefits

Previously, these families lived in rickety huts where they were unable to operate a business on the premises. Mostly, families already owned their plot of land, if not through official land title then through long-term occupancy rights.



Obstacles

So far however, the self-build input to home construction envisaged has been much lower than anticipated.

Holcim Lanka is considering training local people in supervised self-construction so as to keep building costs down or to encourage them to work with local masons who have already benefited from Holcim's training program.

These new well-constructed homes accommodate an average family of four or five. All have modern sanitation and are served by water and electricity. Here families can carry out their businesses, such as sewing or mechanical repairs in the ground floor shop unit; they live on the upper floor. Thus families have both boosted their income levels and improved their quality of life.

As 90% of the Ceylinco Grameen business owners are women, this 'House-for-Life' scheme also enhances the status of women in the local community.

To ensure these shop-houses provide the best quality and most cost-effective solution, with close attention also paid to environmental factors, Holcim is collaborating with the National Building Research Organization. Houses are built with cement locally produced by Holcim and other locally sourced building materials (roofing tiles, clay bricks and steel), providing new commercial opportunities for local producers and distributors.

Through this project, Holcim aims to broaden its portfolio of housing solutions, strengthen its reputation as a socially-responsible company and embrace new business opportunities with low-income communities.

In addition, the model house may not easily be transferable to urban slums, as construction will need to be adapted to specific local lots and this may push costs up significantly. For Holcim Lanka making these houses affordable for low-income families remains paramount.

Way forward

Holcim Lanka's 'House-for-Life' project is set to expand tenfold within the next year. Holcim Lanka has recently decided to boost the revolving fund by \$30,000.

The key challenges of this project are to scale it up and ensure sustainability. Therefore once the results of the initial pilot scheme have been assessed, Holcim hopes to partner with patient capital providers (such as international aid agencies) to facilitate this expansion.

The partnership is also considering broadening their reach through splitting funding into loans for home construction and loans for home improvements.

GrupoNueva

Boosting competitiveness for local farmers • Guatemala

The challenge

Agriculture is the main source of income for 87% of Guatemala's rural population, yet only 3% of farmers receive the technical assistance that would enable them to improve productivity and raise living standards.

The business contribution






GrupoNueva works in the area of sustainable forest products, water systems and light construction materials. Amanco, a GrupoNueva subsidiary, specializes in water management systems. In 2004, Amanco started looking for innovative ways to make its products available to lower-income farming communities and decided to provide small drip irrigation systems and latrines for local growers. These irrigation systems help reduce farmers' costs and ensure highly efficient year-round water availability. Amanco aims to sell \$5 million worth of these systems, across 2,500 target projects within three to five years.

Based on this irrigation system, the company has set up a holistic project for sustainable water use, helping improve farmers' livelihoods and shift crop mix toward export-oriented produce.

The innovation

Amanco created a system geared to the specific needs of poor farmers, the '4X4 All terrain Irrigation Model: 4 Seasons, 4 Harvests per year.' It also designed a new process to bring this product to a new market. Given that at the outset, Amanco's potential customers had very

MDG impact

-  Target 1 • Income • direct
-  Target 2 • Hunger • direct
-  Target 3 • Education • indirect
-  Target 5 • Child mortality • indirect
-  Target 6 • Maternal health • indirect

little disposable income and a highly unstable income stream, finding innovative mechanisms to help them finance the small investment needed to buy pumps was crucial.

Working with the right partners is key to finding buyers for farmers' increased production and to ensure this project's success. Guatemala's Ministry of Food, Agriculture and Livestock (MAGA) agreed to help finance the installation of the irrigation systems and to provide technical assistance and training. Two local NGOs, Opcion and Aj Ticonel, are working directly with farmers and developing overseas markets for the new range of crops grown, thereby supporting local growers as they move away from subsistence crops, such as corn, toward export-oriented produce such as string beans.

The benefits

Amanco's system improves water use through saving up to 50% during irrigation. Soil quality also benefits as these drip irrigation techniques help prevent soil erosion. Farmers are now seeing a 22% rise in production, coupled with a major improvement in produce quality. On the back of this, they have been awarded an international certification of environmentally and socially-responsible crop cultivation. Farmers are achieving 33% savings in labor costs and have significantly improved their standard of living, with incomes doubling to around \$1,950 a year. This is enabling farmers to integrate into the formal economy and to pay for their children's schooling.

These new technologies and technical assistance boost rural competitiveness; improve produce quality and supply stability and help secure long-term contracts with overseas purchasers in the United States and Europe.

Obstacles

Group-wide, the company is extending its business links with low-income farmers. However these farmers are unable to secure credit to buy pumps through traditional routes and any loans they do obtain often have interest rates of over 30%. Amanco is looking to combat this difficulty, by securing attractive loans for growers at much lower rates so as to bring more farmers into the scheme.

Poor infrastructure is common in Guatemala's less developed provinces, home to most of the country's agricultural production. Local governments are undertaking a variety of development initiatives, however they sorely require additional funds to develop specialized people-sensitive projects such as improvements to irrigation and drinking water sources.

Way forward

In the project's forthcoming second phase, Amanco will be working with financial institutions such as the Inter-American Development Bank to provide finance solutions, as access to affordable financing remains a major issue for farmers. These partnerships will significantly extend the reach of the project by bringing in more growers.

In addition, this strategic partnership will very shortly expand to incorporate companies, NGOs and others. Once phase two is underway, Guatemala's Export Association for non-traditional products, trading companies, vegetable



exporters, seeds and fertilizer companies and several research institutes / universities are all expected to formally join the initiative.

Once phase two is off the ground, Amanco will set up similar projects in other countries where it operates in Central America.

EDF

Providing solar power for rural villagers • Morocco

The challenge

More than 1.6 billion people worldwide have no access to electricity. In the most remote regions, the cost of connecting customers to the grid is prohibitive. Some 44% of Morocco's 30 million people live in deeply rural areas.

The business contribution







Temasol (Total EDF Maroc Solaire), a joint venture between EDF, Tenesol and Total, specializes in solar electrification. Its innovative project in Morocco will provide solar power to more than 58,500 rural households across 24 provinces. In the first phase (2002 – 2005), Temasol supplied electricity to 16,000 customers across four provinces. In 2005, the company commenced a second phase to install solar power for 37,000 families in 20 regions. A further stage is planned to supply an additional 5,500 households.

Through this project, each house is fitted with a solar home system comprising a solar panel, a battery and a controller. The solar panel converts the sun's rays into electricity then stored in a battery. Electricity is available night and day to run household appliances, up to four lamps, and a socket for a television, a radio or a mobile phone charger. An electronic controller regulates the battery, storing enough power to last up to five days, allowing the equipment to run year round, even when weather is bad.

The innovation

The equipment cost was partially covered by a grant to ensure affordability. Some 66% of this

MDG impact

-  Target 3 • Education • indirect
-  Target 4 • Gender equality • indirect
-  Target 9 • Environmental sustainability • direct
-  Target 10 • Safe drinking water • direct
-  Target 16 • Youth employment • direct
-  Target 18 • Technology transfer • indirect

project is financed directly through Morocco's Office National d'Electricité (ONE) with support from bilateral aid agencies (German bank KfW, French development agency AFD and the Fonds Français pour l'Environnement Mondial). Temasol contributes 24% of the costs and the customer provides the remaining 10% of a total investment of \$35.5 million.

By subsidizing the significant upfront capital investment, this financing package enables the consortium to overcome the high installation and maintenance costs of solar systems. In addition, Moroccan consumers already connected to the grid pay a tax of 2% of their monthly bill to help remote regions get access to solar power. This is one of the few solar projects worldwide based on a sustainable model and being progressively scaled up.

This innovative program not only provides solar equipment but also ensures a sustainable local service. System maintenance costs (Temasol undertakes to maintain the panels for ten years after purchase) are built into the initial connection fees. This is particularly valuable, as a traditional aid program would often fail to incorporate post installation maintenance.

Temasol strengthens contact with existing and potential customers by maintaining a sales presence at 'souks' (local markets). Here, customers can pay their monthly invoice or report any maintenance problems. As of 2004, Temasol has also offered a slightly more



Solar power provides a cleaner, more sustainable source of energy. Light previously came from candles or paraffin lamps. Televisions were often powered by small petrol generators or from cables connected to truck batteries.

expensive 'refrigerator' option for households, though demand for this remains low.

The benefits

Once the program is completed, some 58,000 households will have access to electricity affecting the lives of 370,000 people.

Bringing electricity to rural populations improves local living conditions, with light available at night safety is enhanced and youngsters can do their homework in the evenings. It allows family members to use a mobile phone to keep in touch with relatives or run a small business. These improved conditions also encourage local farmers and livestock breeders to remain on their land, rather than moving to the small towns that are connected to the grid.

This project currently has 83 direct employees and also employs 31 subcontractors. The business creates jobs in rural areas where unemployment is high. Temasol also invests heavily in staff development. All Temasol workers receive high-level in-house training in technical skills, quality control and customer relations.

Obstacles

As a medium-sized company, cash flow is critical to the smooth running of Temasol's operations. Ensuring regular, timely payments of external subsidies by funding partners remains a challenge.

Way forward

Ten million Moroccans currently lack access to electricity and the government wants the entire population to have electricity by 2007. A significant proportion will be supplied using solar power.

In 2004, Temasol began exploring the potential for solar-powered pumps to broaden access to water. It has discussed feasibility and financing options with ONEP (Office National de l'Eau Potable) and AFD/FFEM. A pilot project will commence in 2005 installing 15 pumps and serving the needs of 5,800 people.

Philips

Bringing healthcare services to rural communities • India

The challenge

To expand and improve healthcare services to lower income people in rural areas.

The business contribution






Philips is one of the world's largest electronics companies; focusing on healthcare, lifestyle and technology. In July 2005, Philips India launched DISHA (Distance Healthcare Advancement Project), a partnership initiative to improve access to primary healthcare for low-income communities through affordable and sustainable solutions. This project addresses the healthcare needs of many rural villagers through a specialized mobile clinic offering low-cost diagnostic services. Its tailor-made local solutions focus on 'mother and child' and trauma.

The project aims to deliver high quality, low cost diagnostics to a currently under-provisioned population segment, some 275 million who live on around \$1,000 to \$2,000 a year. In 2004, a survey of 60 Indian villages showed that poorer people spend a higher proportion of their income on healthcare than the rich, partly due to health-related loans with crippling interest rates of over 100% pa, loss of earnings through illness and lengthy travel times and overnight stays for families whenever they seek care.

The innovation

DISHA, the newly launched mobile clinic is a van equipped with diagnostic devices and medicines. Philips Medical Systems supplies the specialized medical equipment – the customized

MDG impact

-  Target 5 • Child mortality • direct
-  Target 6 • Maternal health • direct
-  Target 7 • AIDS • indirect
-  Target 8 • Malaria / major diseases • indirect
-  Target 17 • Essential drugs • direct

van (equipped with x-ray, ultrasound, and ECG devices); partners provide the personnel and other essential technology. Apollo Hospitals staffs each van with a male and female doctor and two paramedics. Diagnostic images are transferred to a nearby hospital via satellite dish, courtesy of the Indian Government. A local NGO, Development of Humane Action (DHAN) assesses health-related needs and estimates local demand for specialist healthcare services. This NGO has also worked closely with local women's self-help groups to raise awareness of and confidence in this new initiative.

The onsite medical consultation is free to users, who pay only for dressings, medicines and specialist diagnostic services. On the road 260 days a year, the pilot project aims to reach 13,000 people a year at an average estimated cost per user of \$1.80.

The benefits

Benefits include broader access to specialized healthcare; faster reliable diagnosis and improved overall health provision. Lower-income families save money thanks to affordable local provision and reduced travel time – diagnostic facilities are now within easy walking distance, instead of some 45 km away. As a result, many say their costs of seeking specialist healthcare have already halved.

There is a huge pent up demand for these services, with villagers having postponed seeking care until absolutely necessary. To tackle

this, an NGO pre-screening team is visiting villages to assess those most in need. On Saturdays, the DISHA team will participate in health screening camps run by partner NGOs, thus further strengthening health promotion.



In addition, local women have traditionally had poorer healthcare, with the family breadwinner's health coming first. Through its low-cost provision, DISHA serves to help combat this inequity. Hospital consultants are now also able to use their time more efficiently and pressure on existing rural primary health centers is reduced.

Equipment for the DISHA van has also been designed according to Philip's internal eco-design criteria – Green Focal Areas regarding weight, hazardous substances, energy consumption, recycling and disposal, packaging and lifetime.

Obstacles

Close partnerships with local government are essential to the project's success. Philips encountered major difficulties in securing authorization from the local regulatory bodies for a license for drugs to be administered via a mobile clinic.

Vehicle registration also proved problematic, with no precedent for a mobile tele-clinical van; it being neither a passenger van nor a goods carrier. So approval took six weeks to secure. Statutory clearances from government departments for pre-natal diagnostic testing and radiation control also proved time consuming.

Poor local infrastructure (eg bad roads, unreliable electricity generation) was an



important factor for the van's design. Also, as over 40% of the target local population is illiterate, community awareness is built through innovative, locally tailored media channels such as wall paintings and drama performances led by partner NGO, DHAN.

