



Private Sector for Public Good: Can Business Fight Global Poverty?

Note on launch of the IDS Business and Development Centre on Wednesday 12 March 2014, Royal Society, London

By Jodie Thorpe

July 2014

About the IDS Business and Development Centre

The Business and Development Centre brings together thinking from business, economics, political science and development studies to tackle critical questions on the role of business and markets in development, focusing initially on agriculture, food and nutrition, the green economy and public health.

The launch of the centre, and preparation of working papers, were supported by the Economic and Social Research Council (ESRC).

More information and further resources from:

W: www.ids.ac.uk/business

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List of abbreviations

- BDC Business and Development Centre, based at the Institute of Development Studies
- DFID UK Department for International Development
- GB Great Britain (as in Oxfam GB)
- IDS Institute of Development Studies, UK
- NGO Non-governmental organisation
- ODA Overseas Development Aid

1. Introduction

There is rising consensus that business plays an important role in the wellbeing of communities in poorer countries. With the 2015 deadline for agreeing a new global development framework imminent, the launch event for the Institute of Development Studies' new Business and Development Centre (BDC) addressed the issues of how to focus and make more effective links between business and those working in development. It brought together perspectives from people in government, business, academia and civil society to debate the challenges and help chart the road ahead. The launch took place on Wednesday 12 March 2014, at the Royal Society in London, UK, with support from Business Fights Poverty, and some funding from the Economic and Social Research Council.

This report summarises key points from the presentations, panel debates and group discussions, and concludes by describing the broad themes and research questions that emerged from the event.

Further resources

[Storify](#), for an aggregation of tweets, shared links (for example, to news coverage), photos and videos.

[Photos from the Business and Development Centre launch](#)

[IDS website news](#), 'Time for a clearer agenda on how business can contribute to development?'

2. Presentations

2.1 “Where next for business in development?”

Shankar Venkateswaran, Chief of Tata Sustainability Group

In his keynote address, ‘Shankar Venkateswaran reflected on the experience of the Tata Group and examined the priorities, opportunities and challenges for business in development over the next 5-10 years.

He framed the discussion by defining development as “increasing every individual’s access to and control over the physical, financial and political resources required to live a life with dignity” and highlighted four key challenges:

- **Inequity and exclusion** (e.g. gender, identity, disability)
- **Withdrawal of the state** in many areas where it cannot meet its responsibilities, with the hope that markets and companies will fill service gaps – often in areas where market interventions are not suitable
- **Labour rights** and the increasing informalisation of the workforce, e.g. 93% of people of working age in India are part of the informal sector and unrepresented by collective bargaining arrangements
- **Corruption and ‘crony capitalism’.**

For some companies it is the stakeholder model of external drivers (investors, regulation, consumers, media and NGOs) that pushes them towards development and responsible behaviour. For others, like Tata Group, it is more about internal drivers (employees, values, tradition, board); a highly under-researched area . However many companies fall between these two and they simply make a ‘leap of faith’.

Key challenges include:

- It is hard for businesses to quantify “return on investment”.
- Actions may have a business case in the long run but require substantial upfront investments that deter companies, especially when competitors are not making the same investments.
- Although government funds are available to support business to take actions where the business case is weak, it is hard for ethical players to access these funds and they often come with unpalatable strings attached
- The question of who defines excluded groups / politics of identity can be very messy and a difficult area for companies that do not understand these issues.

He concluded by re-emphasising **the need for development actors to understand what drives a company to take action around development issues**. Internal drivers and being connected with others are potentially stronger and more compelling in the long term than ‘harder’ drivers like regulation.

Further resources

[Watch Shankar Venkateswaran’s presentation on YouTube](#)

2.2 “Business and development - priorities and limits”

Professor John Humphrey, Professorial Fellow and Director of the IDS Business and Development Centre

John Humphrey provided the BDC’s assessment of the state of the debate in business and development and where the centre can contribute to progress. Business and development is fashionable at the moment – with lots of activity and excitement around how business might contribute to development, and companies themselves increasingly aware of their development impact and potential. However the sheer number of initiatives and actors leads to confusion and duplication.

Prof Humphrey asked: “How do we work out the best way to use scarce resources, including money and time, as well as energy and good will?”

