

A photograph of two women in a greenhouse, smiling and holding coffee plants. The woman on the left is wearing a red jacket and a red headband, while the woman on the right is wearing a dark brown top and a brown headband. They are standing in front of a green mesh structure. The background shows rows of coffee plants in the greenhouse.

# Rural Livelihoods Case Study

## **Nestlé and Novartis:**

Collaborating to make  
rural areas more  
attractive places to live,  
work, and invest



# The big picture

More than 3.3 billion people live in rural areas. This is 46% of the world's population – but more than 70% of the world's poor.

Rural dwellers have few economic options and limited access to education and training, improved water sources, modern sanitation, safe and reliable energy, health care, credit and other financial services. Many aspire to move to cities where they believe they will be able to earn more money and improve their standards of living.

Underdevelopment creates three problems for companies with operations and supply chains in rural areas:

1. Sustainable access to the natural resources and agricultural raw materials they depend on
2. Availability and quality of human resources
3. Health, safety, and overall working conditions of workers

Companies can be powerful drivers of rural development. They can bring jobs, opportunities for farmers and other small and medium enterprises, new technologies and business standards, and products and services that people need to be healthy and productive.

Most importantly, companies bring profitable business models that make these contributions sustainable over the long haul.

At the same time, rural development is complex and multidimensional. Companies trying to tackle it often find themselves stretched far beyond their business strategies and core competencies.

Collaboration is needed. The practice of collaboration across sectors – business, government, and civil society – has grown in frequency and sophistication. But WBCSD believes there is largely untapped potential for business-to-business collaboration to leverage complementary, possibly mutually reinforcing business models to drive rural development in a more holistic and sustainable way.

This case study shares the experience of two WBCSD member companies working together to explore this potential.



# The specific opportunity

Nestlé has more than 400 factories employing 205,000 people in rural areas, and sources raw materials from more than four million farmers, 760,000 of them directly.

The overall well-being of farmers, rural communities, small entrepreneurs and suppliers is intrinsic to the company's long-term success, and it works to improve rural incomes and standards of living in different ways in different markets. Nestlé introduced its Rural Development Framework to bring a consistent, systematic approach to these activities around the world. The Rural Development Framework consists of three end goals and associated focus areas:

1. **Farmers are business-oriented and farming by choice:** farmer net income, knowledge and skills
1. **Rural-based employment is attractive for workers:** labor standards
2. **Communities are progressing economically, environmentally and socially:** women's empowerment, clean water and sanitation, nutrition and health, property rights, natural resource stewardship

The intent is to use the Rural Development Framework to conducting baselines and prioritize areas for action, with Nestlé bringing its own capabilities and programs in some areas and identifying partners in other areas. This approach is being piloted in Kenya, Mexico, and the Philippines.

## WBCSD's Role and Ambition

WBCSD's Rural Livelihoods Initiative facilitates cross-industry collaboration to make rural areas more attractive places to live, work, and invest. The Initiative brings together three types of organizations:

**Anchor companies** operating in rural areas as part of their business value chains, which depend on access to appropriate skills, resources and operating environments.

**Service providers** whose services and business models improve rural livelihoods, which seek to grow their markets and sales.

**Catalysts** that share insights and support collaboration on the ground.

WBCSD provides a platform for these organizations to make connections and match challenges with solutions; advances knowledge of what is needed to support collaboration and attract investment in rural areas; and provides a collective voice on the role of business in rural development.

In 2013, with support from WBCSD's Social Impact Cluster, Nestlé joined a number of other companies with an interest in rural development to discuss the potential for business-to-business collaboration. Among them was Novartis.

Finding new ways to reach people in lower-income countries is one of Novartis' top priorities. The company uses a portfolio of approaches including philanthropy, zero profit, and "social ventures" – innovative business models that build local, sustainable capabilities for healthcare around the world.

One example is "Healthy Family". Developed first in India in 2007, where it is called Arogya Parivar in Hindi, the model addresses low health literacy and health seeking behavior through a sustainable and scalable model that operates in rural communities. Novartis recruits and trains people in remote villages to become health educators who help inform communities about health, disease prevention and the benefits of seeking timely treatment. Likewise, Novartis recruits local people for a field force of Healthy Family that is working with local Health Care Professionals (HCPs) with the aim of providing these HCPs the choice to use products that are in the portfolio of the local Healthy Family business. Local teams work with doctors to organize health camps in remote villages – mobile clinics that provide access to

screening, diagnosis and therapies including Novartis therapies (the choice of the medicine is at the doctors' discretion).

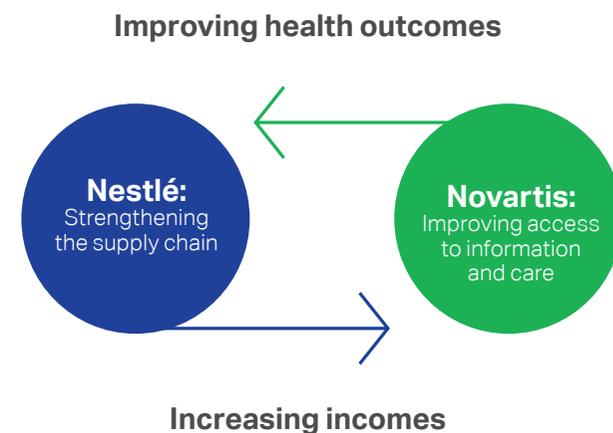
The model has now been launched in Vietnam, Kenya, and Indonesia, adapted to local market conditions and disease burdens. In India, it broke even after 31 months; in other countries, like Kenya, it is part of a longer-term strategy, helping to strengthen health systems, increase health literacy and awareness, and improve access to medicines through a sustainable, inclusive business model that operates in so far untapped market segments.