Way forward

The pilot project recently launched in Theni district, Tamil Nadu is to conduct 500 diagnoses and image transfers to test the concept and ensure viability. Once improvements from the pilot have been integrated, the project will be scaled up locally and expanded to other districts. In 2006, six further pilot projects based in Southern India will be launched, though the districts to be covered are not yet decided.

In addition, Philips is working toward also providing a smaller van (without the bulky X-ray equipment). This van will provide a scaled-down lower-cost solution able to service smaller villages and more inaccessible areas. It will cover a wider area within a day and alert a separate X-ray team to local demand so that X-ray services can be provided more effectively.

Vodafone

Introducing mobile banking solutions • *Kenya and Tanzania*

The challenge

Microfinance is a key tool in the fight against poverty. However, only a fraction of those worldwide who could benefit from small-scale lending are currently able to do so. The challenge is to broaden the reach of microfinance to unleash the power of entrepreneurship in developing nations.

The business contribution

Microfinance provides small loans and basic financial services to individuals, small-scale entrepreneurs and local communities with no access to capital and banking services. Microfinance is a highly successful model for financial development, achieving repayment rates of 97%, thereby ensuring sustainability.

However, high transaction costs of operating in remote areas, logistical difficulties for customers in making regular repayments, and the security risks associated with handling cash currently curb microfinance growth. New mobile technology can help overcome these constraints by making financial transactions faster, cheaper and more secure.

Vodafone is the world's largest mobile telecommunications company, with a significant presence in 28 countries and partner networks in a further eight countries around the world. In December 2003, Vodafone, with its partner companies in Kenya (Safaricom) and Tanzania (Vodacom) was awarded match funding by the UK Department for International Development

MDG impact



Target 1 • Income • direct



Target 18 • Technology transfer • direct

to help extend microfinance provision in East Africa. This project will utilize existing cellular infrastructure and the increasing penetration of mobile phones to deliver financial services to communities with no current access.

The innovation

In Kenya, uptake of mobile phones is strong and, whilst coverage of landlines is limited, an efficient cellular network is in place. Vodafone and Safaricom have partnered with the Commercial Bank of Africa and a microfinance company, Faulu, to develop a micropayment platform 'M-Pesa' ('pesa' is Swahili for money).

This new platform allows customers to use their mobile phone much like a bank account and debit card. In a similar way to pre-pay airtime purchasing, a customer of an MFI can use the wide distribution network of airtime resellers and other retailers (such as petrol stations and local shops) as the point at which cash can be paid into or withdrawn from their M-Pesa account. These M-Pesa agents serve as 'cash points' in local shops and receive a small commission on all M-Pesa deposits and withdrawals.

The system also allows customers to pay for goods and services with participating merchants without the need for cash.

The benefits

The platform is simple to use. The technology improves delivery efficiency for microfinance services benefiting both the customer and the

microfinance provider. By using mobile technology, money can be moved to and from the user’s bank account in a few seconds by SMS. This allows microfinance institutions to keep track of transactions and know the status of the accounts at any given time, compared to the current time lag of up to a week.

Customers no longer need to travel to the nearest bank branch – small deposits and withdrawals can be made at local retail stores authorized as M-Pesa agents. Payments can now be transferred directly to merchants who are members of the system without either party having to handle cash. In addition, funds can be transferred to other people (eg family members). This allows microentrepreneurs and regular customers to move cash without having to physically carry it, sometimes over great distances – a serious security concern for many East Africans.

To improve take up among target customers, the phone menu is presented in both English and the local official language, Swahili. Hands on training sessions are seen as essential to building trust in this new technology. Local microfinance officials are available to explain how the system works. Advice can also be obtained by phone from the M-Pesa customer care team.

Obstacles

M-Pesa has been designed to offer the best possible solution for a region with poor infrastructure. This was made possible by the well-developed cellular infrastructure already in place in Kenya and the rapid uptake of mobile phones in the region.

This microbanking payment platform will not succeed without strong partnerships. A reliable



local mobile network with good coverage is critical. Also essential are innovative local microfinance providers, keen to embrace new technology, and an efficient local bank. Other local community savings and credit organizations could also be interested in using this product.

Microfinance is currently unregulated in Kenya, but, with this field being increasingly regulated in other parts of the world, Vodafone and its partners are seeking to engage with regulators at an early stage and contribute to any future regulatory frameworks.

Way forward

A first pilot is currently being conducted in Kenya. It will connect 1,000 end users over the next three months. The platform will then be refined and, later this year it will also be rolled out in Tanzania and in other markets where Vodafone or its associate companies have a presence.



Entrepreneurial spirit abounds in developing countries. A large company bringing in new investment in a developing country can ‘localize’ its activities by creating strong, new links in the local supply chain. It can source a sizeable portion of its needs from local suppliers. In setting up a new manufacturing base, it also creates local jobs.

Strengthening competition and competitiveness

Some maintain that far from strengthening the economies of developing nations, large corporations harm the existing domestic industrial base, threaten local jobs through product imports and superior production efficiency, and thereby deprive local people of their livelihoods. Critics also argue for the protection of emerging domestic industries so that local companies can withstand competition from well-resourced international companies.

However, evidence suggests that this misguided strategy fails to strengthen the local industrial base and fuel economic growth. Large international companies do indeed challenge local enterprises in certain contexts. However, this challenge provides a positive catalyst, working to the benefit of the local economy and consumers across the socio-economic spectrum. Protecting inefficient local industry locks resources in unproductive, low-return activities. Introducing competition shifts resources to more productive uses.

Entrenched domestic enterprises, bereft of competition, fail to serve the needs of their local customers. In many fledgling, protected economies, the local market player has a monopoly, a situation which breeds inefficiency, encourages the use of environmentally unsound technology and the production of substandard goods. This situation does not benefit any customer, certainly not the poor.

Irrespective of trade tariffs, inefficient domestic producers are often locked out of international markets due to substandard production quality and unreliable delivery. Their failure stalls the creation of a diversified and vibrant export base, a key to development.

By contrast, attracting foreign investment brings a developing nation comparative advantages in the use of the latest, most efficient and environmentally sound technology and the delivery of a widening range of products and services. Sectors in which a fledgling market has no comparative advantage shrink as a proportion of national output to be replaced by cheaper, better products, and other competitive sectors of the economy grow.

Large companies encourage the rapid widespread adoption of high, internationally recognized technical, production and safety standards. Unilever, for example, adopts ISO 9001 for Quality and Product Safety, ISO 14001 for Environment and OHSAS 18001 for Occupational Health and Safety. Unilever's internal audit ensures these standards are used by all factories worldwide. WBCSD member companies also raise the bar in terms of respect for human rights, diversity, training and development – grooming local management talent and developing the business leaders of the future.

Investing in supply chain development

Stronger links between large companies, SMEs, local communities and micro-entrepreneurs are critical for the success of business-led development. Working with local SMEs can help a large company succeed in new markets, as these domestic enterprises bring invaluable local knowledge, networks and understanding of local market conditions.

The principal challenge is to build the necessary skills and capacities to allow small enterprises to become reliable business partners that meet the standards of global companies' supply chains policies. Instead of protecting inefficient, large-scale, domestic industry, governments and their partners should be building up a competitive local SME sector.

The examples highlighted here show how major companies can leverage their expertise and experience to help develop the capabilities of local enterprises, large or small. These capabilities are sorely needed to participate and succeed in both the local and international marketplace.



Business for development – Buying from the poor

SC Johnson • Improving livelihoods for pyrethrum farmers • *Kenya*

Rio Tinto • Encouraging self-reliance for local communities • *South Africa*

Unilever • Growing businesses for impoverished rural women • *India*

BP • Building local supply capacity • *Azerbaijan*

Eskom • Empowering local entrepreneurs • *South Africa*

Rabobank • Promoting farmers' co-operatives • *Indonesia*

ConocoPhillips • Developing skills for women entrepreneurs • *Venezuela*

SC Johnson

Improving livelihoods for pyrethrum farmers • Kenya

The challenge

To help pyrethrum growers in Kenya diversify their income base and raise themselves from poverty; to improve the supply of this high-margin cash crop through boosting productivity and streamlining the supply chain.

The business contribution




Kenya currently accounts for 60% of global pyrethrum production (a type of daisy). For more than 200,000 subsistence and low-income farmers supporting families – nearly a million people – pyrethrum provides the entry point into the monetized economy.

Pyrethrum's primary use is as the active ingredient in household insecticides. US-based global consumer products manufacturer SC Johnson prefers natural, biodegradable pyrethrins to synthetic ones for production of its household insecticide RAID®. However, SC Johnson must ensure this supply can be reliably sourced. To achieve this, SC Johnson works in partnership, to improve local farmers' productivity and streamline their supply chain.

The innovation

SC Johnson has set up a partnership with an international NGO, KickStart (formerly ApproTEC) and the Pyrethrum Board of Kenya (PBK), a parastatal agency that controls the pyrethrum business nationwide. This partnership aims to stabilize pyrethrum supply and create more sustainable livelihoods for farmers.

MDG impact

-  Target 1 • Income • direct
-  Target 3 • Education • indirect
-  Target 8 • Malaria / major diseases • indirect

Irrigation is at the heart of agricultural productivity in Kenya. KickStart markets low-cost human powered irrigation pumps to farmers in two districts, home to around 54,400 households growing pyrethrum. Its Super MoneyMaker pump retails for \$90 and the MoneyMaker Plus pump retails for \$50. KickStart has generally found that farmers recoup their purchase costs within three to six months. SC Johnson provides marketing expertise and financing to KickStart, which builds customer awareness through product demonstrations, poster campaigns and local contests.

The benefits

The partnership has achieved sales of more than 500 pumps in its initial year. Partners will track pyrethrum production volume and quality over time. They also plan to visit some of the farmers regularly to measure the positive impact of the pumps and of increased pyrethrum production on their livelihoods.

KickStart has found that using these pumps to help start small farming businesses means that average net farming income rises from under \$120 per year to around \$1,200 per year, raising families from subsistence levels to middle income. These higher income levels mean that farmers are able to send their children to school, build new houses and pay for healthcare.

An initial benefit of this project is that farmers have also started to diversify their income stream by growing new crops such as tomatoes, kale,



spinach, carrots and cabbage. KickStart has found that farmers, including the pyrethrum growers who use these pumps, have established over 36,000 new farming businesses generating over \$37 million annually in profits and wages. This is equivalent to 0.5% of Kenya's current GDP.

KickStart estimates that, by contrast with traditional aid, this partnership project will create almost \$20 of value for every dollar of investment. Families using pumps are starting to see tangible improvements in financial security, health and nutrition.

Obstacles

Kenya is dogged by the slow progress of economic reforms. An independent analysis of the pyrethrum value chain in Kenya⁵ came to the conclusion that this partnership project faces significant hurdles due to endemic low-level corruption, cumbersome red tape and a lack of transparency and good governance.

As a parastatal, the PBK needs approval from the Ministry of Agriculture to seek credit to finance a buffer stock, which would bring much-needed stability to supply levels. Rapid approval is a prerequisite, however cripplingly slow bureaucracy means this fails to happen.

The lengthy and complex supply chain is inherently inefficient, with a major gap between the international selling price of pyrethrum and the money paid to growers. For the past several years, the PBK has owed back payments to farmers for their harvest due to cash flow constraints. As a result, farmers are now selling their harvest to a broker who is able to pay them on time, but often at a significantly reduced price.

Way forward

KickStart estimates that global demand for these pumps could reach 35 million pumps. The number of pumps already supplied through this project to Kenya only begins to scratch the surface for effective low-cost solutions to irrigation.

While the first year has resulted in over 500 pumps sold, Kenyan cash crop farmers sorely lack access to financing. Therefore the partnership is looking into microfinance solutions to help growers purchase pumps.

Irrigation remains difficult. Access to water is limited, with a deep well pump still under development. There is a crucial need for more education, as only around 12% of farmers have previous experience with irrigation; so the partnership is exploring ways to provide this. If successful, this project could be expanded to other pyrethrum growing districts.

Rio Tinto

Encouraging self-reliance for local communities • *South Africa*

The challenge

To mitigate the impact of mining operations, maximize opportunities brought by their presence and secure a positive legacy ahead of mine closure in 2024.





The business contribution

Rio Tinto's Palabora Mining Company is one of world's largest integrated copper mining and smelting facilities. A key objective of its sustainable development strategy is to leave a positive social legacy for local communities when mining operations cease.

The company's Palabora Foundation works in partnership with communities within a 50km radius of the mine. Its activities focus on boosting SME and microenterprise capacity, advancing opportunities for local businesses that empower Previously Disadvantaged Individuals (PDIs). It also works extensively in education and skills development, promotes tourism and combats the spread of AIDS.

In 1998, three companies – Palabora Mining Co, Foskor Ltd and Sasol Nitro – joined forces with Ntsika (part of South Africa's Department of Trade and Industry) to create the Phalaborwa Business Linkage Centre (BLC), a program to promote Black Economic Empowerment (BEE). BEE is a government policy designed to reverse the social and economic harm caused by the country's past unjust apartheid regime. The BLC has since enabled many local SMEs to become successful suppliers to sponsoring companies.

MDG impact

-  Target 1 • Income • direct
-  Target 3 • Education • direct
-  Target 7 • HIV/AIDS • direct
-  Target 16 • Youth employment • direct

The innovation

The Business Linkage Programme staff identified business opportunities for local BEEs and served as their mentor. Training and advisory services focused on business and financial management, tender procedures, costing and accounting, market segment analysis and business plan development.

