

CHAPTER 2

ECONOMIC DEVELOPMENT

If a man doesn't have a job or an income, he has neither life nor liberty nor the possibility for the pursuit of happiness. He merely exists.¹

—The Rev. Dr. Martin Luther King, Jr.

THERE HAS BEEN STEADY PROGRESS IN REDUCING POVERTY DURING THE PAST three decades. According to the World Bank, 22 percent of the developing world's population—or 1.29 billion people—lived on \$1.25 or less a day in 2008.² While this is still a staggering number, it represents a steep drop from 43 percent in 1990 and 52 percent in 1981. “The growth rates of the world's emerging and developing economies have surged... Since 1980, over one billion people around the world have ascended from poverty.”³

Furthermore, estimates indicate that by 2010, the poverty rate fell to less than half of the 1990 rate.⁴ That means the developing world has achieved, five years ahead of the goal, the United Nation's first Millennium Development Goal (MDG): to cut the 1990 extreme-poverty rate in half by 2015.

The eight MDGs were established following the Millennium Summit of the United Nations in 2000. Approved by the UN's member states and global institutions, the MDGs range from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015.⁵

According to a 2013 report by the Center for Strategic and International Studies, a nonprofit chaired by former US Senator Sam Nunn, the private sector, rather than US foreign assistance or philanthropy is the key driver in such global prosperity. “At no other time in history has US foreign aid made up such a small share of global capital flows. In 1960, public capital accounted for 71 percent of financial flows to the developing world. Today, it stands at only 9 percent. Although this aid and US leadership make a tremendous difference in international relations, the private sector, through its flows of capital, technology, and knowledge, has become a vital force in development.”⁶

For business, alleviating poverty presents opportunity, while addressing a pernicious global issue. By helping to advance people from extreme poverty to the middle class, businesses anticipate achieving long-term strategic growth through access to new markets, workforce development, product innovation, and product distribution.⁷ In Africa, Asia, Latin America, and formerly Communist countries, businesses are teaming up with NGOs

and governments to foster employment, business development, and regional capacity-building to strengthen economies. Companies recognize that these locales will provide vast and growing market opportunities as wealth increases and consumers seek to increase their quality of life. According to McKinsey & Company, “Africa’s consumer-facing industries are expected to grow by more than \$400 billion by 2020.”⁸ Consumer-facing industries include retail and wholesale, retail banking, telecommunications, and tourism.

In spite of tremendous gains in fighting poverty, progress is fragile. There is still a long way to go, and failure could bring disastrous results throughout the world. Martin Ravallion is director of the Development Research Group, the World Bank’s in-house research department. As leader of the team that produces the World Bank’s poverty data, he cautions that “even with the current rate of progress, about one billion people would still live in extreme poverty in 2015. And the bunching up we see just above the \$1.25-a-day line points to the continuing vulnerability of poor people across the world.”⁹ The numbers are stark but hardly capture the full degree of human deprivation and suffering.

Achieving success in eliminating poverty is complicated. To begin with, it’s difficult to measure progress accurately. According to Laurence Chandy, a fellow at Brookings working on global poverty, aid effectiveness, and fragile states, “the global headcount (based on the \$1.25 poverty line) has been dominated by three population groups: sub-Saharan Africa, India and China. These three account for a remarkably constant three-quarters of the world’s poor—a share which has never deviated by more than three percentage points on either side. Yet poverty estimates for each of the three suffer from glaring problems: insufficient survey data, flawed surveys, and faulty PPP [purchasing power parity] conversions, respectively. If we cannot believe the poverty estimates for sub-Saharan Africa, India, and China, then we cannot believe the World Bank’s global estimates, and we must admit that our knowledge of the state of global poverty is glaringly limited.”¹⁰

Another challenge is defining goals and success. In order to define success, it is important to understand the origins of the baseline. The figure of \$1.25 a day was determined based on an average of the 15 poorest countries; the notion of poverty in the United States or Europe would be much higher, of course.¹¹ According to Chandy, success is actually achieved when the poorest people in developing countries earn \$10 a day. “Below the \$10 threshold, one is highly vulnerable to slipping back into extreme poverty, susceptible to disease, and losing one’s limited assets to theft. At \$10 a day, people become global citizens, making demands for democracy and education, and wanting to buy cars. Most importantly, at \$10, there is less likelihood of dropping back,” explained Chandy. “The President of the World Bank talks about

shared prosperity. If we're going to deal with poverty, we need to get people permanently above \$1.25, which means above \$10."¹²

Susan Davis has another way to describe success in eliminating poverty. Davis is the founder, president, and CEO of BRAC USA, an independent grant-making affiliate of BRAC.¹³ BRAC is a development success story, spreading solutions born in Bangladesh to ten other countries around the world – a global leader in creating opportunity for the world's poor.¹⁴ According to Davis, "The question of relative poverty is harder to address because we get into debates on what is 'enough.' We all deserve to have our basic needs for food, water, shelter, healthcare, sanitation, and education met, but at what standard, and who decides? Different groups measure poverty at different levels of purchasing power: \$1.25, \$2, or \$2.50 a day. But even relative poverty is possible to eliminate given the combined impact of economic growth, social protection programs, and access of the poorest to jobs and self-employment. That's where microfinance is essential. When there isn't enough decent work for everyone who needs it, people need to be able to create their own livelihoods. Microfinance is an essential tool in creating freedom and opportunity for the poor, though it's not the only tool. Education, healthcare, legal empowerment, community empowerment, livelihood training—these are important as well."¹⁵

Advances against poverty are tentative with a volatile global economy, especially for people who live in countries with unstable and corrupt governments. Additionally, climate change will increasingly undermine efforts to combat poverty. According to the United Nations Development Fund, "the impacts of climate change will reverse decades worth of human development gains and threaten achievement of the Millennium Development Goals."¹⁶ As evidenced by natural disasters and droughts in the past decade, these extreme conditions impede people's access to water, sanitation, food, and energy, especially in countries with weak infrastructure and institutions.