It was in Kenya that Nestlé and Novartis identified a specific opportunity to join forces to make rural areas more attractive places to live, work, and invest.

Nestlé has been sourcing Arabica coffee from Kenya for more than 30 years. The company currently buys between five and 10% of coffee produced in the country from approximately 42,000 farmers in 12 cooperatives in the central part of the country. Leveraging Nestlé's network offered an interesting pathway for Novartis to expand into those communities. Better health awareness and care, in turn, could help buttress productivity and incomes, improve quality of life, and reduce the incentive to migrate, further helping to secure Nestlé coffee supply chain.

## The business case

For Nestlé, the business rationale for collaborating with Novartis was to further strengthen and secure its Kenyan coffee supply chain. For Novartis, the business case for collaborating with Nestlé was to increase its reach with health information and care, helping to strengthen health systems, improve health seeking behavior and develop markets. The mutual value proposition is depicted below.



## The partnership

For Nestlé and Novartis in Kenya, the strategy was to coordinate complementary initiatives. Nestlé had sourced there for years, and was already running a variety of programs to improve incomes and standards of living; Novartis had already launched its Healthy Family initiative, called Familia Nawiri in Swahili, and expanded it in the coffee-growing communities where Nestlé worked.

This strategy has required relatively light touch coordination. In the beginning, company representatives met often and conducted field visits together to develop a shared understanding of the opportunity and context. Now that Familia Nawiri is up and running in the central Kenyan coffee-growing region, they have laid plans to meet three or four times a year together with other Nestlé partners to report on progress and exchange ideas. At the end of year, they participate in a workshop run by Nestlé's partner Solidaridad in a coffee-growing community, where organizations active in the area share their results, their lessons learned, and their plans for the coming year as a mechanism for mutual accountability, learning, and identification of new opportunities.

Each company finances its own work together with any partners it may have. For example, Nestlé's work with Solidaridad is co-funded by the Dutch Ministry of Foreign Affairs.

### What Nestlé is doing

**Farmer capacity-building:** Through the Nescafé Plan, Nestlé conducts soil analysis, distributes seedlings, runs demonstration plots, trains farmers, supports 35 wetmills, and buys coffee – paying premium for 4C certified coffee.

**Food security:** Through the FOSEK program, NGO partner Solidaridad provides training in sustainable agricultural practices, intercropping, and agri nutrition. Also builds physical infrastructure like nurseries and food stores and assists with marketing and market access for food crops.

**Nutrition education:** Expands the Nestlé Healthy Kids program (a global program running in 84 countries) from Nairobi to the coffee-growing communities.

### What Novartis is doing

**Access to health:** Novartis organizes health camps and community education meetings in coffee-growing communities for the prevention of chronic diseases.

Health camps are clinics set up in schools while they are empty on the weekends, providing vital clinical services, tests and preventative care, and dispensing much-needed medications.

At community meetings, leaders and elders welcome Familia Nawiri community health facilitators to their communities to discuss health care and education, such as healthy eating habits, hypertension, diabetes, rational use of drugs and other topics to help families and the communities at large.

# Key takeaways

- 1. There must be a strong business case:** For this kind of business-to-business collaboration to work, each company must have a strong business case for engaging in the identified location. In this case, for Nestlé it was supply chain security, while for Novartis, it was increasing reach, laying the foundations for improved access to healthcare and for strategically tapping into so far uncovered market segments.
- 2. Collect good data:** When it comes to ascertaining business case alignment, data is crucial. Solid baseline data can provide an initial understanding of the local context, challenges and market opportunities, while ongoing performance management data is key to steer and demonstrate the business case as it develops.
- 3. Find the right balance between cost and complexity and value creation.** The partnership between Nestlé and Novartis is in early stages. So far, it has been a matter of conducting complementary activities in the same location, which has required only light touch coordination. While this limits cost and complexity, there is a sense that greater collaboration could create greater value. For example, Nestlé has introduced Novartis to

coffee farmers' cooperatives, and Novartis is now piloting an arrangement in which the cooperatives pay the US\$2 fee for farmers to attend health camps when they are unable to pay out of pocket. The cooperatives then deduct that amount from what they pay the farmers for their coffee. Nestlé and Novartis have also discussed the opportunity for Nestlé to provide agriculture or nutrition programming during the two to three hours people are waiting at Familia Nawiri health camps due to the sheer volume of people needing to be seen. This kind of collaboration would require structure and more active management, for example via a partnership agreement that laid out roles and responsibilities, key performance indicators, and timelines.

Rural development is a complex challenge with no single solution. A spirit of exploration, learning and exchange is essential to successful collaboration in this space.



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