A database of local BEE entrepreneurs (firms where PDIs owned at least 35% of the business) was set up. Firms were audited annually to assess capabilities and highlight the need for additional support. The CEOs of the three sponsoring companies met quarterly to steer strategy. In 2004, they decided however that the Business Linkage Centre had already achieved its core goals and, to further promote BEE, reverted to managing procurement independently.

Certain segments of Palabora's procurement spend are earmarked for BEE firms. Initially, these centered on soft areas (neither capital nor technology intensive) such as security, cleaning and gardening. Palabora is now looking to progressively integrate BEE companies higher into its supply chain and to help firms diversify their customer base.

The Khomanani HIV/AIDS initiative forms part of a company-wide Rio Tinto policy to combat the spread of the disease. Funded by Palabora, Foskor Ltd, Sasol Nitro and government and NGO partners, the program works extensively to dispel local myths and the stigma surrounding AIDS. With the help of volunteer workers, it also



provides hospital transport for sufferers and monitors their treatment. At its two Education Resource centers, the Palabora Foundation fosters access to employment for local youth. Programs focus on pre-school education; educator development and improving levels of school governance. The Foundation also offers vocational skills training for unemployed young people such as bricklaying, carpentry, sewing and baking.

The benefits

Programs enhance local community relations and create jobs in an area where unemployment runs as high as 47%. By March 2004, some 258 BEE firms were registered on the Phalaborwa Business Linkage Centre database (there were none in 1998). Access to this database is now available to others looking to engage BEE suppliers.

In 2004, just over a third of Palabora's procurement spend went to BEE companies, with some 55 firms directly benefiting by supplying goods and services (many others profited from training and resources). BEE procurement reached \$25 million, from a total 2004 spend of \$74 million. Palabora is currently ahead of its 2005 BEE procurement target of around \$30 million, some 34% of total spend.

Through this program BEE firms have been able to service remote areas, foster new partnerships and to successfully compete with other well-established companies. Sponsoring corporations have also helped BEE firms to comply with high

standards of environmental and social legislation.

The Palabora Foundation's PROTEC and Master Maths program create a local talent pool of technical skills. The Master Maths program had 382 students in 2004, 50% of these go on to study engineering, science and accountancy at university; many graduates have already returned to work at Palabora and in the local area.

Obstacles

Lack of local infrastructure brings severe constraints to the success of certain aspects of Palabora's operations. Locals suffer from an acute housing shortage and some people still lack access to safe water. The existing water supply is also currently under jeopardy as the local authority has had difficulty in meeting financial commitments to the primary water supplier.

BEE businesses currently face challenges in moving up Palabora's supply chain due to capacity constraints and difficulties in meeting stringent loan criteria from local financial institutions, which would enable them to operate in more capital-intensive activities. Many emerging firms also lack specialist equipment and technology.

Way forward

In light of the mine's planned closure in 2024, the Palabora Foundation is stepping up efforts to reduce local dependency on mining and instead to promote local economic development and tourism by supporting a number of initiatives. The Phalaborwa region borders the Kruger National Park, and the Foundation has just submitted an EU grant proposal to set up a local tourism office. It is also providing administrative support for the Greater Phalaborwa Trade and Tourism Council set up in January 2004.

Unilever

Growing businesses for impoverished rural women • India

The challenge

To meet rural people's health and hygiene needs while creating community wealth.

The business contribution









Unilever is a world leader in hygiene, personal care, food and cleaning products. Its Indian subsidiary, Hindustan Lever, already enjoys a sophisticated and extensive distribution network encompassing both urban and agricultural areas, yet a core challenge is to develop locally appropriate distribution channels for customers in undeveloped, and often very remote, regions. The goal is to work from within these communities, promoting health while generating sustainable income for the poor.

Through its Project Shakti ('strength'), Hindustan Lever now works with 15,000 underprivileged women to bring its products to 70 million rural consumers. This innovative business model provides significant opportunities for local women to participate in the economy; it empowers local communities and promotes health and hygiene.

The innovation

India has a rich tradition of women's Self-Help Groups, which provide valuable local partners for Hindustan Lever (HLL). Groups pool their savings to obtain microcredit loans and start a small business. Unilever saw an opportunity to engage these entrepreneurial women to sell their products to villagers. Working with MART, it identified those women keen to become Shakti

MDG impact

-  Target 1 • Income • direct
-  Target 3 • Education • direct
-  Target 4 • Gender equality • direct
-  Target 5 • Child mortality • indirect
-  Target 6 • Maternal health • indirect
-  Target 8 • Malaria / major diseases • indirect
-  Target 16 • Youth employment • indirect
-  Target 18 • Technology transfer • indirect

entrepreneurs. These now provide rural distribution for HLL's hygiene, personal care and nutritional products. Consumer products are sold in small affordable sachets in line with local needs and spending power.

HLL invests heavily in support of these fledgling businesses: it facilitates microloans and provides on-the-job training, introducing entrepreneurs to marketing skills, product knowledge and book-keeping.

Shakti entrepreneurs demonstrate HLL products and sell these 'door-to-door'. However, following initial local resistance to door-to-door sales, the Hindustan Lever area representative accompanied visits, thereby boosting the women's confidence and status. Many Shakti entrepreneurs have since established a regular customer base of up to 500 consumers. They now also provide wholesale supplies to local shops, thus building on HLL's strong distribution network.

Through Shakti Vani, now a core component of project Shakti, women take on the role of community health ambassadors – providing villagers with basic health education, such as good hygiene practices, sound nutrition, disease prevention and pre- and post-natal care. Information flow is vital to catalyze rural development. In 2003, HLL piloted the iShakti initiative, a free IT enabled rural information service embracing areas of interest to the rural

community – including agriculture, education and health. First launched in eight villages in Andhra Pradesh, iShakti operates from a Shakti entrepreneur's home and is available to users from 9 am to 7 pm, six days a week. It provides local language information with a text to voice facility, so even the illiterate can use it. An expert panel is also available to respond to specific queries via email.



Unilever is tackling the core problem of insufficient access to microfinance through partnerships with banks, though NGOs and the government also provide loans on occasion.

The benefits

By end 2004, Shakti entrepreneurs were already selling Unilever products to 50,000 villages across 12 states in India, having strengthened HLL's rural reach by 50% since the project's launch in 2000.

These women now earn around \$15-22 a month, twice their previous household income. On the back of this, there has been a marked improvement in the women's status within the household, as they now have a much greater say in decision-making. Literacy programs also mean that more girls are now enrolling in primary education. Health promotion has brought health and hygiene benefits for local people through wider use of soap, shampoo and detergents.

Increased access to technology and information on issues affecting rural communities strengthens opportunities for local people to improve their livelihoods.

Obstacles

The low social status traditionally enjoyed by rural women has hampered this initiative. Many are reluctant to start a business, as their husbands, families and local community would disapprove. HLL combats this by ensuring family buy-in before engaging these women.

The government's support for this initiative is critical as many NGOs depend on state funding and feel obliged to follow the government lead. Without NGO partners, the recruitment of Shakti entrepreneurs has proved a much slower process.

Way forward

HLL plans to recruit 100,000 Shakti entrepreneurs by 2010 to cover 500,000 villages and reach 600 million potential customers.

Some 400 iShakti kiosks have now been set up; HLL aims to have 3,500 kiosks by end 2007 serving 10 million rural people across 7,500 villages. The company is looking to further strengthen its partnership with financial institutions and to use iShakti kiosks to offer retail financial products and services, including personal loans and savings accounts.

An adult literacy pilot is underway involving NGOs linked to CARE. This pilot also seeks to create awareness of best practices in health, hygiene, education and agriculture.

Unilever is already piloting similar initiatives in Bangladesh, Sri Lanka, Pakistan, Ghana, Mozambique, Kenya and Turkey. These projects aim to emulate the best of Shakti India, while tailoring the model to each local context.

BP

Building local supply capacity • Azerbaijan

The challenge

To develop the local SME supply chain for oil and gas companies in the Caspian region. To build the capacity of local enterprises outside the oil sector, encouraging broad-based economic development.




The business contribution

BP is a global energy group, employing over 100,000 people and operating in over 100 countries worldwide. It currently leads several consortia of petroleum companies developing oil and gas fields in Azerbaijan, Georgia and Turkey. Developing an effective local supplier base is core to the success of BP's business and to strengthening the Azerbaijani economy.

BP opened an Enterprise Centre in Baku in 2002, run on behalf of its international oil and gas partners in the Caspian region. The Enterprise Centre helps local companies develop their business in support of oil and gas projects, particularly those involving international companies. The Centre offers training in management, finance, IT, quality control and marketing. Experts also provide technological assistance to improve engineering and manufacturing know-how.

Azerbaijani SMEs receive free training in health, safety and environmental policies; are helped to participate in tender processes, access technical requirements of oil and gas operators and identify foreign partners for local projects. The Enterprise Centre also supports firms by

MDG impact

-  Target 1 • Income • direct
-  Target 14 • Landlocked countries • direct
-  Target 18 • Technology transfer • direct

identifying sources of credit, training and certification. In addition, it maintains a supplier database tracking more than 150 local SMEs.

The innovation

The Enterprise Centre is a focal point for BP and other international companies. Azerbaijani firms use it for business registration, management training, and to gain access to professional supply chain staff who advise on BP's future business requirements. Local suppliers can develop their knowledge and skills; understand the requirements of international oil and gas companies and effectively bid for business.

BP's approach ensures that developing the Azerbaijani economy forms an intrinsic part of its business process. Proactive supplier development through the Enterprise Centre means that BP draws on the capability of its whole organization to drive local content.

As a significant proportion of oil and gas spend is outside the oil-field service sectors – eg transportation – a broad spread of local industry benefits, strengthening the local economic fabric.

The benefits

BP's local supplier development program benefits both BP and local Azerbaijani firms. More competitive local firms offer BP a greater choice of cost-effective suppliers and greater responsiveness compared to international alternatives. In addition, building local SME capacity encourages improved business



practices, staff development, investments in technology and better safety performance.

In 2004, BP's direct spend with SMEs, local JVs and state-owned firms reached \$200m, and the company did business with over 200 local SMEs. Gross third party spend reached \$3 billion in the Caspian region. Of this, some 30-35% was spent with local firms in Azerbaijan, either directly with BP or through its prime international contractors.

BP's 2005 direct spend with local companies means that Azerbaijani suppliers currently represent its third highest level of in-country spend by revenue, after the US and UK.

Obstacles

Azerbaijan is a transitional economy confronting how best to manage the inflow of substantial revenues from new oil and gas resources and how to improve levels of transparency, governance and build institutional capacity. Corruption remains widespread.

There is an urgent need to improve the overall business environment. Simplifying business registration and formation would benefit SMEs in particular. Similarly, reform of the taxation and customs systems would also help build a thriving enterprise culture.

Local SMEs currently have inadequate access to finance. The wider availability of competitive financing would enable firms to grow their businesses. Structured trade finance solutions could potentially enable SMEs to use their supply contracts with major international firms as security against loans.

Way forward

In May 2005, oil began flowing into the Baku-Tbilisi-Ceyhan pipeline. As BP begins significant operational activity, the focus on SME development is changing, as is the role of the Enterprise Centre. It now forms part of BP's procurement and supply chain function, and BP has recruited additional Azeri specialist staff well versed in both the local economy and international procurement practice.

The Enterprise Centre is now increasingly being used to communicate BP's future supply needs, including detailed aspects of its tendering process, plans for investment in-country and forums for supplier feedback. This targeted communication with SMEs is critical to developing local firms who understand how to do business with international operators.

Together with the IFC and other multilateral development agencies, BP is currently assessing demand for specialist financing solutions for SMEs, such as structured trade finance vehicles to help SMEs build capacity and make the transition to becoming competitive suppliers to major international companies.

By 2010, BP aims to double its current spend with local firms to \$500m. Local spend on the people-intensive business services sector is currently 70%; BP aims to move all of this expenditure to local firms as soon as possible.

BP will also work to encourage further foreign direct investment in other industrial sectors in Azerbaijan and, over time, will foster longer-term partnerships with local companies to enable these to compete regionally and/or internationally.

Eskom

Empowering local entrepreneurs • South Africa

The challenge

To drive business opportunities for Previously Disadvantaged Individuals in South Africa.

The business contribution





The South African utility Eskom supplies around 95% of the country's electricity. Under current South African Government policy, Previously Disadvantaged Individuals are given preference in the allocation of government and large-scale contracts. This policy, known as Black Economic Empowerment (BEE), endeavors to repair the inequities of South Africa's past apartheid regime. BEE charters are now being applied across many sectors of the local economy and large companies now have prescribed target quotas for procurement from black-owned businesses.

Back in 1994, Eskom set up its own highly successful BEE project. This multifaceted initiative creates new opportunities for Previously Disadvantaged Individuals and communities to participate in South Africa's mainstream economy. The initiative is also successfully transforming Eskom's supplier base to better reflect the country's demographics.

The innovation

Eskom's policy is to maximize purchases from BEE firms of all sizes and a spread of industries. It also works to foster businesses owned by BEE women across all sectors of the economy. Beyond this, the company concentrates its developmental efforts on black suppliers in the

MDG impact

-  Target 1 • Income • direct
-  Target 4 • Gender equality • direct
-  Target 16 • Youth employment • indirect
-  Target 18 • Technology transfer • indirect

manufacturing, construction and mining/extraction sectors and providers of professional consulting services. Eskom has set its own criteria reflecting different levels of black ownership in these companies to decide the procurement spend allocated to each category.