Global poverty threatens all of society, not only those who are marginalized. According to an article published by the International Monetary Fund, the result of rising inequality in world income distribution "is a large mass of unemployed and angry young people, mostly males, to whom the new information technologies have given the means to threaten the stability of the societies they live in, and even threaten social stability in countries of the wealthy zone."¹⁷

Impediments and threats to success include not only climate change and corrupt governance, but also the lack of healthcare and education, and—to a very great extent—negative attitudes toward girls and women. According to the UK's Department for International Development (DFID), "Across the developing world, girls and women continue to bear a disproportionate burden

of poverty. Yet we know it is possible to take effective, practical action that enables girls and women to fulfill their potential. And we know that the benefits of investing in girls and women are transformational—for their own lives and for their families, communities, societies, and economies. Empowering girls and women has multiplier effects for economic growth and achieving all of the MDGs. If we reach girls in particular, early enough in their lives, we can transform their life chances. Giving girls greater choice and control over decisions that affect them helps break the cycle of poverty between one generation and the next. It enables us to stop poverty before it starts.”¹⁸

DFID describes four pillars for action: delaying first pregnancy and supporting safe childbirth; channelling economic assets directly to girls and women; getting girls through secondary school; and preventing violence.

Additionally, wealth gaps, defined as severe income disparity, topped the list of the 50 greatest threats to the world, according to the *Global Risks Report 2013*.¹⁹ This top 50 report was presented by the World Economic Forum’s Risk Response Network to global leaders in Davos, Switzerland. The results were based on a survey of over a thousand experts from industry, government, academia, and civil society who were polled as to how they expect 50 global risks to play out over the next ten years. Furthermore, leaders indicate that there are limited public resources to address economic or climate issues, both areas requiring investment.

Data from a number of sources indicate that income inequality has grown significantly since the early 1970s, after several decades of stability. While inequality has risen among most developed countries, and especially English-speaking ones, the United States is among those countries with the highest Gini indices.²⁰ The Gini index “measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution.”²¹ An index of 100 represents perfect inequality, with an index of 0 representing perfect equality. Causes of growing income inequality include different rates of population growth among rich and poor countries, the fall in non-oil commodities, the debt trap, and technological change.²² According to a report by the *Global Post*, funded by the Ford Foundation, “income inequality is surging, and there are few countries where it is rising faster than the United States. The distance between rich and poor is greater in America than (in) nearly all other developed countries, making the US a leader in a trend that economists warn has dire consequences.”²³

“In fact,” the *Global Post* report continues, “the most recent data compiled by the Organization for Economic Cooperation and Development (OECD) show that Chile, Mexico, and Turkey are the only OECD member countries that rank higher than the US in terms of inequality. And it’s only getting worse.”²⁴

The OECD helps governments tackle the economic, social, and governance challenges of a globalized economy. “The OECD brings around its table 40 countries that account for 80 percent of world trade and investment, giving it a pivotal role in addressing the challenges facing the world economy.”²⁵ According to the *Global Post* report, Branko Milanovic, lead economist in the World Bank research department, said that “rising inequality in the United States means that the American Dream is becoming steadily less achievable.”²⁶

There are many reasons to care about the world’s poorer citizens. Ethics, morality, and justice are motivating forces. Wealth inequality may also pose geo-political threats. “Global poverty is not solely a humanitarian concern. Over the long term, it can also threaten US national security,” according to the results of an investigation conducted by Brookings. “In the twenty-first century, poverty is an important driver of transnational threats . . . With the advent of globalization and the rapid international movement of people, goods, funds, and information, transnational security threats can arise from and spread with dangerous speed to any part of the planet. They can emerge from remote regions and poor, weak states, turning them into potentially high-risk zones that may eventually, often indirectly, pose significant risks to distant peoples.”²⁷ The report gives examples including deadly flu viruses, terrorist cell attacks on US navy vessels, the theft of biological or nuclear materials from poorly secured facilities in any of 40 countries, narcotics traffickers and crime syndicates, and flooding and other effects of climate change that can lead to millions of deaths.

In a recent article about Syria, “Without Water, Revolution,” *New York Times* columnist Thomas Friedman asserted that drought drove masses of farmers from their land to the cities, where there were insufficient jobs and infrastructure, and a lack of government response. The ensuing poverty ultimately led to frustration and civil war. “Young people and farmers starved for jobs—and land starved for water—were a prescription for revolution.”²⁸

As shown in the chapter on climate change and energy, a special report by the Council on Foreign Relations²⁹ brings attention to the destabilizing affects of storms, droughts, and floods. The threat arises from damage caused domestically from extreme weather, in addition to the disruption of “US interests in strategically important countries.”³⁰

The Computer Network Assurance Corporation, a think tank funded by the US Navy, released a report on climate change and national security prepared by a panel of retired US generals and admirals. The Council for Foreign Relations Special Report concluded that “declining food production, extreme weather events, and drought from climate change could further inflame tensions in Africa, weaken governance and economic growth, and

contribute to massive migration and possibly state failure, leaving ‘ungoverned spaces’ where terrorists can organize.”³¹

It is in our power to create a better world where all people will have food, shelter, healthcare, an education, and the opportunity to work. There are two routes that must be pursued concurrently. First, the economies of regions where there has been extreme poverty must be transformed. Second, girls and women, as well as boys and men, must be empowered and provided access to education, healthcare, and the opportunity to earn a living. This vision of economic development and individual empowerment is possible when businesses, NGOs, and governments work in partnership. What is required is the regional infrastructure to promote and support education, healthcare, financial services, business development, regional capacity-building, open markets and free trade, and equal opportunity.