The BDC has identified three questions in responding to this challenge:

1. Where is the strongest potential to achieve alignment between business and development interests? And where is alignment so weak that the costs of creating alignment are too great, with government, NGOs or social enterprises better placed to tackle challenges?
2. Which obstacles if tackled would give us the biggest, most cost effective interventions?
3. How can business and development efforts achieve scale and drive systemic change that transforms the overall environment resulting in lasting benefits for a great number of people?

Two examples of the challenges for business and development initiatives:

1. **Food and nutrition:** From a development perspective, a key challenge is infant nutrition and maternal health. For infant transition to solid foods most households rely on multiple formal and informal markets, which are plagued by market failures. Development agency need to work with and through these informal markets.
2. **Health:** The traditional development focus is public health provision. However, the poor rely on informal markets, and the question is how to improve the functioning of these markets, given that the reach of government regulation here is limited.

Further resources

[Watch Professor John Humphrey’s presentation on YouTube](#)

Business and Development Centre Working Papers

Humphrey, J., Spratt, S., Thorpe, J. and Henson, S. (2014) ‘[Understanding and Enhancing the Role of Business in International Development: A Conceptual Framework and Agenda for Research](#)’ IDS Working Paper 440, Brighton: IDS

Bloom, G. Wilkinson, A. Standing, H. and Lucas, H. (2014) ‘[Engaging with Health Markets in Low and Middle-Income Countries](#)’ IDS Working Paper 443, Brighton: IDS

3. Panel discussions

3.1 “Innovation and scale in business and development”

Panel discussion, chaired by IDS Fellow, Gerry Bloom, with:

- Karima Ola, Chief Investment Officer of the African Development Corporation
- Christian Spano, Global Lead for Enterprise Development at Anglo American
- Laura Kelly, Head of Business Engagement Hub at the UK’s Department for International Development.

Karima Ola highlighted that businesses are under pressure to keep costs low, maximise profits and ensure business sustainability, but they also depend on well-functioning value chains with strong suppliers, distributors and outsourcing opportunities. She gave the example of an agricultural company in Zambia which faced challenges because of the lack of skills to fix machinery and irrigation, insufficient transport capacity at harvest and lack of technical skills amongst farmers. Over time the company has helped address these challenges and there are now workshops to fix machines, new logistics businesses and local schools – with skills transfer, SME growth, and job growth all contributing to development. Such efforts often require partnerships – with development finance institutions, NGOs, government, chambers of commerce. A key challenge, however, is that ‘business and development’ is not a mainstream idea. Companies do not know how to link to SMEs, and there is a lack of SME finance; public policy is often problematic; and on impact measurement, there are very different needs between large companies, SMEs and communities.

Christian Spano referred back to Coase (1937) and the role of the firm. Firms play a coordination role – achieving coordination that would be too slow or too expensive if left to markets. Where market and government performance are both weak, there is a lot of pressure on firms to play this role. For Anglo American this translates into two reinforcing interventions, those that (a) help markets perform better, through enterprise development, local procurement and local capacity building; and (b) improve public service delivery. In Brazil, for example, the company supported procurement from local SMEs, but also boosted the local SME sector through enterprise development and investing in youth training. As these markets work better and public services improve, this decreases the pressure on the company. He challenged the emphasis on scale, however. As the scale of Anglo’s enterprise development programme in a country grows, for example, it starts to compete with mainstream banks in delivering SME finance. Should this be the objective of Anglo’s enterprise development work? Or should the company bring banks to work with the entrepreneurs they’ve helped develop.

Laura Kelly replied to these presentations, highlighting common business and development themes and challenges – and emphasising the need for more understanding and knowledge around what works and why. Common themes she drew out include timescales; value chains – the question of who is included and who is left out; standards and whether they exclude those who most need to benefit from development; the capacity of companies to engage with SMEs; and regulatory challenges. Companies may not be best placed to tackle regulatory issues on their own and she suggested that this was an area where donors could provide support.