Moving higher up the supply chain, it becomes progressively more difficult for new BEE businesses to compete against more established market players. Therefore Eskom has developed tools to help these smaller companies meet the demanding requirements of large corporations. Together with major electrical component suppliers, it conducts joint training country-wide to develop basic technical skills. The company works directly with BEEs, advising them on best practice, efficient production processes and enabling them to successfully grow their businesses. It also facilitates access to specialist financing, a crucial element of capacity building.

Eskom has built up a BEE supplier database of black-owned and controlled companies. Any company that applies for listing on the supplier database is assessed to ensure it complies with all criteria set out in Eskom's BEE policy. This database currently encompasses some 14,000 BEE businesses of all sizes. Eskom generally uses around 30% of its registered BEE suppliers at any one time, depending on the nature of the services required and those available. The vast majority are small contractors supplying goods or services to local power stations or Eskom offices. However there are also some larger companies, such as



its targeted BEE spending by around 36%, achieving in the last seven years a combined total BEE procurement spend of \$4,576 million.

Preferential procurement for black women entrepreneurs has also exceeded company targets, with a total procurement spend of around \$270 million since 2002.

Obstacles

The affirmative action principles that underscore Black Economic Empowerment can cause local problems where “front” companies look to exploit BEE preferential procurement. Those who do not comply with Eskom’s strict criteria are barred from registering on Eskom’s database. Any serious breach of government BEE policy is reported to the authorities. However, companies guilty of minor infractions may be given a short discretionary window to achieve full compliance.

Way forward

BEE procurement targets will remain a future priority for Eskom. The company will also look to integrate more large BEE businesses into its supply chain, where small firms currently predominate. Other core focus areas will be the development and procurement of services from Black Women-owned Enterprises and broad-based empowerment.

In addition, Eskom will strengthen its training provision for black entrepreneurs in business management skills, with an emphasis on tax code and legal compliance. Eskom is seeking to align its internal processes more closely with the latest South African government BEE legislation.

suppliers of coal and engineering, construction or professional services. A number of overseas companies have also sold equity stakes to local BEEs to comply with these listing criteria.

Eskom’s database enables a buyer to search using a number of parameters, including product lines and BEE status. The company sets aside some contracts for the development of black suppliers, as well as a portion of other contracts allowing BEEs to match the price of traditional suppliers. It also prescribes a percentage of work to be subcontracted to BEE firms on other contracts.

The benefits

The BEE initiative is a strong example of concerted effort to invest in a vibrant SME sector. The benefits of the scheme are manifold. A large number of Black owned and controlled small, medium and micro enterprises have become competitive suppliers to Eskom. These new business opportunities are creating sustainable jobs, and Previously Disadvantaged Individuals and communities are acquiring the necessary business and technical skills for their businesses to thrive.

Eskom has consistently exceeded its BEE procurement targets; since 1998 it has exceeded

Rabobank

Promoting farmers' co-operatives • Indonesia

The challenge

To improve farmers' livelihoods through helping them become internationally competitive.

The business contribution

Dutch-owned Rabobank provides financial services for foods and agribusiness, and has long been active in Indonesia. Small farmers in rural East Java had sufficient land to work, but no access to financing. These capital constraints prevented growers from investing in their farms. Realizing that these smallholders sorely needed capital, local intermediaries were exploiting the situation, raking in huge profits through extending loans on unreasonable terms and at crippling rates, thus shackling farmers to poverty.






Rabobank Foundation has been actively involved for several years in promoting farmers' savings and credit co-operatives, providing initial financial support while working toward these eventually becoming financially self-sufficient. Farming co-operatives encourage more rapid adoption of new technology among low-income growers and also break the stranglehold of middlemen. These co-operatives enable combined marketing efforts, facilitating attractive contracts with large-scale international buyers.

In early 2003, Unilever Indonesia, Rabobank International and Rabobank Foundation began an initiative to improve local livelihoods, working together to build a sustainable and high-quality supply chain for black soybeans to supply Unilever's local soy sauce factory.

The innovation

This initiative aims to empower the local

MDG impact

-  Target 1 • Income • direct
-  Target 2 • Hunger • indirect
-  Target 3 • Education • indirect
-  Target 5 • Child mortality • indirect
-  Target 6 • Maternal health • indirect

community. Rabobank Foundation took on the challenge of organizing farmers' co-operatives to grow soybeans, developing the business systems and training local farmers in financial management. Unilever Indonesia provides high quality black soybean seed and commits to buying the harvest while Unilever's Uli Peduli Foundation provides technical assistance through Gajah Mada University.

Farmers forming a new co-operative elect a committee; Rabobank Foundation then trains all members in their rights and obligations. Unilever Peduli Foundation provides a 'soft' loan (interest-free and in local currency) to help get the co-operative off the ground. The co-operative then offers members loans as high as \$41 to buy pesticides and up to 35 kg of seeds per ha. Local community support and peer pressure ensure that the loans are repaid.

Once harvested, beans are delivered to the co-operative. During the pilot phase, Unilever paid \$0.41 per kilogram and of this, a small percentage was retained to cover the co-operative's operating costs. Two weeks before the harvest was due, Unilever paid the co-operative 80% of the value of the estimated yield, and immediately following delivery the farmers received their full payment offset against their loan.

In addition, participating farmers agree to either to save a small amount from the sale of their crop through the co-operative or to save a regular amount over the course of the growing season. Some funds are set aside to cover emergency loans (eg funeral expenses or school fees).

Farmers in Nganjuk and Trenggalek districts were selected for the pilot phase as these already had experience in growing yellow soybeans. However, many farmers were initially somewhat reticent to adopt this new crop and were dubious of the advantages offered by co-operatives. Eventually, only 37 ha of black soybeans were planted in Nganjuk, with some 20 ha planted in Trenggalek, instead of the 150 ha originally envisaged.

Organizational teething troubles led to a disappointing first harvest in 2003. The following year however, the harvest was on track to reach 120 tonnes, and expectations were high until the entire region was badly hit by flooding. The harvest finally yielded 70 tonnes of beans from 60 ha of cultivated land.

The benefits

This partnership provides farmers with a guaranteed market and a fair, guaranteed minimum price for their crop. Growers are encouraged to sell to Unilever, though a successful co-operative means they are empowered to make their own decisions on the sale of their crop.

Farmers benefit from ongoing support in setting up and running a collective organization and many now put money aside to invest in their business. They improve their technical skills through a three year training from the Unilever Foundation.

Since its launch, the initiative has gained many new converts. Both members and non-members alike are encouraged by their own experiences and tangible benefits to their communities. Many smallholders have now adopted new farming methods, and have seen their yields swell by a third. Farmers are now voluntarily working together, spurred by increased income levels and the benefits they see. More villagers send their

children to school and have the funds to provide better healthcare for their families. Villagers are also making improvements to their homes.

Obstacles

The region suffered heavily from flooding in 2004, and unfortunately, scant relief aid has been forthcoming. Consequently, the interest-free loan has been extended until next year's harvest.

The local 'losers' in this otherwise successful initiative have been the middlemen who no longer find a market for their extortionate loans, and this has brought a few clashes. Some endemic corruption and cumbersome bureaucracy have also weighed down the new co-operatives.

Farmers initially had a deep mistrust of formal organizational structures and little experience in democratic decision taking, nor exposure to formalized private-sector credit structures. In addition, a lack of functional literacy among farmers hampered getting these co-operatives off the ground.

Way forward

Although it is still early days, the initiative is growing strongly. With more farmers now saving regularly, co-operatives should be financially self-sufficient within five years. The project is set to expand over the next few years, with more beans to be planted and yields set to grow. For the 2005 season, 1,100 farmers in the Trenggalek district will cultivate 200 ha of black soybeans; and some 100 farmers in Nganjuk are set to cultivate 62 ha. Unilever believes that empowering the local community will secure a reliable soybean supply that meets its targets both in terms of quality and quantity. Rabobank and Unilever are currently expanding their cooperation to Kenya, where they will work to empower local tea farmers.

ConocoPhillips

Developing skills for women entrepreneurs • *Venezuela*

The challenge







To develop viable, locally tailored microenterprises to empower women in poor communities.

The business contribution

ConocoPhillips is an international, integrated energy company. Together with its partners, the company is developing oil and gas reserves in the Gulf of Paria, Venezuela. This coastal region, fringing the Orinoco delta, is extremely rich in marine and birdlife, it boasts the scarlet ibis and many newly discovered species of shellfish. The Gulf has an ethnically diverse population; it is also home to an indigenous community, the Warao. The region suffers from endemic poverty and inadequate infrastructure. Local communities rely on fishing and other resources from its coastline mangrove swamps for survival. ConocoPhillips aims to be a catalyst for positive change in the Gulf of Paria, protecting this ecologically sensitive and important habitat and helping create healthier, stronger and more prosperous communities.

ConocoPhillips recognizes that the community's acceptance of their operations – also called 'social license to operate' – can be eroded if the local environment or quality of life is impacted, or if the community does not derive benefits from the development of the region's natural resources. Therefore, ConocoPhillips has proactively worked with local stakeholders on integrated programs focusing on environmental protection while maximizing the benefits of the company's

MDG impact

-  Target 1 • Income • direct
-  Target 2 • Hunger • indirect
-  Target 3 • Education • direct
-  Target 4 • Gender equality • direct
-  Target 5 • Child mortality • indirect
-  Target 16 • Youth employment • direct

presence to the local community. It strives to identify people's most pressing needs and to work with them to jointly address these. Here, one of its local projects in Valdez is to build capacity through training, skill development, education and community participation.

UNDP and NGOs such as SEPROC, CESAP, Fe y Alegria and Fundacion Tierra Viva partner these initiatives, bringing specialist expertise and stakeholder engagement. ConocoPhillips has already developed a number of vocational training, literacy and skill development programs. Some 25% of the broader local population is illiterate, as are 80% of the indigenous Warao. These programs safeguard indigenous culture and center on literacy and capacity building for adults and young people (most of the local population is under 20) to enable them to generate or supplement their income.

The innovation

Unemployment in the region is currently high, at around 32%, and average monthly incomes are low (\$100 - \$400). The company's programs aim to empower local women through setting up microbusinesses. The Banco de la Mujer (Women's Bank) is heavily involved in this initiative, together with Venezuela's Ministry of Planning.

Local women are consulted on how they think they could best improve their livelihoods. The local community then jointly decides what businesses would be most appropriate. On the back of these discussions, the women receive



microcredit loans and set up their own small businesses. A series of workshops draws out and builds on these women's skills and talents and also tests the feasibility of these microenterprises. In Valdez, these businesses focus on making traditional candies, chocolate, cocoa and coffee liqueurs, traditional handicrafts and homemade desserts such as 'meriendas parianas'. A regional ecotourism scheme enables them to also provide Bed & Breakfast lodging for visitors.

The program has three phases. Its initial phase focuses on identifying key partners, promoting the initiative and capacity building: working with these women to develop and improve their production skills and enhance customer service. The second phase aims to streamline production and sales, and the final consolidation phase focuses on evaluating and measuring results, also to implement potential new programs.

The benefits

This microfinance initiative is extremely new, but currently some 50 women have already set up new microbusinesses. The women are now working to improve their production quality and processes, to strengthen distribution channels and also to appraise their product lines. Many have developed thriving local and regional markets for their products.

The project has so far been very successful in mobilizing the local community and has brought significant benefits for the women involved – boosting their income levels. The initiatives have also made significant headway toward reducing local people's heavy dependency on government support and toward strengthening the local socio-economic fabric.

"My husband is unemployed and we did not have enough money to send our two sons to school ...now they can attend because I earn my own income. Every day I prepare meriendas parianas I sell these around town and I earn some money... At the moment I am participating in the Banco de la Mujer-Conoco capacity program and I am improving my skills for running my own business."

Tomasa Onoré, Microentrepreneur, Valdez

Obstacles

Lack of access to appropriate financing for small entrepreneurs is currently curbing expansion. Inadequate local infrastructure impacts distribution channels for local products. Better distribution channels will feed through into stronger product sales and hence improve local incomes.

Way forward

The project is set to expand with around 80 entrepreneurs expected by 2010, and a new agreement has just been signed with Banco de la Mujer. ConocoPhillips is developing ways to help make these small enterprises more competitive. It is also strengthening its capacity building initiatives through improving the quality of products and services, offering training in book-keeping, and reinforcing its partnerships with NGOs and across all levels of government.

Bridging the poverty gap – involving business

Scaling up solutions

Removing obstacles to growth

Improving governance

Establishing a robust regulatory and legal framework

SME capacity building

Investing in infrastructure

Energy – the missing link

Making markets work for development



The business initiatives we highlight illustrate the many ways in which companies can contribute to local development. These demonstrate the strong potential for private sector solutions and the powerful scope for much greater business involvement. Beyond this, they point to the foundations of the market economy so sorely needed for many more of these models to take root and spur development in the world's poorest regions. We stress what urgently needs to change so that we can scale up the business contribution to global development challenges.