Corporations are recognizing financial and strategic opportunities by investing human, social, and economic capital in emerging markets. As you will see in this chapter, businesses are a powerful force in economic development and individual empowerment in some of the poorest regions of the world. By building stronger and more vibrant communities in previously impoverished regions, businesses in partnership with NGOs and governments benefit by advancing the vision of all people sharing in global prosperity. The cases in this chapter were selected for their innovation, variety, and impact, as well as for the capacity of the parties to accomplish their goals.

**THE DOW CHEMICAL COMPANY AND ACUMEN PARTNER
TO SCALE SOCIAL ENTERPRISES IN
EAST AND WEST AFRICA**

The Dow Chemical Company and Acumen, an NGO global venture fund that uses entrepreneurial approaches to solve the problems of global poverty, announced their partnership at the Clinton Global Initiative (CGI) Annual Meeting in 2012. Dow’s commitment included \$300,000 in funds as well as technical assistance to scale innovative business enterprises in East and West Africa.

As described in chapter one, the mission of CGI is to turn ideas into action. Established in 2005 by former president Bill Clinton, CGI, an initiative of the Clinton Foundation, convenes global leaders to create and implement innovative solutions to the world’s most pressing challenges. CGI Annual Meetings have brought together more than one hundred-fifty heads of state, twenty Nobel Prize laureates, and hundreds of leading CEOs, heads of foundations and NGOs, major philanthropists, and members of

the media. To date CGI members have made more than 2,300 commitments, which have improved the lives of over 400 million people in more than 180 countries. When fully funded and implemented, these commitments will be valued at more than \$73.1 billion. Each chapter of this book includes at least one partnership that is a CGI commitment.³²

Dow's expertise was perfect for helping the companies in which Acumen invests. Dow's "portfolio of specialty chemical, advanced materials, agro sciences and plastics businesses delivers a broad range of technology-based products and solutions to customers in approximately 160 countries and in high growth sectors such as electronics, water, energy, coatings, and agriculture."³³ Acumen is an NGO that works to create "a world beyond poverty" by investing in social enterprises, emerging leaders, and breakthrough ideas. Acumen invests in what they call "patient capital" in business models that deliver critical goods and services to the world's poor, improving the lives of millions. Since 2001, Acumen has globally invested more than \$75 million in 69 companies.

The Dow and Acumen investment portfolio will advance businesses that provide low-income people with water, sanitation, agriculture, and energy services. Thus, not only does the initiative promote promising companies, it also provides the infrastructure to improve the lives of entire communities.

"This is a multi-stakeholder approach," explained Jacqueline Novogratz, founder, president and CEO of Acumen, with tremendous enthusiasm. "We are developing leaders across sectors and ideology," referring to civil society (NGOs), corporations, and governments.³⁴ Acumen's portfolio companies, averaging between one and two million dollars in revenues annually, needed help scaling their business models to deliver critical goods and services to low-income people in the areas of energy, water, sanitation, and agriculture. Acumen requested problem-solving expertise and general capacity-building consulting, such as marketing, IT services, finance, product design, product development, business strategy, supply chain, impact measurement, and market expansion in new geographies.³⁵

Acumen's interests aligned geographically for Dow. Although Dow has had a presence in Africa for 50 years, it was seeking to expand to East and West Africa, where Acumen is engaged. Dow believed through its work with Acumen and its portfolio companies, it would be able to gain access into markets, develop insights and relationships with people in the regulatory agencies, and send the message to local business and civic leaders that the company was there to engage and bring solutions.

Furthermore, Dow saw this engagement as a way to understand the regional economy—where the opportunities and challenges lay. "When we enter, we'll be building manufacturing plants that will have a life of 50 to

60 to 100 years, investing billions of dollars, making operational decisions,” said Bo Miller, global director of Corporate Citizenship of The Dow Chemical Company, and president and executive director of The Dow Chemical Company Foundation. “We need clarity on market opportunities, how the market works. With this Acumen project, we can have an impact, while helping with our own process.” Miller also emphasized that this was a new way for Dow to do business.

In addition to making the world a better place, Miller described the partnership with Acumen as one big market research project for Dow. “We will learn by doing. How does Africa think about growing its business in the region?” Additionally, Miller talked about the value of employee engagement. “Employees are demonstrating in real terms their commitment to world challenges and that they have real talents to contribute. These are life-changing experiences for employees. They are proud of the company and derive great personal satisfaction.” Miller added that while they are engaged in their Acumen projects, employees are expected to perform on their pro bono assignments as if they are working at Dow, and they are evaluated accordingly.

“We work with companies that value innovation,” explained Yasmina Zaidman, director of Communications and Strategic Partnerships at Acumen. “What will Dow look like when it has 30 percent of its revenues from Africa, not 5 percent? The companies that are most successful are the most adaptable. Closest to the ground. And how do you get close to the ground? By adding value. And what will it take to solve big problems? Become a big leader in these emerging markets.” Zaidman also talked about the opportunity to “get a glimpse into the future by working on the ground in Africa. Perhaps this is also about helping to create the future—a better future.”

Representatives of The Dow Chemical Company and Acumen first met in 2006 when Dow became an investor in WaterHealth International, a business that today processes healthy drinking water for more than five million people in India, Bangladesh, Ghana, and the Philippines. WaterHealth’s award-winning water purifying technology, UV Waterworks, is based on a novel approach to the use of ultraviolet light for the inactivation of microbial pathogens. WaterHealth contributes to job growth and economic development as well as improved health in the communities it serves.³⁶ Acumen had been an investor in WaterHealth since 2004; Dow became an investor in 2006.

