Making Business Work for Development
Introduction

In this issue we explore the evolving role of business in development. Our emphasis is on “evolving role”, because traditionally Corporate Social Responsibility (CSR) has been the way business has engaged the larger society within which it operates. As is well known, CSR is usually motivated by companies’ desire to have good public relations which can hopefully be turned to goodwill and eventually to market opportunity as brands get associated with good works. This model of engaging societal problems is changing fast. Over the course of the last decade, there have been calls for businesses to engage more deeply with social issues not as Public Relations exercise but as demonstration of real concern and real sustainable support.

In what is truly ‘a revolution’ in the making, businesses have responded to the call; and they are getting more and more involved in more pressing development issues like poverty, as opposed to the old CSR approach of supporting local pet projects that have limited geographical impact. This call for deeper involvement in social issues has seen business embrace the achievement of Millennium Development Goals (MDGs) as core to their CSR programs and in a sense foster bigger and bolder CSR programs that involve multiple partners including partnerships with other businesses, NGOs and governments. But perhaps the reason this is proving to catch-on so well, is because businesses are recognizing it as a win-win: many businesses have also realized that engaging the poor can be profitable with the right business models. As a result businesses have become more active at the bottom of the income ladder, providing charity and also making profit.

We present three articles that explore a range of issues on the subject including how traditional CSR is changing; trends in ‘Inclusive Business’ as businesses seek to engage more with the poor; and how business and development partners can work together to exploit potential synergies.
Businesses exist to make profit and good returns for their shareholders. This is their primary responsibility, and much of the job creation and economic growth that leads to poverty reduction depends on the ability of businesses to perform this primary task efficiently. However, businesses do not exist only for themselves and their shareholders; for while they may be private agents, they operate within a social context: their business activities yield social benefits (jobs, products, services) but also social costs (such as pollution, displacements, congestion). Therefore, businesses have to care about stakeholders, other than shareholders, who are and could be impacted by its activities.

More importantly as an economic actor, businesses and their activities also have important impact on how wealth is distributed in society. This is because where they locate, where they source supplies, and where they establish distribution and marketing systems they have a big impact on the economies of those locations. The poor with little purchasing power and little capacity to participate in business supply chains are likely to be left out of this wealth creation ecosystem unless deliberate efforts are made to incorporate them. Business decisions thus have a big impact on equity; indeed the United Nation Global Compact, which exists to promote a greater role for business in development, has been motivated by belief that business can ensure that markets benefit all societies.

There has thus been a call for business to move beyond traditional Corporate Social Responsibility – which is often perceived to be public relations exercises – and adopt a posture that demonstrates deeper care about social issues. Businesses have responded to this with bolder programs. Today many have incorporated the achievement of Millennium Development Goals (MDGs) as core to their CSR programs. The result has been bigger and bolder CSR programs that involve multiple partners including partnerships with other businesses, NGOs and governments. Safe Water Initiative is a classic example of such multi-partner efforts by businesses; supported by Water Heath International (WHI), Coca Cola and Guinness it aims to provide access to safe water for up to 2 million West Africans in Ghana, Nigeria, Liberia and Sierra Leone by 2013.

In tandem with deeper foray into social challenges, businesses have also realized that engaging poorer communities from a purely business perspective can be profitable if one has the right business models. While selling products that are packaged and priced affordably to target poor consumers at the so-called Bottom of The Pyramid (BoP) has been the main approach to engagement, many businesses have also found it beneficial to pursue even deeper engagement that calls for inclusion of the poor in their value chains as suppliers, co-producers and distributors – a model that provides jobs and opportunity to upgrade skills and thus a real possibility to move people out of poverty in a sustainable way. This movement is now termed Inclusive Business (IB).

The West Africa region has seen increased activity, with businesses engaging on IB especially in production side of the chain; but also bolder initiatives to develop suppliers and distributors are being seen. For instance Nestlé’s “My Own Business Initiative” is incorporating street sellers in its marketing chain.

The birth of Inclusive Business (IB) has given businesses a chance to engage in what might be termed as ‘strategic CSR’, in a sense hitting two birds with one stone as both social and profit imperatives can be served through the IB model. Thus Coca Cola, with its Manual Distribution Centres (MDCs), is creating jobs for women and unemployed youth while at the same time increasing its market reach in the region.