Quality of life

Relative human development
2000 index

The Human Development Index (HDI) is based on three key components: longevity, education and income

- very high
- high
- low
- very low
- no data

Income compared with quality of life
Countries that provide a significantly lower or higher quality of life than their economic wealth suggests

- 2000 difference between GDP rank and HDI rank
- higher quality of life
 - lower quality of life



Source: Penguin State of the World Atlas, Penguin Books

Bridging the poverty gap – involving business



“The public sector has realized that the MDGs will not be achieved without a strong engagement of the private sector. Let’s not be ideological about development, let’s be practical.”

Peter Woicke, Executive Vice President, International Finance Corporation

The World Bank estimates that an additional \$40-60 billion a year is needed in foreign aid to reach the Millennium Development Goals by 2015, but strides will only be made if developing countries are prepared to reform their policies and improve service delivery to make aid spending effective.⁶

As the Sachs report *Investing for Development* points out: “Private businesses are important partners in achieving the Goals (MDGs). Long-term poverty reduction in developing countries will not happen without sustained economic growth, which requires a vibrant private sector.”

As business leaders, policymakers and development experts become increasingly aware of the importance of private sector engagement, the key question we all should be asking is: How can we encourage business to do much more toward development?

“Development in emerging markets cannot succeed without business. Conversely, business cannot succeed without an active and engaged civil society, committed to holistic solutions, and most importantly relentlessly pursuing active partnerships with business.”

W. Robert de Jongh, Latin America Regional Director, SNV – Netherlands Development Organisation

Scaling up solutions



In each case study, we have put together estimates of the number of lives already positively touched by the pro-poor business initiatives featured here. On a global scale, the numbers of people are relatively small, yet our efforts are only just beginning. These initiatives are rapidly growing. Each life touched makes a lasting difference. Accelerating these across the globe could result in a significant impact by 2015. There is tremendous potential here.

Let us ask ourselves: How many affordable irrigation pumps would be needed to increase the yields of one million low-income farmers and raise them above the poverty threshold? How much Annapurna iodized salt would need to be supplied to prevent the 41 million babies being born in developing countries every year from developing micronutrient deficiencies?

This gives us an indication of the magnitude of the challenge and the level of commitment required to achieve the Goals set in 2000. No one voice could reasonably claim a remedy to all the world's ills. We need to put forward a wealth of tailor-made solutions – to a plethora of intricate problems.

Removing obstacles to growth



“The commission acknowledges that the constraints on developing a sustainable private sector are widely known – and generally accepted ... Now the focus must shift from determining what the constraints are to how they are to be lifted and who is to lift them.”

UNDP, *Unleashing Entrepreneurship: Making Business Work for the Poor*

History has shown how rapidly nations develop once governments establish business-enabling environments. Hong Kong, South Korea, and Singapore have all been early success stories. Embracing market-orientated solutions has proved a powerful catalyst to China’s rapid emergence as an export giant. In 1989, China’s exports totaled \$52.5 billion; in 2004 they reached \$593.4 billion. Wealth in these countries has not been generated through aid, but through entrepreneurship.

There is a close correlation between capital inflows and the prevailing investment climate. Forward-looking policymakers and development specialists are becoming increasingly mindful of this.

Since Uganda started to improve its business environment in the early 1990s, private investment as a share of GDP has more than doubled. Reforms in many aspects of the business environment have enabled its economy to grow by more than 4% per year over the last decade. The proportion of people living in poverty dropped from 56% at the start of the 1990s to 35% in 2000. According to UNCTAD, Africa is home to five of the world’s fastest-growing economies – but also 34 of the world’s 49 poorest countries.

“Governments must take on the central role of creating an investment climate across Africa that supports enterprise and the role of the private sector and provides a clear and predictable economic policy framework for business to succeed.”

Jeroen van der Veer, CEO, Shell

Foreign direct investment (FDI) streams in to developing nations with good framework conditions and shies away from high-risk countries. The same holds true for inclusive business models. These can only flourish and generate tangible benefits if they are rooted in a supportive business environment.

Inclusive business models can sound wonderful in theory, but when they are tried, the harsh realities on the ground may sometimes lead to a very disappointing result. When a company translates an innovative business idea

into practice, its success is partly determined by the complex environment that surrounds it. This includes legislative and administrative frameworks, as well as all the actors that make up the socio-economic fabric of the country.

Coherent policies to support and promote a favorable business environment in the world's poorest regions are key to creating wealth and opportunities. Without these, an effective market-based economy cannot function. Without these, the very poorest stand virtually no chance of entering the market economy and benefiting from globalization.

A good investment climate benefits companies large and small, foreign and domestic. In most developing countries, SMEs are the backbone of the economy. While they conduct nearly 90% of the country's economic activity, almost half of them operate in the informal sector. Creating an enabling environment provides a powerful incentive for SMEs to become part of the formal economy.

“The investment climate is central to growth and poverty reduction. A good investment climate benefits society as a whole, not just firms. And it embraces all firms, not just large firms.”

World Bank, World Development Report 2005: A Better Investment Climate for Everyone

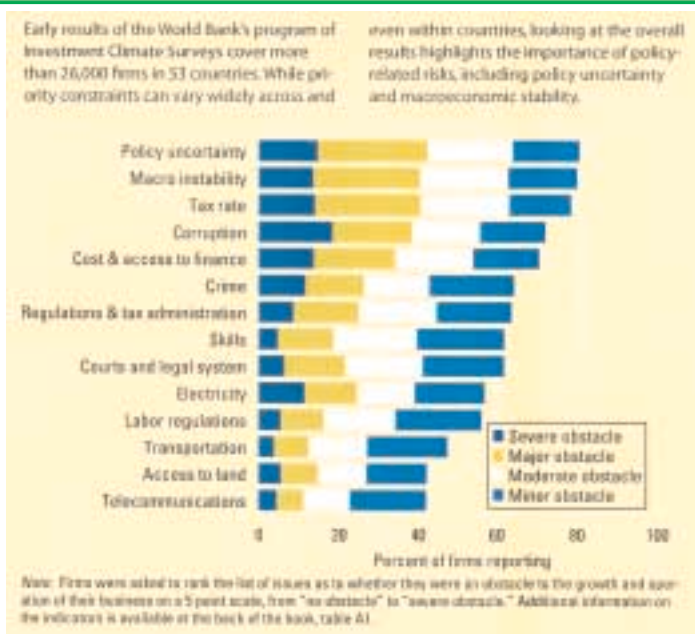
Improving governance



Framework conditions are interlinked, and all are vital to provide a viable environment to alleviate poverty, for business to thrive, and to stimulate economic growth. All must be addressed and significantly improved to lay the path toward prosperity. Achieving the Millennium Development Goals requires significant attention to, and progress in, all areas of governance.

This chart shows how seriously firms in developing countries regard various business constraints.

Investment climate constraints



Source: *World Development Report 2005: A Better Investment Climate for Everyone*

Each country faces a unique set of challenges. Two countries may struggle to upgrade their infrastructure, but where one is held back by lack of access to funding, the other may suffer from corruption that siphons off the funds allocated to infrastructure projects.

There is no 'one-size-fits-all' approach. Each country faces a different set of priorities; every development strategy must be orchestrated in tune with the local context. Therefore, rather than pressing simply for 'better governance' or 'better framework conditions', we encourage governments to consider key priority areas which, if addressed, could maximize the impact of development efforts and the benefits of increased investment inflows.

Based on WBCSD member companies’ experiences, we have identified three priority areas. These are based on the obstacles frequently encountered by companies across all sectors and which adversely affect both large businesses and small enterprises. These areas are particularly important to the success of pro-poor business ventures and to strengthening the local economic fabric:

- > **Establishing a robust regulatory and legal framework**
- > **SME capacity building – through investing in human capital**
- > **Investing in infrastructure**

These key areas embrace business’ most pressing concerns. Improving governance not only improves the business environment but strengthens human rights. Building up infrastructure and promoting education are investments that benefit people, investments that underpin the achievement of the Millennium Development Goals.

The recommendations of the UNDP report *Unleashing Entrepreneurship: Making Business Work for the Poor* are very much in line with our calls for a better enabling environment.

Foundations for the Private Sector & Pillars of Entrepreneurship

The UNDP report’s recommendations are:

In the private sphere:

Mobilize capabilities and resources

- > Focus private sector capabilities to support entrepreneurs and firms
- > Build ecosystems and linkages to pursue base of the pyramid business
- > Set standards

In the public sphere:

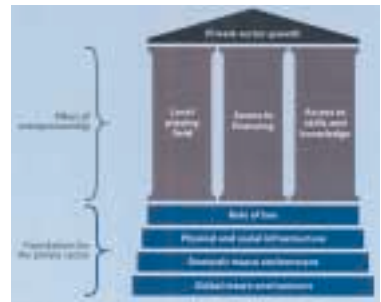
Create an enabling environment

- > Reform regulations and strengthen the rule of law
- > Formalize the economy
- > Engage private sector in the policy process

In the public-private sphere:

Partner and Innovate

- > Develop broader financing options for entrepreneurs
- > Build leadership and business skills and training
- > Broker Public-Private Partnerships for basic services



Source: UNDP *Unleashing Entrepreneurship: Making Business Work for the Poor*

Establishing a robust regulatory and legal framework



“The costs associated with crime, corruption, over-regulation, weak contract enforcement and inadequate infrastructure can amount to over a quarter of company turnover, or more than three times what companies typically pay in tax.”

World Bank, World Development Report 2005: A Better Investment Climate for Everyone

So often in the past aid has failed to reach the most needy. It has been siphoned off to prop up authoritarian rulers, encouraging corruption and providing incentives for misgovernance. Sound institutions and political stability are more important to each nation’s development than geography or economic policy.

Without good governance, business will fail to thrive and wealth will not grow. No country will raise itself from poverty without a robust regulatory and legal framework to promote and uphold the rule of law.

Upholding the rule of law

The rule of law embraces security of tenure, clear definition of and protection of property rights. Consistency in the way regulations and laws are enforced is paramount. Government accountability and a transparent and stable policy environment that clearly sets out business’ and all other stakeholders’ rights and responsibilities are equally central. According to the 2005 World Development Report⁷, over 90% of firms claim gaps between the formal rules and what happens in practice.

Underpinning this are basic human rights including safety from violence and physical abuse, freedom from gender, ethnic and social discrimination and equality before the law.

Security of life and property are imperative; as are fair and efficient markets in which property rights can be traded. Denial of these basic rights yields poverty and inhibits economic growth.

“The system of private property is the most important guaranty of freedom, not only for those who own property, but scarcely less for those who do not.”

Friedrich August Hayek, Economist

Peruvian economist and leading thinker on development, Hernando De Soto, has shown by surveys that the poor in countries such as Peru, Haiti, Egypt and the Philippines have surprisingly large resources in the forms of the houses in which

they live or their workshops or shops. But they cannot capitalize on these resources in a market sense because they usually lack deeds to them. Thus they cannot be used for collateral.

Lack of land title is a significant problem in many countries and a major issue for India's poor. By contrast, in Sri Lanka, where property rights are more secure, Holcim has been able to begin construction of custom-built cement houses with integrated business premises for very poor families.

Failure to uphold the rule of law condemns our initiatives to collapse and often prevents companies from transferring successful pro-poor business models to other needy regions.

Rooting out corruption

The effective tackling of corruption at all levels of state, regional, and local government is critical. Institutional corruption feeds through into personal corruption and must be rooted out. Adequate wages for public servants, particularly at local level, cut the risk of bribery and dishonesty.

A UN commissioned report⁸ analyzing the value chain for pyrethrum (a type of daisy used in insecticide manufacture) showed that consumer products manufacturer SC Johnson's efforts to improve the livelihoods of subsistence farmers in Kenya have been slowed down by corruption, with farmers being denied the full revenue benefits from their harvests by brokers.

In South Africa, utility Eskom's initiatives to promote Black Economic Empowerment have been occasionally marred by corrupt individuals and front companies who have attempted to use the BEE initiative to unfairly take advantage of business opportunities.

Endemic low levels of corruption and nepotism remain a concern both in local government and in the business community in many parts of Africa. Like Eskom, Rio Tinto's Palabora mine in South Africa has experienced difficulties with certain prospective suppliers who aimed to secure contracts under their Black Economic Empowerment procurement quota but failed to comply with the strict criteria necessary. The company often gave these firms a few months' window to achieve full compliance and, in many cases, they successfully later met these criteria. Those that did not were excluded from the tender process.

We do not mean to imply that corruption is a disease only of the developing world. The past decade has seen spectacular examples of corruption on a grand scale in some of the wealthiest nations. However, we must stress that corruption causes harm wherever it occurs.

Streamlining bureaucracy

“Myth 1: regulatory reform is costly. In fact analysis shows that benefit-to-cost ratios of such reforms are on the order of 25:1”

World Bank, *Doing business in 2005: Removing Obstacles to Growth*

To increase efficiency and attract investment, regulations should be restricted to areas where they are absolutely necessary. In developing countries the regulatory burden is often disproportionately heavy, slowing down business processes and increasing transaction costs. In contrast to developed countries, companies can face up to three times the administrative costs, and nearly twice as many bureaucratic procedures and delays associated with them⁹.

According to the World Bank report, *Doing Business in 2005*, it takes only two days to incorporate a business in Canada; yet 153 days are needed in Mozambique, and 203 in Haiti.

Layers of opaque regulations and stifling bureaucracy suppress entrepreneurship and smother economic growth. They deter large businesses and cripple local start-ups. By contrast, removing this ‘red tape’ unleashes the entrepreneurial spirit and engenders prosperity.