“Dow and we got to know each other while we were working together in support of this breakthrough water company,” Zaidman said. “Dow was really interested in the application of innovative technologies in emerging markets and helping the poor. It was an “A-ha! moment” for us to think that we might have mutual interests, and that we might be able help each other.”

Zaidman explained that Acumen identifies companies in which to invest, like WaterHealth, while Dow was looking for companies like WaterHealth to provide technical assistance. “Through this shared experience, Dow gained an appreciation that Acumen could identify such opportunities early on,” according to Zaidman. “Together, we recognized the value of working alongside each other on the ground with social enterprises like WaterHealth to promote innovation. We decided to pursue additional ways to collaborate.”³⁷

The relationship between Dow and Acumen deepened with the next step. Through the Dow Sustainability Corps (DSC), an employee engagement initiative, a chemical engineer helped a small biotech business in Nairobi to prepare a tech assessment in order to qualify for a new round of financing. The biotech business was part of Acumen’s social enterprise portfolio.

Bo Miller notes that legal and regulatory barriers were challenges to scaling social enterprises in Africa. These matters are referenced as well in the Global Entrepreneurship Monitor 2012 Global Report.³⁸ While the report stresses the imperative of fostering entrepreneurship to develop regional economies, it also cautions readers about legal and regulatory impediments. It states that “with unemployment and a growing youth population a key issue in regions such as sub-Saharan Africa, identifying and successfully implementing policies that both encourage youth to start businesses and support businesses with high employee growth expectations will be critical to creating jobs and ensuring economic growth and societal stability.” However, the report also points out that an ineffective legal system will diminish the economic impact of entrepreneurship.

The Organization for Economic Cooperation and Development (OECD) points out that one of the most basic barriers to entry is the number of days required simply to open a business. In 2010 in Brazil that number was 120, compared to an average of 14 days in the OECD area.³⁹ Additionally, “poor judicial enforcement of property rights and inadequate availability of land with clear titles has forced entrepreneurs to make unproductive investments in fixed assets.”⁴⁰ Thus, until governments take greater steps to establish legal and regulatory frameworks that promote and support entrepreneurship, business opportunities in emerging markets will not be fully realized.

EXTRACTIVE COMPANIES DEVELOP NATIONAL CONTENT IN EMERGING COUNTRIES

“Local content development,” sometimes referred to as “national content development,” is an approach used more recently by global corporations—often extractive companies (oil, gas, mining)—to help develop the capacity of a region where the company is locating a major extractive or manufacturing

site. Local content development focuses in particular on employment and job training, in addition to fostering the creation of local business enterprises that can provide everything from basic services up to fabrication and construction, logistics, operations support, and professional services. Companies are conducting local content work in emerging and formerly Communist countries, so there are many challenges, including the lack of an educated workforce and poor health conditions.

Through local content development, corporations have a powerful opportunity to improve lives, bringing economic development to some of the world's poorest countries. Furthermore, companies are learning that in order to be effective, they must engage a multitude of stakeholders—from government ministries to NGOs, local trade associations, businesses, and suppliers. “Nowhere are the current and potential activities of large companies more dynamic and influential on development than through their local-content policies, programs, and practices,”⁴¹ according to NGO leaders Michael Levett and Ashley E. Chandler.

There are compelling business reasons for companies to develop local content. Increasingly, such practices are mandated by host countries in return for the company's license to operate. Additionally, cost savings occur with hiring and sourcing locally, while also strengthening communities. Local content is essential for doing business in key parts of the world.

Beginning in 2003, PYXERA Global, a global NGO, worked on a project in Angola to help several oil and gas companies to fulfill the state's mandate for them to source locally. The NGO was needed in order to assist local businesses in growing their technical capacity. PYXERA's mission is to leverage public, private, and volunteer resources to strengthen small and medium enterprises (SMEs) and the institutions, governments, and industries that drive economic growth in emerging markets. By the project's end, “more than 1,500 Angolan-owned businesses had participated in the... program through training and technical assistance, 125 companies were certified as suppliers for the oil industry, and some 300 contracts and contract extensions resulted.” The project “generated more than \$214 million in oil industry contracts, while supporting the creation of more than 2,700 Angolan jobs.”⁴²

ExxonMobil, part of the CDS project in Angola, applies a local content approach in Angola, Chad, Equatorial Guinea, Indonesia, Malaysia, Nigeria, and Russia (Sakhalin). In these countries where the company has extractive sites, ExxonMobil seeks to advance human, social, and economic capacity. Its initiatives include workforce development—recruiting and developing nationals for construction and ongoing operations; supplier development—purchasing local goods and services and developing local companies to form a competitive industrial base; and strategic community investments—in

health, education, and infrastructure, especially to advance socioeconomic opportunities.

There are numerous benefits to the company. “Most fundamentally is the license to operate,” explained John Harrington, ExxonMobil’s Public Affairs manager for Africa and Asia Pacific.⁴³ “As a company, we have to compete to secure a license to operate, Harrington said. “Not only do host governments have expectations that we employ people from within the country, and foster business and economic development, but they will consider how we’ve performed in other countries. It matters.”

Harry Pastuszek, vice president of enterprise and community development at PYXERA Global concurs. As an NGO leader, with experience at the International Finance Corporation and Bechtel Corporation, he observes that “national oil companies and official ministries in the African frontier markets expect all IOC [international oil companies] concession holders to implement plans to enhance local economic development. Such vigilance extends beyond officialdom, down to the community level. Local people, with access to the Internet and other communications channels, are learning from the experiences of communities similar to their own that have already engaged with oil companies. Indeed, support from the people is often the primary prerequisite for social license to operate.”⁴⁴

Effective local content strategies are also vital to companies for securing reliable supply chains, shortening delivery time, and reducing the cost of operations, according to Harrington: “Developing local suppliers is a key component of our business model.”⁴⁵

Not only is local content good for ExxonMobil’s business, it has also led to the development of local economies and businesses. According to Harrington, “As a direct result of the company’s efforts to maximize Russian capacity within the Sakhalin-1 project, the value of contracts awarded to Russian companies during implementation has totaled about \$7.9 billion, representing nearly two-thirds of the total contracts awarded to date. This ongoing support has allowed many local suppliers to expand their businesses.” Harrington gave the example of SFERA Limited Liability Construction Firm that had started out in the Sakhalin construction industry in 1988 as a building cooperative with only 30 employees. “With mentorship and continued business from Exxon Neftegas Limited (ENL), SFERA has grown to more than 1,500 employees and is now one of the largest and most successful construction companies in Sakhalin,” Harrington said.