IB has also given businesses an opportunity to more strategically engage with other social sector actors in particular NGOs and Governments – essentially because their goals have converged and opportunities for synergies emerged. In the Gambia, for example, there is a partnership between the government of Gambia, Pfizer, Vodafone and IHP to ensure supply of essential drugs. This has given rise to social marketing where businesses can use the NGO platform and infrastructure to get to the poor markets and NGOs and governments can use business expertise in marketing and logistics. Unilever is currently sponsoring a ‘Hand Washing’ campaign effort (in conjunction with UNICEF) while promoting sale of its Lifebuoy soap brand.

Without doubt these new initiatives are making impact; they have real benefits. However it is also very important not to be overly optimistic about their true potential. We believe there is reason to be more circumspect in how we view the possibilities and risks.

One risk is particularly worrying: getting big business to get more involved in the BoP markets could eventually kill local informal businesses that have traditionally served those markets; it is almost inevitable that
have traditionally served those markets; it is almost inevitable that these local businesses will not be able to compete against big business.

There are other less obvious ways in which the poor can be losers in the IB paradigm. As big businesses transact at the BoP they sometimes infringe the intellectual property of the poor by copying the innovations of local entrepreneurs without due compensation or recognition. This is a real problem. The poor typically innovate out of necessity, mostly through adaptation and finding multiple uses for existing products. It is possible that as businesses engage more with the poor, these innovative ideas will flow from the poor to mainstream business and finally make their way to formal product lines. Unfortunately it is the big business that stands to reap the ultimate rewards of these innovations; not just sales and profits, but also the patents for these innovations. This can be a difficult problem to resolve: because while the original idea may have been inspired by the poor, companies will often alter the final product in a shape and form that is almost impossible for any poor originator to claim intellectual property for.

A final caution is that business can abuse the trust they gain through association with NGOs that the poor have learned to trust. For example a company can use the brand awareness it gains while promoting healthy products to sell other ‘harmful’ high cholesterol products. Further NGOs and governments when working closely with business can get compromised in their roles as watchdogs and regulators against harmful business practices.

Big businesses already have much power from the resources they control; any goodwill that results from deeper involvement with communities means even greater power. However power corrupts! Therefore while the greater engagement of business in social issues is welcome, there is need for a model and a philosophy that does not set-up the poor for future dependence or which does not compromise other actors and regulators of business activities. Models where business engagement is more arm’s length, like the social enterprise model, provide a potentially ideal framework; but it too is still a work in progress.
From Corporate Social Responsibility (CSR) to Business for Development (B4D)

It is a well-accepted creed that the primary responsibility of business to society is to ensure maximum returns to their shareholders by delivering goods and services markets want at a price markets can bear. But business activities also have social costs such as pollution and congestion, costs that that are usually absorbed not by shareholders but by the society. This is why it is also an equally justified notion that businesses have a wider body of stakeholders beyond their shareholders. Most businesses recognize this and are mindful that beyond winning customers to make profits they also need to win society’s goodwill in order to have the “social licence” to operate. It is no surprise therefore, that businesses spend considerable resources on public relations in that regard; with Corporate Social Responsibility (CSR) as perhaps the traditional core public relations activity. CSR activities have been mostly confined to the local area where business operates – as the local area is where they need the most goodwill – and usually involves supporting local schools, hospitals and other causes.

However there have been calls for greater involvement by big business in social issues; not as Public Relations exercise but as true demonstration of care about the challenges facing the larger society; challenges such as those articulated in the Millennium Development Goals (MDGs) agenda. Business have responded and the result is a move toward CSRs initiatives that are deeper and broader than before.

### CSR Trends in The Region

While businesses have continued to engage in local communities in which they operate, the projects being undertaken seem to be grander and thus have likelihood for meaningful developmental impact on the locality. For instance, Rio Tinto is supporting Guinea to achieve the MDGs through partnership with the United Nations Development Programme and Guinea’s National Ministry of the Interior and Security. The partnership is funding a project to strengthen the planning capacity of elected officials and civil servants in the Boké region, where Rio Tinto Alcan holds an interest in Compagnie des Bauxites de Guinée (CBG). The partnership has also engaged the Association des volontaires pour le développement en Guinée — an NGO whose main areas of focus include rural development and decentralization in upper and central Guinea to train approximately 150 elected officials and civil servants to produce five-year development plans in support of the Government’s efforts to achieve the MDGs. In addition to the partnership, Rio Tinto Alcan will help elected officials identify financial partners that can provide rural communities with assistance in implementing their plans in areas such as health, education and income-generating activities. The number of people expected to benefit directly and indirectly from this partnership is approximately 500,000.