Further resources

[Listen to the panel discussion](#)

3.2 “Making business work for development and the UK experience”

Panel discussion, chair by Zahid Torres-Rahman, Founding Director, Business Fights Poverty, with:

- Chris Brett, Global Head of Corporate Responsibility and Sustainability at Olam International
- Penny Fowler, Head of Private Sector Team at Oxfam GB
- Alex MacGillivray, Director of Development Impact at CDC Group
- Alistair Fernie, Head of Private Sector, UK Department for International Development

Chris Brett said that Olam International focuses on their core business of agriculture, working with development actors in many ways. In smallholder processing units for crops like cashew, cotton and vegetables, farmers receive support, finance, training, with foundations such as USAID and the Gates Foundation sharing the cost of these activities. Olam also receive financing from development finance institutions like the African Development Bank and the International Finance Corporation who support specific operations, and play an important role in monitoring development impacts.

Suggested focus for BDC: the growing concern around what is ‘pre-competitive’ and what pre-competitive collaboration models work, for example, matched funding.

Penny Fowler explained Oxfam’s strategy as a “critical friend”. In their ‘Behind the Brands’ analysis, Oxfam critique the agricultural sourcing policies of the 10 largest food and beverage companies, and have had some successes in influencing these policies. While they may not admit it publically, there are some inside the companies that find Oxfam’s campaigning helpful – creating space for progress on issues. Oxfam is also working with investors who are interested in their analysis, with an investor statement signed by 33 investment houses supporting Oxfam’s aims.

Suggested focus for BDC: building the evidence base from a development perspective. What are the key issues, what do we want to measure, how can we quickly build evidence of what’s working to speed up learning curve?

Alex MacGillivray argued that investors need to get more assertive in asking for social, environmental and basic quality standards from companies. This applies to western companies as well as those from developing countries and even smaller companies and there is evidence that those that comply with international standards outperform those that do not. The challenge he however, is that the formal sector is not creating jobs quickly enough and people are increasingly working in informal sector jobs that are poorly paid, insecure and with poor health and safety conditions. Investors like CDC need to be asking the question ‘who gets the jobs we create?’.

Suggested focus for BDC: domestic rather than high performing global corporations, and the nexus between formal and informal sectors.

Alistair Fernie pointed to the importance of infrastructure, highlighting particularly power and mobile telephony, and the work of the Private Infrastructure Development Group, a multi-donor initiative. As ODA is becoming irrelevant, how donors use money to influence the way other (private) money flows is key. Companies freely admit that without DFID support, they wouldn't make many of the most interesting (from a development perspective) investments. The challenges, however, are around investment climate and how developing country governments can incentivise business to contribute to development. Where constraints to scale are bad laws then systemic intervention is needed.

Suggested focus for BDC: ensuring the impact of the centre's work through an outreach strategy to businesses and policy-makers in significant positions of authority to change their investment decisions and political judgement in ways that will impact the poor.

Further resources

[Watch the panel discussion on YouTube](#)

4. Roundtable discussions

During the event, participants had the opportunity to reflect in small groups on the key issues in business and development, and to identify research questions that they would like to see the Business and Development Centre tackling.

This section summarises common themes and key questions.

4.1 Business and development

- A 'one size fits all approach' does not work. It is vital to be specific, differentiate between leaders and laggards, and influence both
- Research needs to identify and understand the links between interventions and impact. The evidence is currently weak.
- Impact evaluations need more discussion and research to document good practices in a critical way. There is a potential mismatch between business approaches to measure results, and development agencies' longer-term goals.
- Impact needs to be considered in terms of systemic change. If the aim is to achieve systemic change, how can "a single firm" achieve it? The focus should be on working with networks, targeting institutions, etc.

Potential research questions:

1. In what ways are development and business interconnected?
2. How can effective business models be identified and developed?
3. Is there a trade-off between the depth and breadth of business and development practices, especially in terms of scale and sustainability, and what are the implication for development agents' engagement with business?
4. How do we know when systemic change has been achieved (what are the links between evidence and impact)?

4.2 The role of companies

- It is important to look at the full business landscape including the 'next wave' of actors. This means working not only multinational companies, but also SME, domestic companies, regional industries, the informal sector, etc.
- Small- and medium-sized enterprises (SMEs) need to be given greater emphasis: what role do they play in business and development, how can they be better supported, and how can global companies find local firms which provide the services they seek?

- The internal dynamics within companies on business and development are important. Those within companies often see that development issues are also business issues, including in departments like finance, yet nothing changes due to a functional bias - a way of looking at issues and opportunities.

Gaps between theory/rhetoric and practice by companies need to be exposed and explored.