ExxonMobil is also fostering economic development by co-funding a research initiative with the United Nations Foundation to catalyze program and policy action for women’s economic empowerment. “Having a shared interest in enhancing the lives of women in developing countries, we are

seeking empirical evidence in order to understand exactly what policy and program interventions would most effectively increase women's productivity and earnings in developing countries," explained Suzanne McCarron,⁴⁶ president of the ExxonMobil Foundation, the primary philanthropic arm of the Exxon Mobil Corporation in the United States. The foundation's grants totaled \$273 million in 2012. "Specifically, we want to know what works in the categories of entrepreneurship, agriculture, wage employment, and youth employment." The final report will provide a roadmap, showing which interventions are most promising in helping young women to find employment. The evidence-based "roadmap" report will include guideposts for investments in program interventions in addition to recommendations for further research.

Furthermore, ExxonMobil leverages its philanthropy through its foundation by investing strategically in education, healthcare, and women's empowerment in regions where the company has a major presence. For example, ExxonMobil's attention to reducing the incidence of malaria is not only good for the community, it also benefits the company by reducing absenteeism at work.

In fact, helping to end deaths from malaria is one of the company's three key focus areas. ExxonMobil's partnerships with the Family Care Association, Roll Back Malaria, and the Federal Ministry of Health in Nigeria achieved a multitude of goals in 2012, including distributing 17,270 insecticide-treated mosquito nets (ITNs), and training thousands in malaria prevention, control, and treatment. In follow-up home visits, it was observed that 82 percent of the households were using the ITNs correctly, a testament to the training and education they had received. Success has also been achieved with bed net use in Cameroon as a result of ExxonMobil's partnership with Malaria No More.

Malaria control is Millennium Development Goal 4 (MDG 4) and MDG 6. MDG 4 is to "reduce by two-thirds the mortality rate among children under 5" by 2015. MDG 6 is to "have halted and begun to reverse the incidence of malaria and other major diseases" by 2015. Consequently, ExxonMobil is serving its own business interests in reducing the incidence of malaria, while also playing a vital role in helping to accelerate the success of critical United Nation's goals.

Deidre White, president and CEO of PYXERA Global, is emphatic about the scope and impact of corporate engagement in developing national economies. "The level of economic development that's required in these regions is not going to happen without global corporations."⁴⁷ PYXERA helps to facilitate local content development initiatives for numerous extractive companies, global pro bono programs for corporations in all industries, and

MBA's Without Borders. Prior to heading up PYXERA, White led USAID and World Bank-funded international development programs at Arthur D. Little, a management consulting firm.

White has observed a shift in the attitudes of companies regarding local content development. In comparing her participation at the CWC Group's 14th Gulf of Guinea Oil and Gas Summit in Equatorial Guinea in 2012 to her experience at this same event for the past several years, White noted "a distinct change in tone on the subject of the amount and value of jobs and contracts going to local individuals and businesses, otherwise known as local/national content. In past years, I heard largely industry dissatisfaction with the unrealistic nature (even unfairness) of the local content requirements and expectations. This year I sensed a rapidly shifting ground where this subject is concerned. As leader of the National Content Seminar, I arrived prepared to make the compelling arguments for why the industry should invest in local content: risk management; community engagement; existing or upcoming legislation; and just because it's the right thing to do to ensure that citizens can participate in the benefits of their own country's natural resources. What I found was that industry was prepared to make the arguments for me."⁴⁸

White further noted that she had observed the same change in tone at the International Quality and Productivity Center (IQPC) 8th Annual Global Local Content Summit in the Fall of 2012, which she has also been attending for several years. "Many presentations and off-line conversations proudly declared how a company has exceeded local content requirements or implemented local content programming even where there were no requirements in place. We could also measure the change in that more than 50 people registered for our practical local content planning workshop, where two years ago we had just under 20 participants."⁴⁹

White explained that while compliance is often the starting point to get a company to focus on local content, the hope is that corporations will shift to recognize the business case for local content. And in fact, during the IQPC conference, White said she was "heartened to hear companies state clearly that their business rationale is manifold: sustainable human, social and economic capacity-building reduces the company's political and security risks, demonstrates their responsible corporate citizenship, reduces their costs over time, secures their license to operate, and therefore makes good business sense."

White's vision is for local content to expand to *regional* content development, which she describes as "a strategic approach to the development of certain supplier sectors in neighboring oil producing companies... think about how powerful this idea could be for a region like the Gulf of Guinea where you have the massive, decades-old oil economies of Nigeria and Angola, a brand new producer like Ghana, and countries like Liberia and Sierra Leone

which look to become producers in the near term. You also have populations that range from 150 million in Nigeria to 700,000 in Equatorial Guinea, and widely varied levels of education and infrastructure among the countries, factors which significantly affect each nation's capability to deliver local content. Or how about Southeast Asia, which ranges from a century-plus of production in Indonesia to a Cambodia that may see first oil in 2016? Or the countries of East Africa, long ignored by major producers but now courted by majors and independents for their gas reserves?"⁵⁰

Local content development has brought socioeconomic advances for host country businesses and citizens, while promoting the interests of extractive companies worldwide.