At the higher level of engagement we are seeing organizations pairing up to do projects at regional scale. The exemplars for this approach is Safe Water for Africa initiative, a partnership between Water Health International (WHI), Coca Cola Africa Foundation, Diageo and the International Finance Cooperation (IFC), whose objective is to expand the use of clean water in underserved communities. The key implementer of the project is WHI, a company that develops, installs, and operates water purification and disinfection systems to provide affordable, high-quality potable water for underserved populations in rural and peri-urban areas. WHI offers low-income customers, typically those earning $2 - $5 per day, an affordable, high quality, and long-term solution for potable water. WHI charges a user fee that is typically 15 times cheaper than sachet water consumed in the region and on par or cheaper than untreated water from tankers or bore wells. The partners aim to raise $20 million to provide access for up to 2 million West Africans in Ghana, Nigeria, Liberia and Sierra Leone by 2013.
Corporations are also experimenting with multiple-variety CSR engagements that can be described as Integrated CSR approach (See Box for how Cargill is doing this).

**Box 1: Cargill: An Integrated CSR approach**

Call for business to take greater interest in tackling social issues has led to deeper engagements with a raft of programmes being undertaken. Cargill, the global food processing giant, has undertaken a variety of programs

Cargill cocoa and chocolate in Ivory Coast and Ghana have initiated the Cargill Sustainable Cocoa Project to train farmers through a network of farmer field schools where farmers can participate in a 10-month course to improve productivity and also develop business skills and learn about personal health and social issues. In 2012, Cargill targeted 60,000 farmers in Cote d’Ivoire and in Ghana it plans to train 15,000 by 2016. These improvements have resulted in higher yields and better quality beans, which in turn resulted in an average increase in farmer incomes of around 30 percent. Most importantly the training also makes farmers eligible for certifications, such as UTZ Certified Good Inside and Rainforest Alliance, which results in additional premiums paid to the farmers. Cargill is also supporting the Bill & Melinda Gates Foundation and the Cocoa Livelihoods Program to increase yields, improve quality and adopt more sustainable practices that can directly contribute to increased earnings for cocoa farmers.

Cargill also has a partnership with CARE, a humanitarian organization fighting global poverty, and encompasses a host of programs to improve the livelihoods of cocoa farmers and their families in West Africa. The partnership with CARE has improved access to education and basic services, promote better agricultural practices, and helped address the worst forms of child labor in cocoa-growing communities. This program has targeted 130 communities and could help improve educational opportunities for some 60,000 children. Cargill is also working with International Cocoa Initiative and its efforts to prevent and eliminate forced and abusive child labor in West Africa.

The Future

Therefore we can see that efforts are moving from pet CSR projects to much bolder initiatives that are not motivated purely by desire for good public relations but also a sense of mission. The MDGs has been the impetus for the bolder CSR initiative and firms’ willingness to get out of their comfort zones and tackle social challenges. But it is not clear whether this energy will be sustained in a post-MDG era where the agenda may change. It is not clear that businesses have fully bought into the deeper social engagement agenda, since the publicity that has come from being on the MDG platform has also been a big motivator for the bolder actions that we have seen.

These uncertainties notwithstanding it seems that the bold actions we see today are laying foundation for businesses to engage the poor more profitably (see story on IB) and at the same time laying foundation for the rise of social enterprises. This and a keener appreciation of social issues by employees and business leaders is likely to change how businesses make decisions and this change is more likely to be favourable to the poor.

A key downside is the undermining of legitimacy of governments; for when citizens begin to expect firms (other than government) to provide public services, government power could be undermined. For instance not too long ago AngloGold had to close a mine after villagers descended on its premises to demand that the company provide them with electricity. This trend, if not checked is thus sowing the seeds of future instability as people are more likely to resist a government they do not see as legitimate.

Also, as firms take on more and more developmental responsibility they may feel less inclined to pay taxes and be more aggressive in legal tax avoidance; the premise being that they are (with their social investments) “doing what taxes are meant to do”. Again this weakens the state and promotes instability. One should not forget that big businesses already possess a lot of power due to the financial resources they command, and the added goodwill from undertaking deep development projects will increase their power even more. Power, as we know, can corrupt and we should also note that the true calling for business is profit-making. The potential for misuse of newfound power to the detriment of the poor is real and should be checked.