In India, Philips has encountered difficulties in securing approval for the procurement of drugs for its new mobile clinics due to cumbersome healthcare regulations. It has also experienced delays in securing approvals for its new mobile clinics.

In Kenya, market inefficiencies and uncompetitive pricing for pyrethrum are endemic due to the monopolistic nature of the Pyrethrum Board of Kenya (PBK), a parastatal agency that controls the pyrethrum business nationwide. The PBK’s government links also mean that any changes in government also affect the PBK’s relationship to its pyrethrum buyers and suppliers.

A UN commissioned report concludes that the PBK’s monopolistic position which prohibits processors from working with and purchasing directly from

pyrethrum farmers is having a detrimental impact, not only on rural farmers and their livelihoods, but also on the future survival prospects of Kenya’s pyrethrum sector¹⁰.

Countries must establish an accountable and efficient public administration able to deliver efficient public services. Institutional capacity building is critical, including measures to raise the competency of public servants.

Where Rio Tinto’s Palabora mine operates in South Africa, local government, as in so many areas in the country, is plagued by serious institutional capacity constraints. Rio Tinto’s Palabora Foundation is now working with local government to help them achieve some of the goals of the Integrated Development Plan and secure additional funding for local economic development. Palabora contributes by providing support in business skills and financial management. Here, increased institutional capacity would improve access to funding for broader local development projects.

Key areas for collaborative action

Business can take a lead in improving framework conditions through:

- > Transparency initiatives to strengthen governance
- > Active contribution to policy design

Government can lead by:

- > Upholding and promoting the rule of law
- > Protecting human rights and equality before the law
- > Protecting property rights
- > Rooting out corruption at all levels
- > Paying adequate salaries to public servants

Government, business and civil society can work together to:

- > Root out corruption across the board
- > Raise capabilities of public servants



WBCSD member companies look to stimulate local economic activity and to become an integral part of the economic fabric in developing nations. In developing linkages with local enterprises, we increasingly rely on local companies as a crucial component of our value chain – and as fundamental to our success.

Whether it is Philips or Unilever providing essential products and services to low-income populations and, in doing so, engaging local distributors and healthcare personnel, ConocoPhillips teaching business skills to local entrepreneurs, Eskom or Rio Tinto providing opportunities for previously disadvantaged individuals to participate fully in the economy, or SC Johnson sourcing the active ingredient for its insecticide from Kenyan farmers; all have invested resources in building capacity for these smaller firms to help them become competitive business partners.

Fledgling economies benefit from business' best practices and core competencies in helping build a diversified export base and the private-sector provision of services. An international company investing in a developing nation brings not only a source of revenue, but also the transfer of skills, technologies, managerial know-how and best practice. Skill transfer happens much more rapidly than if a domestic industrial base is built up from scratch.

The challenge is to bring local SMEs up to global supply chain standards. Local entrepreneurs require better access to information technology, improved management skills, training, and awareness of technical requirements. They also need access to financing solutions so that they can deliver their products and services both in a timely manner and to appropriate international standards.

Training and education

Investing in human capital is a core component of wealth creation. This is recognized in the Millennium Development Goal (Target 3) empowering low-income communities through universal access to primary education. Beyond this, better provision of vocational training for adults and young people also underpins development and improves young people's employment prospects (Target 16).

We strongly urge that operational strategies for training and retaining skilled workers be implemented to help curb and reverse the brain drain experienced by so many developing nations, and to ensure an adequate, capable workforce able to deliver efficient local services.

These strategies will not only create the pool of skilled labor needed to integrate impoverished communities into the value chain (as suppliers, employees,

distributors, or sub-contractors), but also will allow local people to seize fresh opportunities and make informed choices (both as customers and business partners).

We recognize that making lasting changes overnight is difficult and requires sustained efforts. The BEE policy in South Africa sets ambitious targets, but significant advancement in education, health and vocational training will be needed before previously disadvantaged people are able to reap the full benefits of new employment opportunities offered to them through the BEE initiatives.

Access to financing

Many SMEs have the products and the potential to supply international corporations. However lack of access to affordable and appropriate financing is a major constraint to SME development. These firms, often young, do not have the track record and balance sheet assets to attract credit through traditional routes, even if 'traditional routes' are available in their home countries. Local banking sectors are often seriously underdeveloped. SME financing through contract pre-finance and other structured trade finance solutions, can greatly accelerate local SME integration into the supply chain.

SC Johnson and GrupoNueva recognize that access to finance is critical to enable farmers to improve their productivity (through buying pumps and irrigation systems). In Indonesia, Rabobank is promoting farmers' co-operatives for soybean growers to enable low-income growers to access affordable credit. Unilever is also helping village women, their Shakti entrepreneurs, access loans to grow their microbusinesses.

In Azerbaijan, BP is exploring the use of structured trade finance solutions for local SMEs to help these firms grow their businesses and become internationally competitive. Lack of access to specialist financing is currently severely curtailing local SME growth. According to a World Bank study, only 4% of Azerbaijani SMEs currently have access to bank lending. Companies such as Eskom, AngloAmerican and Rio Tinto also help their aspiring suppliers source specialist finance.

Access to finance is critical to ensure affordability and enable low-income households to buy products and services that improve their lives. A grant lowers the installation costs for EDF's solar panels in Morocco; Holcim has structured a microcredit component into its housing solutions for poor families in Sri Lanka. Vodafone has adapted its mobile technology in Africa to facilitate access to microfinance.

Supply chain development

Capacity building forms the crux of supply chain development. Assistance with financing alone will rarely bring local suppliers up to the standards of international corporations. Engaging appropriate technical and engineering skills and know-how are a critical success factor. Integrating partner-based, capacity building solutions can lead to strong, established relationships between international firms and local suppliers.

BP's Enterprise Center in Azerbaijan serves as a forum for aspiring local suppliers to gain business with BP, as an important center for training in business skills, technology transfer and best practice and for would-be foreign investors to draw on BP's experience. Likewise, Rio Tinto's and Eskom's Black Economic Empowerment databases help build strong linkages with local enterprises.

Key areas for collaborative action

Business can lead in local SME capacity building through:

- > Technology transfer
- > Direct investments in equipment and technical assistance
- > IT
- > Marketing
- > Workplace organization
- > Quality control
- > Health and safety
- > Management and employee training
- > Training in financial management
- > Enhanced access to information
- > Compliance with technical requirements
- > Identification of foreign partners
- > Training in tender process participation
- > Facilitating access to finance

Government can lead by:

- > Provision of primary and secondary education
- > Provision of vocational training
- > Providing incentives for foreign investors to work with local suppliers

Government, business and civil society can work together to:

- > Create partnerships to promote the training of skilled workers
- > Facilitate access to finance

Investing in infrastructure



Economic prosperity cannot be achieved when individuals and whole economies lack basic infrastructure. Roads, ports, rail networks, telecommunications, access to energy and water for domestic and agricultural use are some of the basic services needed to facilitate mobility and trade.

Inadequate infrastructure, such as poor roads and remote and scattered villages, makes it hard for farmers to bring their products to market, and likewise hinders access to products. In India, supplying Shakti entrepreneurs with Unilever's product range can be a very expensive proposition as distances are large and the value of stock supplied is low. Consequently, entrepreneurs are spread along particular routes to make distribution more cost effective.

Impoverished rural and urban communities can begin to participate in global economic growth if provided with the basic tools to do so. Investing in and renewing vital infrastructure will unlock individual entrepreneurial drive and allow talent, creativity and drive to achieve lasting results.

Public and private investment in appropriate infrastructure is imperative to facilitate trade and economic activity essential to achieving the Goals. In tandem with sound macro-economic policies, we urge for a significant and well-thought out increase in investments in vital infrastructure such as roads, electricity, ports, telecommunications and other essential inputs that lay the foundations of economic growth.

In some contexts, pro-poor businesses can be adapted to address local infrastructure constraints. In Morocco, the cost of linking remote areas to the grid remains prohibitive; EDF now provides solar panels to its rural customers to help meet this need. In India, poor rural infrastructure and healthcare provision create a need for Philips' new mobile clinics. But in order to reach even more remote regions, Philips will need to bring in further innovative solutions such as a smaller van able to cross rougher terrain.

Many of our initiatives suffer the negative effects of poor infrastructure in many of the world's regions. In Ghana, poor local infrastructure pushes up transport costs for Unilever's Annapurna fortified salt. It is difficult to get P&G's life-saving PUR® safe drinking water sachets to disaster victims due to poor roads and lack of other basic infrastructure.

Key areas for collaborative action

Business can lead in infrastructure development through:

- > Providing the capacity to build operate and maintain infrastructure in a cost-effective way

Government can lead by:

- > Setting and maintaining sound economic policies
- > Increased targeted investment
- > Upholding the rule of law and protecting property rights
- > Seeing projects through to effective completion
- > Renewing and maintaining existing infrastructure
- > Ensuring new projects benefit all people, including the very poorest

Government, business and civil society can work together to achieve:

- > Appropriate public-private partnerships, electrification, safe drinking water and sanitation, telecommunications and other basic infrastructure

It is no surprise that the Sachs report, *Investing in Development* maintains that “strong public systems are needed to provide the human capital and infrastructure needed for firms to thrive and have access to world markets.” WBCSD companies strongly endorse the report’s calls for investment in core infrastructure, human capital, and good governance to establish the basis for private sector-led diversified exports and economic growth.

“Achieving the goals is largely about making core investments in infrastructure and human capital that enable poor people to join in the global economy.”

Jeffrey Sachs, *Investing in Development. A Practical Plan to Achieve the Millenium Development Goals*

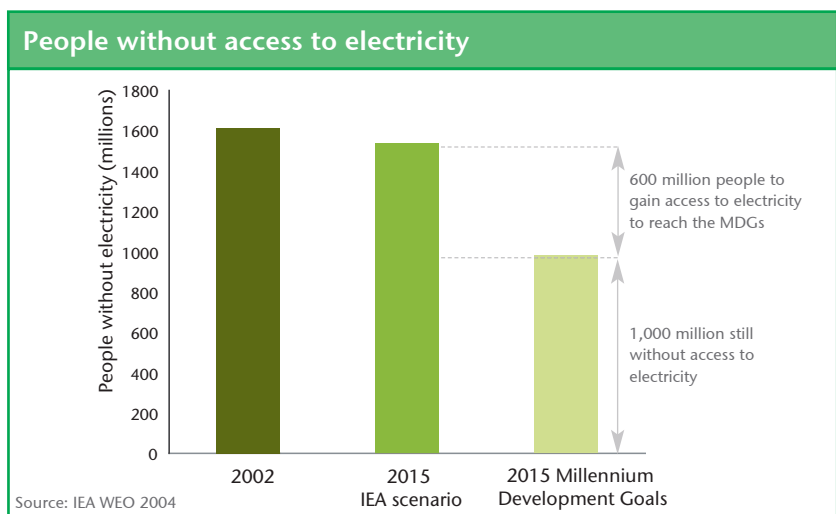
Energy – the missing link



Not technically a Millennium Development Goal, nor a specific target, energy is nevertheless a key development driver. Without energy, we are without means to cook food, without means to provide refrigeration for food or medicines, without telecommunications. Without energy our use of machinery and mobility is severely curtailed. Current dependence by 2.4 billion people on biomass fuels harms the environment and is detrimental to human health – with a disproportionate effect on women and children whose time is wasted collecting firewood.

Energy provision has an indirect, yet critical, impact on health, productivity and our very survival. Indeed energy influences every aspect of human life. For the 1.6 billion people who currently lack access to electricity, the provision of energy is crucial to the achievement of the Millennium Development Goals.

The table below shows the energy implications of halving poverty in developing countries by 2015. According to the International Energy Agency (IEA) estimates, 600 million people need to gain access to electricity by 2015 to reach the MDGs. This would require an additional investment of \$200 billion between now and then. Attracting such a substantial investment requires governments to enable business to provide part of the solution, by leveraging its significant operational, managerial and financial capabilities. Leading companies can also provide developing countries with much needed appropriate modern technologies which are more cost effective, enable access to a greater number of people and reduce the environmental footprint caused by increased energy consumption.















We do not advocate wholesale privatization, but recognition that business has an important role to play and that governments have a responsibility to ensure that appropriate market mechanisms are in place to reduce the costs of energy provision and ensure the recovery of operational costs. Access to energy will only be sustainable if investors and service providers are able to obtain adequate returns.

Whether macro projects or micro solutions are considered, several barriers have to be overcome before energy is accessible and affordable for all. Large-scale infrastructure projects such as power plants represent huge investments and require complex partnerships between governments, investors and operators to secure the necessary financing. As energy projects are extremely capital intensive, and therefore highly exposed to financial risk, currency fluctuations need to be factored in to enable the recovery of upfront investment over a long period of time. Once a plant is built, the security of the installation is paramount, and requires consistent enforcement of the rule of law and property rights to guard against expropriation. Many energy projects fail because of inadequate provision for long-term plant operation and maintenance.

Micro solutions such as off-grid solar power, Liquefied Petroleum Gas (LPG), biomass or small-scale hydro generators are often the preferred options to broaden access to energy in remote communities. These can be introduced in specific regions and do not require a large upfront investment. Yet the relatively high costs of these technologies means that subsidies are often necessary to lower the price and make energy affordable to low-income households.