BSR FOSTERS CORPORATE-NGO PARTNERSHIPS IN CHINA THROUGH CIYUAN

The strategic partnerships between companies and NGOs that are discussed in these chapters have been taking root in many parts of the world. China has been an exception, however. Following the Sichuan earthquake in May 2008, corporations and foundations seeking to provide philanthropic support to communities were ill-prepared to do so in any meaningful way. Moreover, nonprofits lacked the expertise to conduct fundraising and strategic planning or to engage with businesses and donors. Within a year of the earthquake, and at the request of businesses and NGOs, BSR established CiYuan, the China Philanthropy Incubator, to build cross-sector relationships to enhance the value of social investment in China.⁵¹

Established more than twenty years ago, BSR is a global NGO with a network of nearly 300 member companies worldwide. BSR's mission is to work with businesses to create a just and sustainable world. From its offices in Asia, Europe, and North and South America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration.⁵²

With CiYuan, BSR's goal has been to help move companies along the continuum from philanthropy to sustainable business strategies that benefit businesses and the community.⁵³ NGOs gain access to valuable resources including volunteers with business skills and funding. Businesses benefit by providing leadership development experiences for their employees, deepening their understanding of the China market, and building relationships, while strengthening the communities in which they live and work.

In one case, for example, BSR worked with several partners from the Shanghai office of SAP—a leading provider of business management software that provides Fortune 500 companies with management solutions—to match

them with four nonprofits that required assistance with information technology (IT) matters. SAP's ultimate purpose with the project was not only to assist the four nonprofits but also to develop and provide tools and lessons for the broader NGO sector in Shanghai. The SAP volunteers assisted a nonprofit that provides a hotline and counseling for migrants, an organization that provides grants to grassroots organizations, an education foundation, and a community health foundation. The results of their work included recommendations on how businesses can be useful in assisting NGOs by providing management and technical assistance.

In another case, BSR facilitated a partnership between B&Q, originally known as Block & Quayle, China's largest do-it-yourself retail chain, and Friends of Nature, China's oldest nonprofit environmental organization, to increase consumer awareness of environmentally friendly and energy-saving home improvement solutions. Together, the company and the nonprofit trained 120 customers at five B&Q stores in Beijing, as well as 60 B&Q designers and store managers, in environmentally friendly home improvement solutions; they also strengthened the trainees' ability to explain and promote various aspects of "green" and energy-saving home and residential products to B&Q customers. According to BSR, the lessons learned from this project will advance the organization's work in facilitating additional business-NGO partnerships to further social and environmental benefits that are also good for business.

WESTERN UNION MOVES MONEY TO SUPPORT THE WORK OF NGOs IN ADVANCING ECONOMIC DEVELOPMENT

NGOs face challenges in moving funds to their agencies, staff, and aid recipients worldwide. This is the result of highly complex and tangled global financial systems. Moreover, billions of underserved people live "the last mile" away from financial systems and resources that are essential for them to access basic daily commodities and services as well as education and health-care. Furthermore, while many people prefer cash, vulnerable people—often women and aid workers in remote and dangerous places—benefit from the security of stored value options such as prepaid cards or electronic/mobile wallets. These new technologies are only effective if they are connected to the global financial system. This is the challenge as described by Luella Chavez D'Angelo,⁵⁴ chief communications officer at Western Union, and in the Clinton Global Initiative (CGI) 2012 Commitment to Action.⁵⁵

To better connect NGOs and the people they serve, Western Union committed \$10 million dollars to create a financial platform called Western Union NGO GlobalPay. By the end of 2014, Western Union promises to

have designed an efficient, transparent, and accessible infrastructure that spans the last mile and improves access to funds and payment/disbursement solutions.

Western Union aims to partner with at least one thousand nonprofits and NGOs to benefit at least one hundred thousand people annually. The countries that will be directly impacted include Haiti, Turkey, Syria, Lebanon, and the Democratic Republic of the Congo.⁵⁶ “We’re going to solve social problems using our unique geographic reach and our products and services,” said Hikmet Ersek,⁵⁷ president and CEO of Western Union. Ersek seeks to expand Western Union’s products and services to drive additional revenue streams while also solving new problems around the planet. “More than two billion people are financially underserved in this world. This is an opportunity, a necessity, and a privilege to create financial products for the underserved,” he said.

ERICSSON ADVANCES MYANMAR SOCIOECONOMIC DEVELOPMENT THROUGH COMMUNICATIONS

In Myanmar today, fewer than five percent of the population has mobile phones, and even fewer have an Internet connection. In the twenty-first century, with more than 6.5 billion mobile phone subscriptions globally, lack of connectivity in Myanmar severely limits access to commerce, education, and healthcare, among other things.

Ericsson, a Swedish company and global leader in mobile broadband infrastructure and services, re-entered Myanmar in 2012 (after having left in 1998 due to human rights concerns). “We felt we could reenter because of progress being made in the country,” said Elaine Weidman-Grunewald, vice president of Sustainability and Responsibility at Ericsson. “The European Union and the United States were in the process of suspending sanctions, and progress was being made from social, economic, and human rights perspectives. While there are still many challenges to be worked through, we strongly believe that a well-functioning telecommunications network will greatly benefit the people and the society of Myanmar.”⁵⁸

In its commitment to responsible business, Ericsson is part of the Burma (Myanmar) Human Rights and Business Framework. This initiative, led by the Institute for Human Rights and Business and the Danish Human Rights Institute, explores how to apply the UN Guiding Principles for Business and Human Rights in the Myanmar business context.

Ericsson will also evaluate the socioeconomic impact that access to mobile communications can bring to Myanmar in health, commerce, and education, for example. By working in a multi-stakeholder context, Ericsson will

bring coordinated, high-performing networks that allow developing countries to advance while adding to Ericsson's bottom line through increased subscriptions.