A rather curious point worth noting is that although many governments in the region have development plans articulated in their various national vision documents (see Issue 4, 2012) it is rather the MDG agenda that is driving the deeper engagement of business in development. While there are overlaps between the national visions and MDGs, the key consideration when developing deeper engagements should be development plans of the countries themselves. Working with governments to fulfill the national visions could yield even more sustainable impacts on the poor as this ensures coordination of efforts.
Interventions
It is important that the state be seen as the provider of public services and be held accountable for this. The state must therefore be part and parcel of the grander forays into development issues that businesses are making; the state ought to make itself visible in these CRS operations. At the minimum partnerships should involve government as a significant partner and in the ideal governments should take lead.

Therefore a model of a partnership between government, development partners (including NGOs) and business needs to be worked out. A good example of how potential partnerships could work is the Gambia mHealth system.

Box 2: Gambia mHealth System: A Potential Collaboration Model
According to the WHO weak supply chains are part of the problem of the huge access gap of regular essential medicines to people who need them in Africa. Through partnership, Pfizer and Vodafone have applied mhealth mobile technology to improve the pharmaceutical supply chain in the Gambia. Through a partnership that includes the Ministry of Health, and IHP they are piloting an SMS-based project that aims to strengthen the supply chain for 20 pre-specified essential medicines and track 10 health events of high priority for the Ministry. Using their mobile phones, health care personnel send weekly text messages containing stock levels and expiration dates for medicines as well as rates of the pre-specified health events that are registered in their facilities. As an incentive for sending their data inputs on time, users receive mobile text messaging credits. Gathered in a central database, the information is analysed and used by supply chain management to prevent stock outages. So far all 50 rural health clinics in the public health system, as well as the central and regional medical stores, now participate in SMS for Health – with a 95% average response rate among those responsible for submitting text messages. Two-way communication has been introduced as well. This allows regional stores to redistribute supplies between clinics running low on certain medicines and clinics with surplus stock. Initial evidence shows that stock outages have already declined.

References
http://africanbusinessmagazine.com/features/food-beverage/clean-water-for-a-thirsty-continent
http://responsiblecocoa.com/media/responsible-cocoa-news/
Historically, conventional businesses have never viewed poor consumers and producers and their communities as viable markets worth serving or investing in. This is because the poor by definition do not have much purchasing power and usually live in hard to reach remote areas and urban slums that may be dangerous to for security reasons. Traditionally these markets have therefore been served by informal sector businesses operated by entrepreneurs who live in these communities. While they fill an important gap, helping solve a market failure, their services are often not the most efficient: they typically serve low quality (mostly counterfeit) goods, even unsafe or unhealthy products sometimes. Ironically the poor actually tend to pay more for these low-quality services than in conventional markets – since there is minimal competition from potentially more efficient conventional businesses.

Yet one would be blind not to notice the remarkable creativity of these supposedly “inefficient” informal entrepreneurs and the local booms which they have successfully engineered under the difficult conditions of these informal markets. The truth is: they have built a better understanding of a difficult market and have innovated especially in packaging products in affordable quantities, often with the innovation of single-serve delivery and using cheaper packaging to cut both cost and price. It has been a breakthrough that remained hidden for years. Now big businesses are taking notice and lusting for it too.

As a matter of fact, the more innovative big businesses have discovered how to profitably engage this end of the market. Indeed a whole new terminology and research is developing around the Bottom of the Pyramid (BoP) as the market segment is now referred. While the initial foray by businesses focused on packaging the conventional brands in smaller quantities, attention has increasingly been directed towards including the poor in the whole value chain from supply chains to marketing chains. This movement is now referred to as Inclusive Business (IB).

**Trends towards Inclusive Business in the Region**

The region has seen bold attempts at Inclusive Business (IB) mainly driven by multinationals. The area that is seeing greatest interest is the production end of the value chain where concern has been to improve quality and quantity supplied by farmers. However bolder efforts that are seeking to involve the poor in supply and distribution networks are also emerging. We review some on-going efforts below.