Subsidies are a powerful policy tool but should be used with caution. Where competition between alternative fuel sources needs to be stimulated to mitigate the environmental impact of energy consumption, subsidies can provide an incentive to encourage customers to purchase environmentally-friendly sources of energy. However, subsidies can also sometimes impinge on a customer's sense of ownership – and an ensuing lack of responsibility can lead to overuse or poor maintenance of the service.

The energy matrix below shows the vital importance of modern energy provision in achieving the Millennium Development Goals.

Energy and the MDGs		
Target	Direct impact	Indirect impact
1. Income 	<ul style="list-style-type: none"> > Enables enterprise development > Higher productivity from machinery use > Allows people to work beyond daylight hours > Creates jobs with local small-scale energy suppliers 	<ul style="list-style-type: none"> > Imperative for economic growth > Improved market access and information > Clean, efficient fuels reduce proportion of household income spent on cooking, lighting and keeping warm; time is freed up to engage in income generating activities
2. Hunger 	<ul style="list-style-type: none"> > Enables provision of nutritious cooked food > Increased agricultural efficiency > Improved food preservation 	<ul style="list-style-type: none"> > Energy for irrigation and clean water > Production of chemical fertilizers
3. Education 	<ul style="list-style-type: none"> > Frees children's time from helping with survival activities (gathering firewood) > Provides lighting in schools 	<ul style="list-style-type: none"> > Use of modern educational media and communications > Lowers migration levels of teachers
4. Gender equality 	<ul style="list-style-type: none"> > Frees girls and women's time from survival activities 	<ul style="list-style-type: none"> > Street lighting improves women's safety
5. Child mortality 	<ul style="list-style-type: none"> > Cuts indoor air pollution (cause of respiratory diseases which account for 20% of 11 million deaths in children each year) > Safer home environment (fewer burns and house fires) 	<ul style="list-style-type: none"> > Provision of nutritious cooked food and boiled water > Improved overall healthcare
6. Maternal health 	<ul style="list-style-type: none"> > Better medical facilities for maternal care 	<ul style="list-style-type: none"> > Reduces excessive workload and heavy manual labor
7. AIDS 8. Malaria / major diseases 	<ul style="list-style-type: none"> > Allows clinics and hospitals to run at night and equipment use (eg sterilization) > Refrigeration allows vaccination and medicine storage > Safe disposal of used hypodermic syringes 	<ul style="list-style-type: none"> > Energy needed to develop, manufacture and distribute drugs, medicines and vaccinations > Enables access to health education media
9. Environmental sustainability 	<ul style="list-style-type: none"> > Increased agricultural productivity through use of machinery and irrigation reduces need to bring more land under cultivation, curbing soil erosion and decline in fertility caused by traditional fuel use 	<ul style="list-style-type: none"> > Clean energy production encourages better natural resource management
10. Safe drinking water 	<ul style="list-style-type: none"> > Enables purification and pumping of drinking water 	<ul style="list-style-type: none"> > Easier transportation of clean water
11. Housing and sanitation 	<ul style="list-style-type: none"> > Provides energy and piped water to urban poor 	<ul style="list-style-type: none"> > Efficient energy use helps reduce local pollution and improves conditions for the poor
17. Essential drugs 	<ul style="list-style-type: none"> > Energy needed to develop, manufacture and distribute drugs, medicines and vaccinations 	
18. Technology transfer 	<ul style="list-style-type: none"> > Provision of modern technologies and communications 	

Making markets work for development



Framework conditions that hamper development are not only national; some are international. Development is best achieved through open, transparent and competitive global markets. Yet unfair subsidies, tariffs and trade barriers continue to favor rich countries' farmers and weak sectors of these economies over more competitively priced exports from developing countries. Existing trade rules remain extremely skewed. Every European cow is subsidized to the tune of \$2 a day on average, the equivalent of the daily income of nearly half the world's population. Developing countries, especially in Africa, will not be able to trade their way out of poverty unless unjust subsidies are removed and a level playing field is created.

The global trade issue cannot be ignored. Few businesses have a vested interest in preserving unfair subsidies. WBCSD members have consistently voiced the need to level the global playing field to broaden the market and include as many people as possible¹¹. The business community at large recognizes the benefits of an open liberalized world, where wealth is created by improving productivity globally. Countries prosper through the specialization that trade allows. Resources are deployed where they can be most efficiently used. WBCSD companies have an interest in seeing poor countries develop, as economic growth will provide the foundation for their markets and their customers in the future.

WBCSD companies therefore urge governments to work toward removing distorting tariffs and establishing an open, transparent, rule-based global marketplace. Some of the development benefits could be enormous. Estimates suggest that if Africa could just regain an additional one percentage point share of global trade, it would earn \$70 billion more in exports each year, more than three times what the region currently receives in international assistance. The benefits of increased trade are much greater than the benefits of increased aid.

Business cannot be expected to fully play its role if powerful governments insist on global trade rules that work against development. Thus wealthy countries have just as much work to do on trade liberalization as do poorer nations. It is equally important for states to remove the trade barriers that exist within their own particular region, so that trade between neighboring countries can grow. Countries need not wait for the Doha Round to remedy costly protectionist measures. Singapore, Botswana, Mauritius, Morocco and others demonstrate that countries have already benefited greatly from opening up their economies.

Trade and development foster peace and prosperity. As the nineteenth century economist Frédéric Bastiat said **"If goods cannot cross borders, soldiers will."**

Conclusion – Partnering for change

4

Building a sustainable future

Creating a multiplier effect

Establishing key priorities





Poverty creates political and economic instability, a major threat to business and sustainable development

Acute poverty forces people to favor short-term preoccupations over long-term concerns. The struggle for daily survival means people pay scant attention to the consequences of their choices for the future, for instance the loss of biodiversity resulting from cutting trees to cook food and build shelter, or from subsistence farmers clearing forest to bring more land under cultivation. In Sumatra, forest fires from land clearance have generated so much air pollution as to provoke a State of Emergency in neighboring Malaysia.

Increased prosperity lays a path toward peace and stability. It also enables people to consider the needs of future generations and thus to work toward sustainable development.

Business has a vested interest in promoting stability and prosperity around the world – because only then can it create more wealth and opportunities. Business thus has a direct stake in promoting sustainable development.

Development is best achieved through open, transparent and competitive global markets

Aid can be helpful – but it can never be enough. Its core problem is that it is not sustainable. Rich countries do not want to channel their taxpayers' money to poorer countries indefinitely. Developing nations have no wish to become overly dependent on international aid; it undermines their sovereignty and chokes off economic growth. Aid should be directed at kickstarting development and at enabling local entrepreneurs and foreign investors to drive that development. Creating broad-based wealth and economic opportunities represents the only sustainable solution.

The poor do not want charity. They want to be active players in the market economy. They want jobs; they want bills – a welcome sign of legitimacy; they want choices and even leisure products that some outside observers would consider luxuries.

Trade, commerce, globalization and an open rule-based market are the most effective tools for helping people raise themselves out of poverty and create sustainable livelihoods. Moving toward competitive, market-based economies is the way forward if we are to deliver benefits on the broadest possible scale. It is also our most cost-effective option.

Trade and the opportunities brought by globalization have already generated unprecedented benefits and improved the lives of many millions. However we need to dramatically broaden the pool of beneficiaries, to include poor farmers in Guatemala keen to sell their crops overseas, grassroots African entrepreneurs who want to pay their bills without a two-day journey to the nearest bank, or Indonesian soybean farmers who want to buy seed without recourse to extortionate loans.

The task of achieving the Millennium Development Goals is so vast, the contexts so complex, that it requires all stakeholders to tackle this challenge from different entry points and to take different approaches. A single, centralized top down global development strategy dominated by one stakeholder group will not work. What is needed is a portfolio of targeted and practical development solutions to help local communities and specific groups lift themselves out of poverty. Coordination between all stakeholders is vital to maximize development benefits.



Business is redefining its role in the fight against poverty and pioneering new ways to address development challenges

Entrepreneurship has always been at the heart of wealth creation. Development will only pick up speed if we encourage private sector-led development by fostering business solutions to development challenges.

Business represents one of society's most creative and progressive elements. Mobilizing private sector resources to create innovative business models opens new avenues of growth in developing countries, while delivering benefits to low-income communities.

Good governance is key to making business part of the solution Business needs supportive frameworks to contribute fully to development

Millennium Development Goal 8 embraces many targets. It centers on creating a global partnership for development – the private sector is an integral part of that partnership.

Governments and the private sector should coordinate their efforts. Public-private partnership in targeted projects offers a route to tackling a specific challenge, such as providing water services to low-income communities. French water utility Suez, for instance, has a contractual relationship with the Brazilian government to expand the water network to the informal settlements surrounding Manaus, a large city on the Amazon.

At the national level, framework conditions can be rapidly improved through a strategic alignment between donor and recipient governments to allocate a significant portion of aid toward creating a conducive business environment.

At the global level, business and governments should work together to eliminate distorting subsidies and create a level playing field.

E

Establishing key priorities



In order to create the right conditions for investment, we recommend that policy makers tackle three priorities:

- > **Good governance**
- > **SME capacity building**
- > **Infrastructure**

We, the WBCSD member companies urge policy makers to:

- > **Leverage Overseas Development Assistance** to attract more Foreign Direct Investment to developing nations. This investment in building supportive framework conditions will pay dividends as it has a significant multiplier effect on economic growth and local development.
- > **Focus on incentive-driven aid.** Aid should be targeted at developing nation governments that are demonstrating commitment to, and progress on, good governance. For countries gripped by serious turmoil, aid should be directed at bottom-up initiatives carried out in partnership with relief NGOs and/or the private sector.
- > **Involve the private sector in development strategies.** For instance, when governments identify development priorities at the country level and formulate poverty reduction strategies, the private sector should be systematically involved early in the process.
- > **Make energy provision a priority.** The adequate provision of energy in developing nations is crucial to underpinning the achievement of all the Millennium Development Goals.
- > **Open up international markets to goods from developing nations,** enabling developing nations to strengthen their international trade, stimulate growth and so create wealth.
- > **Work to improve the framework conditions** within their countries to provide a 'safe space' that inspires confidence for both local and overseas investors. This would encourage innovation, entrepreneurship, investment and sustained economic growth. These improvements will benefit foreign investors, local entrepreneurs and most importantly, people at all levels of society, especially the very poorest.

Poor framework conditions stifle development. To break free, policy makers need to move steadily forward with commitment and perseverance. Even small steps in the right direction are highly beneficial and provide a catalyst for growth.

These priorities command our attention. Much can be achieved through these toward the Millennium Development Goals. However, it is equally important to bear in mind that framework conditions are not only domestic; they are international. Creating a competitive environment at both the national and international level is critical if we are to reap the benefits of trade and increase our collective prosperity.

All global challenges are interconnected. In promoting development, we need to stay mindful of the environment. Our choices and priorities will have wider implications. There will be tensions and trade offs. There are no perfect answers or perfect solutions. With nearly half of the world's population living in poverty, the urgency of the challenge is staggering. We cannot afford to wait. What we can do is give business the means to enhance its contribution to development, by enabling business do what it does best: innovate to create wealth and opportunities.

Appendices

The Millennium Development Goals (MDGs)

Further reading

Millennium Development Goals Matrix

Appendix 1

The Millennium Development Goals (MDGs)

Goal and Targets (from the Millennium Declaration)	Indicators for monitoring progress
Goal 1: Eradicate extreme poverty and hunger	
Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1. Proportion of population below \$1 (PPP) per day 2. Poverty gap ratio [incidence x depth of poverty] 3. Share of poorest quintile in national consumption
Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	4. Prevalence of underweight children under five years of age 5. Proportion of population below minimum level of dietary energy consumption
Goal 2: Achieve universal primary education	
Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	6. Net enrolment ratio in primary education 7. Proportion of pupils starting grade 1 who reach grade 5 8. Literacy rate of 15-24 year olds
Goal 3: Promote gender equality and empower women	
Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015	9. Ratio of girls to boys in primary, secondary and tertiary education 10. Ratio of literate females to males of 15-24 year olds 11. Share of women in wage employment in the non-agricultural sector 12. Proportion of seats held by women in national parliament
Goal 4: Reduce child mortality	
Target 5: Reduce by two-thirds, between 1990 and 2015, the under five mortality rate	13. Under five mortality rate 14. Infant mortality rate 15. Proportion of 1 year old children immunized against measles
Goal 5: Improve maternal health	
Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	16. Maternal mortality ratio 17. Proportion of births attended by skilled health personnel
Goal 6: Combat HIV/AIDS, malaria and other diseases	
Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS	18. HIV prevalence among 15-24 year old pregnant women 19. Condom use rate of the contraceptive prevalence rate 20. Number of children orphaned by HIV/AIDS
Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases	21. Prevalence and death rates associated with malaria 22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures 23. Prevalence and death rates associated with tuberculosis 24. Proportion of TB cases detected and cured under DOTS (Directly Observed Treatment Short Course)
Goal 7: Ensure environmental sustainability	
Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	25. Proportion of land area covered by forest 26. Ratio of area protected to maintain biological diversity to surface area 27. Energy use (kg oil equivalent) per \$1 GDP (PPP) 28. Carbon dioxide emissions (per capita) and consumption of ozone-depleting CFCs (ODP tons) 29. Proportion of population using solid fuels

Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water	30. Proportion of population with sustainable access to an improved water source, urban and rural
Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	31. Proportion of urban population with access to improved sanitation 32. Proportion of households with access to secure tenure (owned or rented)
Goal 8: Develop a Global Partnership for Development	
Target 12: Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system Includes a commitment to good governance, development, and poverty reduction – both nationally and internationally	Some of the indicators listed below will be monitored separately for the Least Developed Countries (LDCs), Africa, landlocked countries and small island developing states. <u>Official Development Assistance</u> 33. Net ODA, total and to LDCs, as percentage of OECD/DAC donors' Gross National Income 34. Proportion of total liberal, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)
Target 13: Address the special needs of the Least Developed Countries Includes: tariff and quota free access for LDC exports; enhanced programme of debt relief for HIPC and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction	35. Proportion of bilateral ODA of donors that is untied 36. ODA received in landlocked countries as proportion of their GNIs 37. ODA received in small island developing States as proportion of their GNIs
Target 14: Address the special needs of landlocked countries and small island developing states (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of 22nd General Assembly)	<u>Market Access</u> 38. Proportion of total developed country imports (by value and excluding arms) from developing countries and LDCs, admitted free of duties 39. Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries 40. Agricultural support estimate for OECD countries as percentage of their GDP 41. Proportion of ODA provided to help build trade capacity
Target 15: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term	<u>Debt Sustainability</u> 42. Total number of countries that have reached their HIPC decision points and numbers have reached their HIPC completion points (cumulative) 43. Debt relief committed under HIPC initiatives, US\$ 44. Debt service as a percentage of exports of goods and services
Target 16: In co-operation with developing countries, develop and implement strategies for decent and productive work for youth	45. Unemployment rate of 15-24 year olds
Target 17: In co-operation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries	46. Proportion of population with access to affordable essential drugs on a sustainable basis
Target 18: In co-operation with the private sector, make available the benefits of new technologies, especially information and communications	47. Telephone lines and cellular subscriber per 100 population 48. Personal computers in use per 100 population and Internet users per 100 population

The Millennium Development Goals and Targets come from the Millennium Declaration signed by 189 countries, including 147 Heads of States, in September 2000 (<http://www.un.org/esa/dev/agenda/millennium.html>)

















Appendix 2

Further reading

- > *Africa: The Impact of Mobile Phones*, Vodafone Policy Paper Series 2, 2005
- > *Business and the Millennium Development Goals: A framework for action*, Jane Nelson & Dave Prescott, The Prince of Wales International Business Leaders Forum, 2003
- > *Capitalism at the Crossroads: The Unlimited Business Opportunities in Solving the World's Most Difficult Problems*, Stuart Hart, Wharton School Publishing, 2005
- > *Development Goals: History, Prospects and Costs*, Shantayanan Devarajan, Margaret Miller and Eric Swanson, World Bank Policy Research Working Paper, 2002
- > *Doing Business in 2005: Removing Obstacles to Growth*, World Bank, 2005
- > *Doing Business with the poor: A field guide*, WBCSD, 2004
- > *Energy for the Poor: Underpinning the Millennium Development Goals*, DFID, 2002
- > *Enterprise Solutions to Poverty – Opportunities and Challenges for the International Development Community and Big Business*, Shell Foundation, 2005
- > *Facts and Trends to 2050, Energy and climate change*, WBCSD, 2004
- > *Facts and Trends, Water*, WBCSD, 2005
- > *Finding capital for sustainable livelihoods businesses: A finance guide for business managers*, WBCSD, 2004
- > *Investing for Development. A Practical Plan to Achieve the Millennium Development Goals*, Jeffrey Sachs, Earthscan Publications, 2005
- > *Kenya's Pyrethrum Value Chain Analysis*, Global Development Solutions LLC, World Bank, 2004
- > *Mobilising Private Investment for Development: Policy Lessons on the Role of ODA*, OECD, 2005
- > *Our Common Interest: An Argument*, Commission for Africa, Penguin Books, 2005
- > *Penguin State of the World Atlas*, Dan Smith, Penguin Books, Seventh Edition, 2003
- > *Serving the World's Poor, Profitably*, CK Prahalad & Allen Hammond, Harvard Business Review Article, 2002
- > *The End of Poverty: How We Can Make It Happen In Our Lifetime*, Jeffrey Sachs, Penguin Books, 2005
- > *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits*, CK Prahalad, Wharton School Publishing, 2004
- > *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*, Hernando De Soto, Basic Books, 2000
- > *The Shackled Continent*, Robert Guest, Macmillan, 2004
- > *Unleashing Entrepreneurship: Making Business Work for the Poor*, Commission on the Private Sector & Development, UNDP, 2004
- > *Walking the Talk: The business case for sustainable development*, Chad Holliday, Stephan Schmidheiny & Sir Philip Watts, WBCSD, 2002
- > *World Development Report 2005, A Better Investment Climate for Everyone*, World Bank, 2005

Appendix 3

Millennium Development Goals Matrix

Direct impact	Indirect impact	
		Goal 1 Eradicate extreme poverty and hunger
		Goal 2 Achieve universal primary education
		Goal 3 Promote gender equality and empower women
		Goal 4 Reduce child mortality
		Goal 5 Improve maternal health
		Goal 6 Combat HIV/AIDS, malaria and other diseases
		Goal 7 Ensure environmental sustainability
		Goal 8 Develop a global partnership for development

This matrix summarizes WBCSD case studies, showing how each business is contributing to the MDG targets

Industry	Company	Project	Country	1. Income	2. Hunger	3. Education	4. Gender equality	5. Child mortality	6. Maternal health	7. AIDS	8. Malaria/ major diseases	9. Environmental sustainability	10. Safe drinking water	11. Housing and sanitation	14. Landlocked countries	16. Youth employment	17. Essential drugs	18. Technology transfer	Publication		
				Goal 1	Goal 2	Goal 3	Goal 4	Goal 5	Goal 6	Goal 7	Goal 8										
Selling to the poor																					
Agriculture	DuPont	Improving cotton yields with less environmental impact	West Africa																Forthcoming		
	DuPont	Improving corn yields through moisture monitoring	South Africa																	Forthcoming	
	GrupoNueva	Boosting competitiveness for local farmers	Guatemala																	Business for Development	
Construction	Holcim	Concrete innovation <i>Mi Casa</i>	Mexico																	WBCSD Online collection	
	Holcim	Offering low-cost housing solutions	Sri Lanka																	Business for Development	
	GrupoNueva	Tailoring sales channels to low-income consumers	Argentina																	Field Guide	
Energy	ABB	<i>Access to Electricity</i> program	Tanzania																	WBCSD Online collection	
	EDF	Providing solar power for rural villagers	Morocco																	Business for Development	
	Eskom	<i>Electrification for All</i>	South Africa																	WBCSD Online collection	
	Shell Solar	Improving lives with the flick of a switch	Sri Lanka																	WBCSD Online collection	
	Shell Foundation	Sustainable solutions to indoor pollution	Worldwide																	WBCSD Online collection	
Health / Water	P&G	Enabling safe drinking water	Worldwide																	Business for Development	
	P&G	Addressing a hidden nutritional need	Venezuela																	Field Guide	
	Philips	Bringing healthcare services to rural communities	India																	Business for Development	
	Suez	Meeting basic water and sanitation needs	Brazil																	Business for Development	
	Unilever	Improving health through iodized salt	Ghana																		Field Guide
	Veolia	Socially assisted water connections	Morocco																		WBCSD Online collection
	Veolia	Providing water and electricity services	Gabon																		Forthcoming
Veolia	Keeping water prices affordable	Niger																		Forthcoming	
ITC	HP	<i>Kuppam i-community</i>	India																	WBCSD Online collection	
	HP	<i>Mogalakwena i-community</i>	South Africa																	WBCSD Online collection	
	Vodafone	Introducing mobile banking solutions	Kenya/Tanzania																	Business for Development	
	Vodacom	Empowering people through technology	South Africa																	Field Guide	
Finance	ABN Amro	Self-sustaining microfinance programs	Brazil																	WBCSD Online collection	
	Deutsche Bank	<i>Microcredit Development Fund</i>	Worldwide																	WBCSD Online collection	
	Rabobank	Insuring fair prices for farmers	Worldwide																	WBCSD Online collection	
Buying from the poor																					
Agriculture	Sonae	Socially responsible coffee	East Timor																	WBCSD Online collection	
	DuPont	Helping farmers succeed (<i>PAID</i>)	Columbia																	WBCSD Online collection	
Consumer goods	CocaCola	<i>Entrepreneur Development Program</i>	South Africa																	WBCSD Online collection	
	DaimlerChrysler	Partnering for mutual success – <i>POEMatec Alliance</i>	Brazil																	WBCSD Online collection	
	DaimlerChrysler	Jatropha oil – biodiesel from the wastelands	India																	Forthcoming	
	SC Johnson	Improving livelihoods for pyrethrum farmers	Kenya																		Business for Development
Unilever	Growing businesses for impoverished rural women	India																		Business for Development	
Construction	Lafarge	<i>Project Employability</i>	India																	WBCSD Online collection	
Finance	Rabobank	Promoting farmers' co-operatives	Indonesia																	Business for Development	
Forestry	Aracruz Celulose	<i>Forestry Partners Program</i>	Brazil																	WBCSD Online collection	
Extractive industries	AngloAmerican	Mondi Recycling – Empowering supply chains	South Africa																	WBCSD Online collection	
	AngloAmerican	<i>Zimele</i> – Supporting entrepreneurship	South Africa																	Forthcoming	
	BP	Building local supply capacity	Azerbaijan																	Business for Development	
	BP	Sustainable upstream development	Trinidad & Tobago																	WBCSD Online collection	
	ConocoPhillips	Developing skills for women entrepreneurs	Venezuela																	Business for Development	
	Eskom	Empowering local entrepreneurs	South Africa																	Business for Development	
	Rio Tinto	Encouraging self-reliance for local communities	South Africa																		Business for Development
	Rio Tinto	Encouraging employment among Aboriginal communities	Australia																		Field Guide
	Rio Tinto	Linking big business with small business	South Africa																		Field Guide

Direct impact Indirect impact

About the WBCSD

The World Business Council for Sustainable Development (WBCSD) brings together some 180 international companies in a shared commitment to sustainable development through economic growth, ecological balance and social progress. Our members are drawn from more than 30 countries and 20 major industrial sectors. We also benefit from a global network of 50+ national and regional business councils and partner organizations.

Our **mission** is to provide business leadership as a catalyst for change toward sustainable development, and to support the business license to operate, innovate and grow in a world increasingly shaped by sustainable development issues.

Our **objectives** include:

Business Leadership – to be a leading business advocate on sustainable development;

Policy Development – to help develop policies that create framework conditions for the business contribution to sustainable development;

The Business Case – to develop and promote the business case for sustainable development;

Best Practice – to demonstrate the business contribution to sustainable development and share best practices among members;

Global Outreach – to contribute to a sustainable future for developing nations and nations in transition.

Development publications

Regional perspective on sustainable livelihoods & business, December 2004

A business guide to development actors, October 2004

Finding capital for sustainable livelihoods businesses, July 2004

Doing business with the poor: a field guide, March 2004. Also available in Spanish.

Investing for sustainable development: Getting the conditions right, July 2002

Ordering publications

WBCSD, c/o Earthprint Limited

Tel: (44 1438) 748111

Fax: (44 1438) 748844

wbcspd@earthprint.com

Publications are available at:

www.wbcspd.org

www.earthprint.com

Credits

We are grateful to member companies of the SL Working Group for their analysis and steer, their contribution to the research and their critical review of the document. We would also like to acknowledge the contributions of the stakeholders who participated in the WBCSD online discussion “Business & Development – What is the right approach?” in April 2005.

Authors

Cécile Churet and Amanda Oliver

Photo credits

Provided courtesy of member companies

MDGs icons

Provided courtesy of the SET Catalog (2005) www.set-info.com

Copyright

© WBCSD, September 2005. Reprint July 2006.

ISBN

2-940240-81-7

Printer

Atar Roto Presse SA, Switzerland

Printed on paper containing 50% recycled content and 50% from mainly certified forests (FSC and PEFC)

100% chlorine free. ISO 14001 certified mill.

“Business is recognizing a larger role in development but cannot achieve its full potential without more effective governance. Governments that create a basic environment of stability and predictability will attract greater investments and stimulate more business-led development activity.”

Travis Engen, President and CEO, Alcan

“It has been clear all along that business is part of the solution and deserves our full support in scaling up its investments to help achieve the Millennium Development Goals.”

Agnes van Ardenne-van der Hoeven,
Minister for Development Cooperation of the
Kingdom of The Netherlands

Development is good for business
Business is good for development

“Helpful guidance on the policy frameworks needed to facilitate action by business towards achieving the Millennium Development Goals.”

Chad Holliday, Chairman and CEO, DuPont

“Sustaining the impacts of the MDGs requires unprecedented levels of commitment, innovation and most importantly capacity - capacity to harness the capabilities of all sectors to create sustainable livelihoods on a large scale.”

Dirk Elsen, Chairman SNV – Netherlands
Development Organisation

“The transition of the role of private sector from CSR activities to a business orientation is required to eradicate poverty. Economic and social development at the bottom of the economic pyramid are the two sides of the same coin. This study highlights both the opportunities and the impediments.”

C.K.Prahalad, Paul and Ruth McCracken
Distinguished University Professor,
The University of Michigan