Ericsson is in 180 countries, with 110,000 employees worldwide. 40 percent of mobile traffic runs through Ericsson networks. As an information and communication technology (ICT) company, Ericsson commits itself to a vision it calls "Technology for Good"—using connectivity to make a positive socioeconomic and environmental impact, and addressing vital issues such as poverty alleviation, human rights, education, healthcare, and climate change.⁵⁹

"Many of the world's major challenges—such as urbanization, climate change, and poverty—could benefit from solutions offered by mobile broadband," said Hans Vestberg, president and CEO of Ericsson.⁶⁰

A study conducted by Ericsson and Deloitte in 2012 forecasts that the potential GDP impact of telecommunications in Myanmar could be around 7.4 percent over the next three years, if subscriber penetration rises to 35 percent, in line with regional trends.⁶¹ Additionally, the introduction of the mobile communication industry to Myanmar will lead to nearly 70,000 jobs within two years. Furthermore, Ericsson studies show that, on average, for every 10 percent increase in broadband penetration, GDP rises by 1 percent.⁶²

Mobile commerce and banking is a powerful tool for social and digital inclusion. Financial access via mobile will eliminate barriers to services such as distance, a lack of credit history, and transaction costs. Furthermore, mobile commerce and banking enables the future workforce, customers, and investors. And finally, mobile communications will facilitate agricultural sales by enabling small-scale trading by mobile and Internet, and will also enable access to quality education.⁶³

Weidman-Grunewald reported at the Burma (Myanmar) Human Rights and Business Framework on the growth potential for mobile market development in Myanmar: Broadband will contribute to social and economic development; services in education and health will benefit people and businesses; responsible business practices that respect human rights can be exercised; and Swedish companies can share best practices and help to build local capacity.⁶⁴

Ericsson has also engaged in partnerships with NGOs at the Clinton Global Initiative, including the commitment to support Refugees United with mobile communications in 2010.⁶⁵ Refugees United is a global NGO that uses secure web and mobile technology to enable refugees to find loved ones throughout the world.⁶⁶ "By making commitments at CGI," Vestberg said, "we were able to reach a wider audience and demonstrate the potential

impact that broadband technology can have on society as a whole and for one of the most underserved populations—refugees. The CGI platform has also allowed us to reach across borders—to form new partnerships, learn from others, and share experiences.”⁶⁷

VODAFONE LAUNCHES M-PESA IN KENYA TO PROVIDE MOBILE BANKING TO THE UNBANKED POOR

M-PESA is an electronic payment system accessible from ordinary mobile phones. It was developed by Vodafone,⁶⁸ a British multinational telecommunications company, and launched commercially by the company’s Kenyan affiliate, Safaricom.⁶⁹ With an M-PESA account, customers can use their phones to transfer funds to M-PESA users and non-users, pay bills, and purchase mobile airtime credit for a small, flat, per-transaction fee. The affordability of the service has provided access to formal financial services for Kenya’s poor.⁷⁰ Pesa means “cash” in Swahili, so M-PESA means “mobile money.”

Data show strong evidence of M-PESA’s market penetration among the unbanked poor. “Among the population outside Nairobi, during a period of four years when the prevalence of bank accounts remained relatively flat, the share of the unbanked who used M-PESA rose from about 21 percent in 2008 to 75 percent in 2011,” according to *Slate*.⁷¹ “Similarly,” the article continued, “the share of non-Nairobi households with very low incomes who use M-PESA has also risen over time. According to our data, in 2008 fewer than 20 percent of the population outside the capital living on less than \$1.25 per day used M-PESA, but by 2011, this share had steadily expanded to 72 percent.”

Michael Joseph, managing director for Mobile Money for Vodafone, explained the origins of M-PESA.⁷² At the time, Joseph was the CEO of Safaricom in Kenya. Joseph recalled the period prior to 2007 when “there was a request for proposals (RFP) from the UK Department for International Development (DFID) to deepen the financial access of the unbanked poor.” DFID leads the UK government’s fight against world poverty by implementing long-term projects “to help stop the underlying causes of poverty and respond to humanitarian emergencies.”⁷³ Joseph explained that “Nick Hughes, who was at Vodafone, came across this RFP and thought of using cell phones for the disbursement and repayment of microfinance loans. DFID awarded Vodafone £1 million which the company had to match. Hughes then approached a software company in Cambridge to write the original software program and build the hardware platform.” By late 2006, Joseph said, Vodafone piloted the project in the town of Thika, just north of Nairobi, through his company Safaricom, in partnership with a microfinance provider, a bank, and other partners.

Joseph explained that they soon observed that the participants used the phone for its ability to send money from one person to another, even though this was not the intention of the project. At Joseph's request, Hughes built a bigger and better platform to accommodate the interests of customers. "You see, many people leave their families to find work," Joseph said. "The challenge had been to find ways to send money home. You'd either have to travel home yourself, give the money to a bus driver, or not send it at all and leave them destitute."⁷⁴ In expanding the mobile phone service to provide banking services, Vodafone worked with the telecoms' regulator and the Central Bank of Kenya, the banking regulator. With the blessing of these two regulators to launch the mobile money products in March 2007, "the rest is history."⁷⁵

"We pushed it hard. Added functionalities. Signed up a million subscribers in the first nine months. People could take money out of an ATM with their mobile phones, pay water and electricity bills, and buy air times," explained Joseph. "This was not designed to be profitable, but rather to break even at best. And although this was a tremendous economic and social value for the community, this was not designed as a corporate social responsibility project. The business case was to build customer loyalty."⁷⁶