**IB Supply Chains**

The key motivation for inclusive supply chains has been the need for firms using inputs generated by the poor to have supply guarantee both in terms of quantities and quality. This turns out to be a win-win proposition as farmers improve incomes from both higher production and better quality. The increasing use of Sorghum as feedstock for brewery provides a good example of how IB supply chains are being built in the region.

Heineken’s sorghum project: Sierra Leone Breweries Ltd (SLBL) a subsidiary of Heineken’s has worked with local farmers so that they can supply sorghum for beer production. Heineken developed its sorghum brewing technology and expertise with the goal of developing a sustainable local supply chain for Sierra Leone Breweries Ltd. SLBL has trained farmers in good agricultural practices, organised bulking and transport and tested new sorghum varieties for better processing quality and yield. This has stimulated local entrepreneurship, created hundreds of new jobs for the local population and increased smallholder farmers’ incomes significantly. For its efforts, Heineken received the 2010 World Business and Development (WBD) Award. A similar program in Nigeria by Heineken (Nigeria Breweries) has enabled more than 42,000 smallholder farmers to increase their sorghum yields by 128 percent by helping them to improve production practices. This has kept the price of sorghum fairly stable for the past three years, which in turn helps farmers and processors to better forecast their returns and operating costs.
An even more ambitious partnership is being envisaged by Guinness Nigeria that aims to change the transactional relationships that exist between the company and all stakeholders cutting across its value chain into more strategic partnerships. Guinness Nigeria intends to build strategic partnerships with banks, agricultural NGOs, donor agencies and research organizations in an inclusive sourcing ecosystem based on the following three key elements;

1. Increasing visibility and engagement along the supply chain: In particular Guinness Nigeria will cascade the visibility and control over millers by supporting them to arrange subcontracts with farmer groups, providing more market assurance to the farmers which they can leverage to obtain finance. Partnerships with financial institutions will also be built to ensure easier access to funds for farmers.

2. Building the capacity of farmers. Partnerships with development organisations and NGOs to raise awareness issues such as the right use of the seeds and seed inputs; and

3. Enhancing the value of millers by closer collaboration to facilitate the uptake of new technologies such as warehousing and transportation. The impacts of this inclusive business venture will be to fully integrate and develop smallholder farmers into the Guinness supply chain. This model is estimated to benefit about 6,000 poor subsistence farmers and rural traders in the long term.

**IB distribution systems**

IB distribution systems require that distribution systems be on a much smaller scale to reduce capital outlay and be innovative in use of transport vehicles to take account of cost (capital outlay) and terrains. So companies need to think of the donkey cart as a viable means of transport. An example of this is Coca Cola’s Manual Distribution Centre (MDCs). The MDC initiative identifies local communities where a number of small distribution centres are created, run by local entrepreneurs who work with local shopkeepers. This model is also evolving from fixed MDCs to more mechanized distribution centres where motor tricycles with carriers are used to enable young enterprising Ghanaians serve their customers wherever they are.

**IB Enabler of Pro-Poor Credit Market**

Credit is always a challenge as the poor have little assets or credit history. Thus business that cannot break their product into small enough packaging or require high initial investment have challenge in accessing this market unless they can avail credit to the poor consumers. This is the approach that Oando Marketing Plc has taken. Oando entered into an agreement with Lift Above Poverty Organisation Microfinance Bank (LAPO) to provide soft loans for low-income households in Nigeria to purchase three-in-one gas cooking stoves; Oando’s quest is to provide innovative and affordable LPG cooking stoves to an estimated five million low income households by 2017. It’s interesting to note Oando’s core business is not the selling of cooking stoves; it is rather the selling of LPG. But the approach makes for smart business because once these household hold to use LPG to fuel daily cooking, they will depend on Oando for LPG and become its customers.

**IB branding**

More innovative companies are using this model as a way to brand. Since 2011, Magnum ice cream has partnered with Rainforest Alliance to work with farmers in Ghana and Cote d’Ivoir on sustainable agricultural practices in cocoa production. Already over 10,000 farmers have achieved Rainforest Alliance certification. At the same time Magnum has launched a new product as a result of this programme – Magnum Ghana’s – which uses cocoa sourced from certified farmers and feature the Rainforest Alliance certification logo on the pack.

