

## Enterprise introduces a whiff of revolution

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In her book *Dead Aid*,\* Dambisa Moyo calls for the end of aid to Africa within five years. Paul Kagame, president of Rwanda – which has halved aid as a percentage of its gross domestic product in the past decade – recently argued in the Financial Times that aid creates instability and dependency while failing to reduce poverty or disease.

Ms Moyo and Mr Kagame are among those questioning traditional models of development. While not all favour the pure for-profit approach, many argue that there is a greater role for market-based approaches to global problems. If such models prevail, the question for big non-governmental organisations (NGOs) and international public sector institutions is how to fit into the new development landscape.

The prospect of long-established institutions such as the World Bank, the United Nations and the International Monetary Fund (IMF) simply disappearing seems remote. And certainly, the idea of ending aid to Africa in five years is an ambitious one.

The global downturn has shown that multilateral institutions remain critical, particularly in a crisis, when they have the ability to direct massive funding flows to not only the developing world but also to mature countries. Iceland, for example, has recently been forced to accept a \$10bn bail-out led by the IMF.

Nevertheless, moving rapidly into the donor agencies' sphere is a group with very different modes of operation. They include social entrepreneurs, NGOs using market-based models and large non-profits such as the Gates Foundation. Multinationals are also recognising that they can help foster economic development while turning a profit.

Some organisations are using innovative approaches: in India, a pay-per-use model is how the Byrraju Foundation is delivering clean water to 850,000 people in the state of Andhra Pradesh. If 500 households buy one 12-litre container of water per day, the filtration plants cover their costs, according to a study by Monitor Group, a US consultancy.\*\*

Meanwhile, multinational businesses are joining the battle against poverty and disease. Companies such as **Exxon Mobil** have become significant forces in combating malaria while in India, **Hindustan Unilever's** Shakti programme expands both rural incomes and its market penetration by training village women to distribute its products.

"Business and society have to go through this utterly profound management transformation to move away from a few people running everyone else," says Bill Drayton, founder of Ashoka the pioneering social entrepreneurship non-profit. "Because that model can't function in a world with rapid change coming from all directions."

In contrast to the more nimble social entrepreneurs, organisations such as the World Bank and the UN can seem lumbering and out of touch. Some believe this stems from outdated management processes and sprawling bureaucratic structures.

A report\*\*\* from the Low Level Panel – a network of volunteers working for UN reform – found that a whistleblower policy for UN Secretariat staff reporting irregularities took more than 16 months to agree, even though the Secretary-General described it as high priority.

The report highlights other problems. "We were told that new administrative staff wishing to join the United Nations Development Programme must demonstrate their prowess on a typewriter, and complete tests in manual arithmetic," write the authors.

Others point to a lack of entrepreneurial culture within some institutions. "There is a danger that all innovation in the field is coming from outside the traditional donor agencies," says Raj Kumar, president of Devex, a recruitment and business information service for the international development community. "People feel constrained and unwilling to develop new ideas or new projects."

Gavin Power, deputy director of the Global Compact, the UN's corporate citizenship network, argues that part of the problem is the highly-centralised management of many institutions. "Too often the large multilaterals have top-down approaches and have designed things in New York or Washington DC," he says. "The shift needs to be towards more locally designed solutions."

There is evidence that this is happening. The International Finance Corporation, part of the World Bank Group, is

re-shaping the “colonial model” Dorothy Berry, the IFC’s head of human resources, says governed the institution in the past. “That is an outmoded concept,” she says. “The challenging but really exciting part is how we remain an agile flexible organisation that can support our clients in a rapidly changing environment.

“To do so, the IFC has been stepping up recruitment efforts within client countries by, for example, targeting business-school graduates in countries such as India and China. “We are making a big attempt to become a truly global organisation – rather than one that is Washington-centric with outposts in different countries,” says Ms Berry.

Some institutions are also recognising their potential convening role in market-led initiatives. This is something the United Nations Development Programme is doing through its Growing Sustainable Business initiative. The idea behind the GSB is that the UNDP can broker partnerships between companies and NGOs or local government agencies to accelerate the provision of goods, services and employment in poor countries.

In Africa, one of the GSB partnerships – between **Unilever**, the consumer products group, and social and environmental institutions – is developing the Allanblackia tree into a new crop that will be a supplementary source of oil for Unilever products as well as an additional income stream for farmers who have traditionally relied on cocoa.

Meanwhile, the World Bank, through its Development Marketplace, is promoting social enterprise through a competitive grant programme that funds early-stage projects with the potential for development impact. It is seeking proposals, for example, from organisations in South Asia to help deliver nutrition to pregnant women, babies and children under the age of two.

However, Mr Kumar argues that global public sector organisations need to integrate this kind of approach into the way they operate. “[Development Marketplace] is one of a few examples,” he says. “And it seems to be a separate entity from the rest of the bank instead of mainstreaming that culture in every operation of the bank.”

Mr Kumar suggests that donor agencies could give local units access to relatively small sums of money to develop innovative pilot projects in partnership with social entrepreneurs or non-profits. “They should have the ability to write a cheque for \$50,000 without going through 10 audit committees,” he says

Creating “teams of teams” within large organisations Mr Drayton sees as one way forward for multilateral institutions. “The team is either a success or failure,” he says. “But if it succeeds, the people on it are then on a career path, running project teams as opposed to trying to run a 19th century repetitive function bureaucracy – the world doesn’t work that way any more.”

*\*Dead Aid: Why aid is not working and how there is another way for Africa’, Dambisa Moyo, Allen Lane, January 2009*

*\*\*Emerging Markets, Emerging Models: Monitor Group, March 2009*

*\*\*\*Low Level Panel: Practical steps to a more effective and efficient United Nations*

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