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**Eradicating
Poverty
through Profit**

Making Business Work for the Poor



An International Conference on the Private Sector & the Public Good

Session Summary Reports: Track 1

Getting Started in Doing Business with the Poor: Learning Journeys of Leading Companies from the World Business Council for Sustainable Development's Sustainable Livelihoods Project

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World Resources Institute

Summary:

Launched in 2001, the **WBCSD's Sustainable Livelihoods** project focuses on researching the roles that corporations and markets can play in bettering the lives of impoverished people in ways that are beneficial to all concerned. Throughout the three Sustainable Livelihoods sessions held on Monday, December 13th, companies already investing in these markets shared their experiences and ideas of how to move forward.

Session 1: Experiences of national and multinational corporations around the globe

During the first session, four stages to developing a business model focused on sustainable livelihoods were described: understanding what the social aspect means to the implementing company; developing a business model and piloting it; using lessons learned to refine the model and improve it; and scaling up and replicating the final successful model. Of the businesses that participated in the sessions, most had not moved past the piloting stage.

A simple framework for moving forward in creating sustainable livelihoods was also presented. Creating a virtuous cycle of market development where the poor are part of the company's value chain is key to ensuring long-term success. When developing a product or service for the BOP, understanding the real needs of the market is critical. There must be a demand for the service, and it must be affordable to the end user. A company investing in this market must stick to their core competencies, partner across sectors to fill in any knowledge gaps, and localize the value creation to ensure long-term sustainability.

Session 2: Experiences from the WBCSD's Regional Network Members

The second session saw the presentation of two case studies: the **South African Sugarcane Research Institute (SASRI)**, and Hindustan Lever's (HLL) **Project Shakti** in India. SASRI is supporting sustainable development efforts in Africa by educating sugarcane farmers. Topics include adult literacy, farm support services, and training in business practices including business contracts, meeting procedures, and basic economics education. Results so far have shown that there is a need for awareness of local realities, and that partnerships are necessary to promote income diversification opportunities. Challenges include developing new models for farm ownership, and assisting farmers to increase household income.

The objectives of Project Shakti include: catalyzing community development, improving HLL's product reach and communications in rural India, improving health and hygiene standards, and advancing functional literacy amongst women. To meet these objectives, Project Shakti taps the large self-help group network in India to identify women who would be interested in working as a village distributor for HLL's products. Extensive training is given to support distributors who sell products both door-to-door and directly to retailers. The state governments and NGOs assist by teaching women good business practices. The distribution network also trains women to be "communicators" who relay information about personal hygiene, cleanliness, nutrition and the prevention of common diseases.



Session 3: Experiences of national and multinational corporations from around the globe

The final session explored three main topics: how to access appropriate financing; how businesses can work with development organizations; and how to work in clusters with different companies and different industries to solve development issues. Financing received the most attention, and several sources of funding were revealed. First among these is patient capital, defined as capital already earmarked for development initiatives with a private sector approach. To qualify, an organization or company must be able to demonstrate socioeconomic benefits. Another source of funding is through DfID's **Business Linkages Challenge Fund (BLCF)**, which provides grant support to overcome the risk inherent in capital investments in developing countries. The goal of the fund is to promote business linkages in the private sector.

Conflicts:

One source of uncertainty was regarding the ability of large MNCs to develop local distribution channels while simultaneously helping to build local capacity through job creation. Another was the ability of local suppliers to have the consistency in terms of quality, price and labeling required for export into the global marketplace. It was also unclear whether these local companies would have the ability to scale production and ship large orders on time.

Barriers that have been overcome:

SC Johnson discussed its experiences in Kenya with the production of pyrethrum, a natural insecticide derived from the chrysanthemum plant. The government monopoly on pyrethrum's production resulted in high prices, an unstable supply, and low productivity. To help address this problem, the company worked with the development NGO **ApproTEC** to distribute their irrigation pumps, resulting in a ten-fold increase in income for the pyrethrum farmers that purchased them. Further, the pump dealers have begun to also stock Baygon, an insect repellent developed by SC Johnson based on pyrethrum, giving the brand incremental distribution and access to the BOP.

FINCA, an international microfinance organization with 23 country programs on five continents, spoke about the problems of corruption and lack of discipline it encountered with its cash handling operations. To improve business, the organization improved its educational outreach, working with corporations, other microfinance organizations and the poor to ensure that all groups were speaking the same language. Another company, **Vodafone**, responded to the challenge of connecting remote areas by empowering 2800 local entrepreneurs to invest in local phone shops. These shops are now generating bigger revenues than its conventional pre-paid business.

Barriers that remain:

Investments must be made to increase productivity, including training in business education. To maximize returns on investment, cooperation to share equipment and capital costs needs to be encouraged. More support is also needed for health and hygiene programs, education for children, and computers/kiosks for public access to IT. Partnerships with government agencies are also necessary to ensure support from local officials.



For companies or entrepreneurs wishing to start a business at the BOP, a great deal of local knowledge is also required. A guide is needed that describes the donors, consulting companies, local businesses and NGOs already active in a specific area.

Opportunities:

Hindustan Lever noted that it was charging an access fee for other companies who are selling their products and services through their Shakti distribution network. Although it is still too early to determine the equilibrium access price, piggybacking on established distribution networks allows new companies to more quickly and easily reach BOP customers, while also providing additional sustainability for the networks that are being utilized. The same networks also provide an opportunity to work closely with public agencies to disseminate important information.

Consensus:

The profiles of businesses already functioning at the BOP demonstrate real opportunities, profits, and social benefits. Lessons learned include:

- Public-private partnerships are an effective way to tackle global issues, such as poverty alleviation.
- Business must not only look for capital providers, but also different, nontraditional types of capital, such as partner capital, NGOS, and others who might have easier access to patient capital.
- Technology is a key enabler, helping to manage transaction cost, especially in the last mile.

To enable investment in sustainable livelihoods, the WBCSD has produced a [guide](#) that outlines cross-sector collaboration, profiles 30 development organizations, and provides links to other resources. They have also developed a [similar guide](#) for finding capital for sustainable livelihood businesses. Other relevant reports are available on the organization's [homepage](#).