**The Future of IB: impact on the poor and potential interventions**

There is a movement towards IB spearheaded by multinationals and there is evidence of innovation although mostly in form of adaptation from other regions. They are helping to improve productivity and also allowing the poor to be part of multinational value chains and therefore by extension part of global value chains. This is good, as not only incomes are generated but more important valuable business skills and attitudes are being transferred that will have general impact and improve productivity of other activities; thus a farmer who learns to increase productivity in cocoa farming can apply same knowledge and attitude towards other crops.

The drive for IB can also have undesirable outcomes especially pollution. The desire to shrink sizes and also use cheaper packaging materials means greater uses of plastics and in large quantities. The result is a plastic waste menace that gets worse by the day. In particular used “sachet water” packaging materials has become an environmental challenge on the region; it has led to clogging lagoons, drains, and beaches. Therefore the move to micro packaging needs to be balanced with environmental concerns. Business should innovate re-usable packaging though this comes with other challenges such as sensitizing the public on environmental concerns.
Another downside of the IB is that it may increase consumerism, make the poor dependent on MNCs and eventually kill competing small local businesses as they cannot match the resources MNCs can marshal in brand development. Local producers and small businesses that are not part of the multinational value chain can easily be killed. But the death of local competitors may be bad for the poor because these local entrepreneurs – even though they may offer low quality products at high prices – are arguably more responsive to the needs of the poor than big companies; remember that they are the original developers of those markets, they live amongst the poor and have usually lived the lives of the poor. In the absence of such empathetic local competition, the poor can become vulnerable to exploitation by big business. An ecosystem that has both formal and informal companies serving the poor is important.

It may not feature much in the IB literature, but one hidden problem that may prove difficult to tackle is how big businesses can infringe on the intellectual property of the poor. The poor typically innovate out of necessity mostly through adaptation and finding multiple uses of existing products. It is possible that as big business engages more with the poor, innovative ideas will flow from the poor to mainstream businesses and eventually make their way to formal product lines. Unfortunately, it is the big business that stands to reap the rewards of this innovation; indeed, once such products are developed, the natural thing for a big business is to get patents which might prevent the original inventors from enjoying the benefits of their own inventions. It is probable that the inventions may look very different in shape and form but it wouldn’t make it any less the invention of the original poor innovator. It is therefore important to find ways to provide support to informal businesses in poor neighbourhoods to withstand the ‘onslaught’ of MNC into their territories. Training them on management and quality control and also providing them with support to patent their innovations will be very helpful.

It is instructive to note that there is little government policy in the region to encourage IB. Government policies seem more inclined to developing Export Processing Zones and Technology Parks whose objective is to attract Foreign Direct Investment (FDI) that are export-oriented and thus outward-looking. It is important that there is a shift towards promoting agro-processing based on locally grown produce as this has the biggest opportunity to link farmers and industry and thus promote IB. At the same time it is important to strengthen contracting laws and land rights so that business can have the confidence to invest in the development of Inclusive Business (IB).

It is likely that the bold actions in IB that we see today may shift with the rise of the middle class in the region. Businesses may focus attention on serving these markets by importing goods as they have the purchasing power and are easier to serve. The rapid rise of wheat imports and dairy products and even fruits and juice products is a testimony of the consumer power of the middle class. Government policy may be needed to intervene and provide greater incentives for import substitution especially moving from imported foods to foods grown by small holders as well as supporting the emerging supermarket stores, where the middle class buy from, to work more closely to include the poor in their supply chains.

Government policy can indeed spur development of IB value chains. For instance in Nigeria the development of Sorghum supply chains has been due to government ban on import of barley for brewing, thus forcing local companies to develop local supply chains for barley alternatives. A current regulation to have at least 25% of flour used in bread to be cassava flour is also likely to spur activity on development of IB cassava value chains.

References
- http://www.nestlemaghreb.com/featuredstories/Pages/LeNestleCocalPlan.aspx
- http://www.nestle.com/csv/CreatingSharedValueCaseStudies/AllCaseStudies/Pages/The-Coca-Plan.aspx
- http://ec.europa.eu/energy/idae_site/depoly/prj058/prj058_1.html
- http://growinginclusivemarkets.org/media/cases/Mali_RESCOs%202008.pdf
- http://www.fao.org/docrep/008/y5785e/y5785e0c.htm
Towards a Sustainable Model of Business for Development

It is certainly a delight to watch companies get involved in helping to fight poverty and solve social problems. The models are surely innovative and the potential that they will evolve into even more efficient tools of engagement cannot be doubted. But while the enthusiasm about the MDGs has urged business into the development arena, - an arena which has been the domain of Governments, Development Partners and NGOs – questions of how business should forge partnerships with traditional players in this space has become more pressing and for good reasons.