Potential research questions:

1. Is business a single/unified idea or a broader concept, considering not just MNCs, but also domestic/regional business, SMEs, the informal sector?
2. What can be done for development by businesses from the South? What do businesses from the South think about development?
3. What is the role of SMEs in employment and community development?
4. What are the internal drivers of companies, and how can behavioural change within companies strengthen alignment with development goals?
5. How do structural issues/barriers affect alignment or perceptions of alignment between business and development? How can these be changed, if needed?

4.3 Relationships and alignment between business and development

- The relationship between the state and the private sector is changing, especially in the case of weak or withdrawing states. When the state is not providing services that are expected of it, should business step in, should they lobby for pro-development policies, should they engage in public-private partnerships, or should they simply abide by standards and regulations?
- The nature and value of relationships between business and other development actors, including donors and NGOs, also needs more strategic exploration.
- Aligning business and development goals may require reinforcing 'internal drivers', understanding the role for consumers in ensuring businesses operate ethically; and developing convincing arguments that 'doing more good' does not undermine profitability.

Potential research questions:

1. How do coalitions (alignments) map across business and development, and what is the nexus between multiple issues within these alignments?
2. What is the most productive form of public-private partnership where the state is weak?
3. What are the long-term consequences of business filling gaps created by weak states?
4. How can the state be strengthened through increased tax revenue?
5. How much funding should be put into business and development (vs other initiatives)?

4. 4 Specific issues

Codes of practice/standards: more work is needed on how to implement them further down the supply chain in more inclusive ways.

Pre-competitiveness: Can the BDC act as an honest broker to create pre-competitive spaces on a sectoral basis? For example, opportunities for competitors to work together to address fundamental development challenges that cut across their businesses? What is the role of development actors to press for such collaborations and ensure that they are delivering societal benefit?

Labour rights: unresolved and evolving issues including outsourcing and contract labour, labour rights and SMEs, youth unemployment, child labour/rights issues (e.g. the financial security of children relieved from work).

Inequality: Can business contribute to reducing inequality and promote inclusive growth?

Potential research questions:

1. What role do pre-competitive collaborations play in creating new norms?
2. What is the role of business in addressing inequality?
3. How can business support vulnerable young people to use entrepreneurial skills and move from the informal to formal sector?

5. Conclusion

The Business and Development Centre at IDS takes an interdisciplinary approach appropriate for the complex field of business and development, drawing on the insights of economics, business studies and the social sciences more generally, using a variety of research methods. Research will focus firmly on providing credible evidence, starting from an international development perspective, based on rigorous quantitative and qualitative research, on what works and what does not work in the field of business and development, in order to inform policy and strategy.

The BDC will need to make choices across the many potential issues and research themes on business and development; however, potential focus areas which arose during the course of the meeting include:

- **Building the evidence base:** Evaluating impact and disaggregating results and successes from a development perspective to inform policy and practice.
- **Broad formal and informal markets, the nexus between them, and their impact on development:** Not just established MNCs, but also SMEs, the informal sector, and the 'next wave of actors'.
- **Influencing both leaders and laggards:** Looking at both how business can 'do more good' but also how to 'stop harm' through appropriate rules and regulations.
- **Understanding the changing relationship between the state and the private sector:** Where are market interventions or public-private partnerships effective and what is the role of business in strengthening the state – including paying fair taxes?
- **Achieving scale and systemic change:** How can business and development efforts drive change that is transformative and results in lasting benefits for a great number of people?
- **Alignment of business and development interests:** How can alignment be strengthened, considering internal and external drivers, and where is the cost of creating alignment too great? What structural issues/barriers undermine alignment or perceptions of alignment, and how can these be changed?

This work will be carried out through focus on a limited number of specific business sectors, initially: the green economy, health and agriculture, food and nutrition, allowing a focus on the particular development challenges and potential contributions of business in that sector.

The BDC will work with a range of research institutes (including research institutes in developing countries), donors, NGOs and other development agencies, and the business community – both responding to the research needs of stakeholders and driving the research agenda from an international development perspective.

Given that poor people in developing countries rely to a very large extent on informal markets, understanding informal business and working out how to improve the quality and safety of products is a priority.

More information and freely downloadable research at:

Go to www.ids.ac.uk/business

For news and updates: www.twitter.com/IDSBusiness



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