Joseph elaborated by explaining that there are four mobile phone operators in Kenya; it is a highly competitive market. Furthermore, the investment in software and hardware is very costly, and has been through many iterations. So it took a number of years and many mobile transactions for particular mobile services to become profitable. "This is about customer retention in a highly competitive market, and Safaricom is premium-priced. We want to keep subscribers in our network."⁷⁷

M-PESA is now available in Tanzania,⁷⁸ South Africa,⁷⁹ and India.⁸⁰ Joseph observed that there are many companies seeking to replicate M-PESA, but few are successful. He described M-PESA's unique success factors: "There's a lot of investment in making it successful: in cash, dedication of effort, passion, and determination. It's a financial service that we are selling to poor people at the bottom of the pyramid. Not many companies have made that investment. Secondly, it's truly a social revolutionary product. It changes the lives of people enormously. People in emerging markets have no access to financial services in rural Africa. If you wanted to start a small business, you had to go to the city. What M-PESA has done is to bring financial services to people's phones. And that enables them to participate in the economy and conduct business. People are operating new businesses and feeling more secure."⁸¹

Joseph also pointed out that there are sixty to seventy thousand M-PESA agents throughout the country, so down the road they will be available for people throughout the country.

The M-PESA venture by Vodafone and Safaricom that originated in Kenya was designed to serve the companies' strategy of maintaining customer loyalty in order to build the bottom line over the long term. These companies have empowered millions of people and entrepreneurs by linking them to financial services for the first time.

BSR'S ROLE IN ENGAGING CORPORATIONS IN EMPOWERING WOMEN

The World Bank Report on Gender Equality and Development, 2012 identified four priority areas to advance global development: "reducing gender gaps in health and education—particularly among severely disadvantaged populations, promoting access to economic opportunities among women, closing gender gaps in voice and agency, and preventing the intergenerational reproduction of gender inequality."⁸² Furthermore, the report states, "gendered differences matter for women's well-being but also for a whole set of outcomes for their families and for society in general. Women's agency influences their ability to build their human capital and take up economic opportunities. In Bangladesh, women with greater control over health care and household purchases have higher nutritional status. Women's agency also matters for the welfare of their children."⁸³

While numerous companies sponsor programs aimed at advancing women in developing countries, BSR is working with multiple global corporations to foster women's economic empowerment.⁸⁴ Launched in 2007 in China, BSR's HERproject links multinational companies and their factories to local NGOs to create sustainable workplace programs that increase women's health awareness. Working with a global network of partners, BSR is demonstrating the return on investment for factory-based women's health programs. Today, HERproject is active in Bangladesh, China, Egypt, Kenya, India, Indonesia, Pakistan, and Vietnam.⁸⁵

BSR shows that investing in worker health is more than a moral imperative: there's a compelling business case for the investment. "For every \$1 invested in women's health, one Bangladeshi factory saw a \$3 return through higher productivity, lower turnover and reduced absenteeism,"⁸⁶ said Racheal Meiers, director of HERproject at BSR.⁸⁷ Meiers also pointed out that in participating factories globally, HERproject women's health education programs have delivered the following benefits for companies and workers:⁸⁸

- **Productivity Gains:** HERproject factories have seen reductions in absenteeism and turnover, and/or product quality improvements. Workplace improvements have also been observed, both due to worker behavior changes and to factory investments.

- Healthier workers: Workers are healthier as a result of better access to nearby and onsite health services.
- Better worker-manager relations: Workers feel more valued by management and have increased communication skills. Some factories observed improved grievance-handling processes.
- Enhanced recruitment and reputation: Factories benefit from women sharing information about HERproject in their communities.
- Sunk costs better utilized: Existing resources such as factory nurses, clinics, and visiting doctors play an enhanced role when they are integrated into program activities.

Participating companies in HERproject include: Abercrombie & Fitch, ANN INC., Belk, Bestseller, Boden, Children's Place, Clarks, Columbia Sportswear, George at ASDA, H&M, Hewlett Packard, J.Crew, Levi Strauss & Co., Li & Fung, Lindex, Marks & Spencer, Microsoft, Nordstrom, Primark, Sainsbury's, Talbots, and Timberland. BSR receives funding from the Levi Strauss Foundation, the Ministry of Foreign Affairs of the Netherlands, and the Swedish International Development Cooperation Agency for HERproject. International companies provide funding to cover the cost of program activities in their individual supplier factories. Suppliers absorb the costs associated with program implementation, and sometimes also share program costs with international companies.⁸⁹

Through these employers, HERproject has reached more than 200,000 female and more than 25,000 male workers in factories around the world since it began in 2007. The impact is even greater, however, as 80 percent of workers report sharing the health information they've learned outside the factory walls—in their homes, places of worship, and communities.⁹⁰

Company programs to empower women, such as HERproject, improve lives and benefit the bottom line for companies.

**THE POVERTY RATE IS DECLINING IN ALL SIX REGIONS
OF THE DEVELOPING WORLD: GOOD FOR BUSINESS AND
GOOD FOR THE WORLD**

Business growth and engagement is a powerful force in alleviating poverty. "Over the past 30 years, the private sector has been a primary driver of economic growth and has contributed significantly to poverty reduction. Businesses provide vital jobs and services and pay taxes, which help fund public services," according to "Exploring the Links Between International Business and Poverty Reduction," a report by Oxfam, The Coca-Cola Company, and SABMiller.⁹¹

Additionally, the report recommends that companies focus on helping to achieve the MDGs by 2015. The report quotes United Nations Secretary-General Ban-Ki Moon: “Government leadership will be crucial. But more than ever before, we depend on the resources and capacities of the private sector to make things happen. Business is a primary driver of innovation, investment, and job creation. There is no longer any doubt that business plays an integral role in delivering economic and social progress.”⁹²

Many global corporations are recognizing that developing small and medium enterprises, training and preparing qualified workforces, and creating robust markets in developing countries is good for business.