There are indeed synergies to be exploited in a partnership. Governments have the political legitimacy and the mandate for development, with development plans to guide it. NGOs possess deep knowledge of social challenges as well as earned the trust of the community; and they have developed engagement models and structures.

Business can therefore get more from their development work by using the infrastructure, networks and goodwill that these institutions already possess to access the poor. On the other hand businesses have expertise in resources mobilization, management and developing logistics for marketing and distribution that they can impart to Government agencies and NGOs. Governments and NGOs can therefore be more efficient in their service delivery from such partnership.

The realization that there are synergies to be obtained from partnerships has seen the rise of social marketing where business products and development messages are marketed on the same platform. Unilever for instance, is promoting hand-washing as a hygienic preventive measure against diseases like diarrhoea, with its Lifebuoy soap brand as a solution. In Nigeria, Unilever intends to carry out this educational campaign through health symposiums and through partnerships with Government State Educa-

tion Boards & Churches to directly reach over 200,000 households with health soap bars. The goal of Unilever is to reach 70 million Nigerians by 2015 with its hand washing with soap behaviour change programs as a part of Unilever's Sustainable Living Plan (USLP). Unilever is also having similar initiatives in Ghana, Mali, and Senegal.

Perhaps the exemplar of this approach is Proctor & Gamble’s (P&G) collaboration with UNICEF where with the purchase of one pack of Pampers –(its baby diaper), one dose of the vaccine is donated. This campaign has created the highest awareness ever for maternal and neonatal tetanus. It is estimated that over the years Pampers’ funding has helped to protect 100 million women and their babies against maternal and neonatal tetanus (MNT) and helped eliminate MNT in Burkina Faso, Ghana, Guinea Bissau, Liberia, Senegal among others. In a true spirit of learning from each other P&G and UNICEF have also teamed up to offer P&G employees in Europe, Middle East and Africa the opportunity to take a three-month sabbatical to work with UNICEF. The P&G employees learn more about humanitarian work and while UNICEF benefits from the diverse backgrounds of P&G employees as they apply such skills as communications, promotion, leadership training, and supply chain management.

The future; and potential impact on the poor
As businesses work more closely together with NGOs and others involved in the development sphere they are likely to get a deeper understanding of these communities and thus develop better products tailored to them. They will also help NGOs and others develop versatile supply chains and communications systems extending their reach and impact. This means a better future for the poor and vulnerable.

However, the downside is that businesses are essentially using a fiduciary relationship between NGOs and communities for profit gain. Unilever gets to sell its soap but it gets an advantage over its competitors including small
local businesses due to tacit recommendation they get from NGOs working in the community. Small business that may not have the resources to engage NGOs may thus eventually be locked out leaving the market to big business only.

NGOs can also get compromised and not advocate for communities in other areas where their business spon- sors may be hurting their communities. For instance Unilever has had to defend itself against accusation of aiding in the destruction of rainforests being cleared for palm oil plantations that supply the company. The danger of business working closely together with NGOs and governments is the potential that these watchdogs may be compromised and at the worst become advocates for business especially when they come to rely on their expertise and systems.

The Acumen Fund, one of the larger global social enterprises has also opened offices in the region and is funding a number of initiatives across the region. In Ghana, Acumen is investing about US$4.5 million in companies that include a staple food crop production company (GADCO) that aims to transform the lives of smallholder farmers, a land rights formalization company (known as Medeem) that will empower the poor by allowing them to substantiate claims to their land in an uncomplicated straightforward way and a pharmaceutical verification company (Sproxil).

Nestle: The 4D Exemplar
Nestlé is perhaps one of the firms that is most intensely involved in 4D activities in the region, with efforts ranging from developing supply chains, developing distribution systems to partnering with other organizations in tackling development challenges of the region. Below we provide a sampling of Nestlé’s activities.

4D Supply Chains
Nestlé is working closely with farmers to increase their output in a number of countries in the region and develop Inclusive Business Supply Chains. For instance Nestle is helping farmers to source onions on the continent for its ‘Maggi’ flavouring range of products. Nestlé is already working with 200 farmers ahead of the opening of a new onion powder factory in Niger’s capital city Niamey. The company will share its technical training and expertise with farmers to encourage sustainable farming practices. Also, Nestlé’s partnership with farmers will establish a supply chain from farm to factory. Nestlé aims to work with over 5,000 farmers on this project.

Nestle is also working with farmers in Nigeria, Ghana and Cote d’Ivoire to improve the quality of the grains produced in a project known as the Maize Quality Improvement Project. Farmers are trained on simple but efficient contaminant prevention practices and cereal suppliers are trained on good storage prac- tices. An estimated 3,000 farmers in the three participat- ing countries - Nigeria, Ghana and Ivory Coast - are expected to benefit from this project through increased yields, safer and better quality grains. It is projected to globally benefit an average of 18,000 people within the 3 years of implementation of this programme

4D Distribution and Marketing
Nestle is also pioneering a distribution model that incorporates street sellers in the region. Its ‘My Own Business’ initiative is developing ----
an out-of-home industry food service industry that will see operators developed to run their business out of kitchens and paired with street sellers. It aims to boost the Nescafé coffee brand in busy public areas such as open markets, stadiums and bus stops, while helping operators developed by Nestlé Professional to manage their street-vending business.

Nestle provides training on sales, management, hygiene standards, safety requirements and quality levels. It also assists operators to find safe and clean kitchen areas to run their business from. Each operator recruits and employs about 8-10 street sellers from neighboring communities and manages them. Each Nescafé vendor is given a kit which includes a coffee dispenser they can strap on their back. They also receive Nescafé products, such as the coffee powder, hot water flasks, disposable cups, and a branded vest and hats, kits that allow the street sellers to move freely through the busy streets.

A total of 58 operators have joined the programme in Burkina Faso, Côte d’Ivoire, Cameroon, Ghana, Nigeria and over 1,000 new recruits projected. This innovation is building on Nestle’s earlier successful ‘pushcart’ initiative which have sellers use pushcarts to provide hot Nescafé drinks to consumers in local markets and neighborhoods.

Nestle sees this innovation as both a selling and marketing tool as each operator and street seller is seen as an ambassador of the Nescafé brand. And indeed the strategy is paying off as more than two-thirds of Nestlé Professional’s coffee beverages in the region are sold in this way.

**Social Marketing**

Nestle is also using the social marketing IB strategy to expand its markets. Through its "Popularly Positioned Product" (PPP) programme, it aims to provide affordable sources of essential nutrients, such as iron, vitamin A, iodine and zinc, which are not readily available from local foods. This is key in the West Africa region, where good sources of micronutrients are not always available in diets. For example, not all salt is necessarily iodized yet iodine deficiency between conception and three months of age can cause irreversible impairment to brain function and physical development in children. Nestlé fortifies most of the range to help address the four most prominent micronutrient deficiencies worldwide: iron, vitamin A, iodine and zinc.

Nestle is using this program to position its Maggi brand flavoring cubes. Maggi Cubes are promoted through popular cooking caravans that travel across and teach cooking as well as health issues while using Maggi cubes as a key ingredient in the diets prepared.

**Golden Morn**, another product, is made from nutrient-boosted grains grown in Nigeria and Ghana and is also fortified with vitamin A and iron. It has been aggressively marketed in Nigeria where about one third of pre-school children are deficient in vitamin A, and more than three quarters suffer from iron deficiency.

**Corporate Social Responsibility (CSR)**

The company is also actively involved in traditional Corporate Social Responsibility Activities (CSR). An example is Nestlé’s collaboration with the International Federation of Red Cross and Red Crescent Societies (IFRC) to help improve water and sanitation facilities for schoolchildren, teachers and their communities in Côte d’Ivoire. By the end of 2014 the programme aims to reach 55 schools and provide 65 clean drinking water and sanitation points, impacting on about 53,000 people in the cocoa-growing areas of the country.
West Africa Trends Team

Editorial Team
- Dr Julius Gatune Kariuki (Newsletter Coordinator)
- Dr Sheila Ochugboju
- Mr Michael Kottoh

Research Officer
- Mr Francis Kobbina Appiah Abebrese

Interns
- Ms Constance Ando (Francophone)
- Ms Abigail Anani (Anglophone)

Editorial Advisor
- Dr Ed Brown