



# Growing Sustainable Business For Poverty Reduction

## 1. Introduction and origin

If there is to be significant progress towards the achievement of the Millennium Development Goals, it is clear that greater economic equitable growth in developing countries must be stimulated. In a world of liberalized global markets where the private sector is the main force behind economic growth, this requires a drastic increase in responsible investments and entrepreneurship, foreign as well as domestic, that have a positive impact on both economic and sustainable development.

Based on this premise, the Growing Sustainable Business for Poverty Reduction initiative (GSB) aims at facilitating greater private sector contributions to poverty reduction and sustainable development through commercially viable activities.

The GSB initiative grew out of the 2002 UN Global Compact policy dialogue on “business and sustainable development”. It was presented and endorsed in a high-level session at the World Summit on Sustainable Development in Johannesburg in 2002, attended by the UN Secretary-General Kofi Annan, UNDP Administrator Mark Malloch Brown, heads of state including British Prime Minister Tony Blair and French President Jacques Chirac, chief executive officers of global companies and representatives from labour, non-governmental organizations and other UN organizations.

## 2. Objectives

The overall objective of the GSB initiative is:

- To contribute to poverty reduction and sustainable development by promoting and facilitating sustainable business and investments by the private sector, through a process of multi-stakeholder engagement with Government, civil society, the UN family and other development organizations.

More specifically, the GSB initiative has the following immediate objectives:

- To facilitate increased investments and business activities in developing countries that link large companies to local small and medium enterprises, along with communities and other relevant local partners.
- To highlight innovative sustainable business projects that demonstrate how commercial business activities can contribute to poverty reduction and promote sustainable development.
- To encourage overall greater engagement and contribution of the private sector in national poverty reduction strategies (PRS), aligning private investments more closely with development priorities.

## 3. Approach

In line with its overall objectives, the GSB approach is based on two types of interlinked activities:

- 1) Developing commercially viable projects that have positive local economic, social and environmental impact. Essentially, this entails the following two basic types of business activities:
  - “New business models” that develop markets at the “base of the economic pyramid”, i.e. find ways for how business can meet the needs of the poorest and go to scale yet remain solvent.
  - Linkages between large multinational / domestic companies and small local enterprises (supply chain, sub-contracting, distribution, franchising, etc.).
- 2) Activities that contribute to creating an enabling environment and reducing risk for sustainable business at the country level, including strengthening policy and legislative frameworks, creating trust and social capital and building capacity for sustainable business and private sector development.

#### **4. Status of the GSB Initiative**

With the support of UNDP and the UN Global Compact Office, the following progress has been made during the GSB pilot phase since November 2002:

##### ***Global level***

- International working group composed of business, NGOs, labor and the UN has been convened in October 2002 and April 2003.
- Initial lead companies and pilot countries identified.
- International lead coordinators identified and recruited.
- Initial GSB concept paper and framework developed and endorsed by the working group.
- Emerging network of GSB partners established.

Key organizations involved so far at the global level include:

##### **Core group:**

- UNDP - coordinator and facilitator
- UN Global Compact Office
- UNGC core agencies (ILO, UNEP, UNIDO, UNEP, OHCHR)
- Private companies (Leaders: Shell, ABB, Ericsson, Unilever, EDF, Total, local firms)

##### **Interested participants / observers:**

- International Finance Corporation (IFC)
- World Business Council for Sustainable Development (WBCSD)
- NGOs: CARE, Oxfam, IIED
- Labor: ICFTU
- Bilateral donors

### **Country progress**

In the pilot phase of the GSB initiative, focus has been on the Least Developed Countries (LDCs).

#### **Ethiopia**

- Series of multi-stakeholder workshops convened and local GSB framework established.
- Three concrete sustainable business projects under development (solar power, water, eco tourism). Royal Dutch / Shell in active lead role along with local companies.

#### **Tanzania**

- First working forum convened and national GSB framework under establishment.
- ABB and Ericsson are considering involvement in projects on rural electrification and rural telecommunications respectively, while Kilombero Sugar and Tanga Cement are weighing innovative ventures that enable farmers and small entrepreneurs to supply them with agriculture commodities and alternative fuels. Additional projects are being identified and developed.

#### **Madagascar**

- Sustainable business project concepts developed by Total and EDF.
- Multistakeholder working forum in November 2003.
- Cooperation and coordination is being explored with the UN Public-Private Alliance for Rural Development, which is focusing on Madagascar in its pilot stage.

#### **Bangladesh**

- Initial scoping missions undertaken in 2003, potential lead partners and possible projects identified.

#### **Angola**

- In line with the overall GSB approach, a draft country approach has been defined, proposing an initial multi-stakeholder forum on enabling environment issues of importance for investments and sustainable business development. Consultations with relevant parties currently on-going.

Activities are also proposed for consideration in Cambodia.

## **5. Moving forward**

In order to scale up the GSB initiative from the exploratory pilot phase, the capacity to broker project opportunities and support concrete project development will be expanded. This strengthened support will take place both at the global and country levels, beginning in early 2004.

### ***At the global level***

A small global team of advisors will be established to perform the following functions:

- Encourage and identify international companies to take action.
- Support the initiation of country level activities, i.e. brokering initial project deals, catalyze dialogue and cooperation on enabling environment issues and advise on the establishment of appropriate local GSB frameworks.
- Provide continuous support to country level activities.
- Connect and share country experiences to encourage replication.
- Report progress at global level, undertake advocacy and limited research.
- Develop and refine successful business models.
- Share lessons learned globally.
- Refine and present a clear and concise GSB conceptual framework.
- Coordinate network of GSB global partners and convene meetings of steering group.

### ***At the country level***

As country activities get underway and expand, national GSB frameworks supported by local facilitators / coordinators are being established to:

- Continuously identify, facilitate and support development of specific sustainable business projects, matching interested enterprises with a range of other development actors.
- Facilitate continuous and expanding cross-sector dialogue and cooperation on enabling environment related issues.
- Introduce and share lessons learned from other countries to encourage replication.
- Liaise closely with global level team and coordinators in other countries.

It is expected that in each country a national GSB framework will be overseen by some form of local GSB coordinating group, to which the national coordinator will report.

### **Overall targets by end 2004**

- National GSB frameworks established and fully operational in 6-7 countries.
- A minimum of two concrete sustainable business projects under implementation in four of these countries (given that it takes some 6-12 months to develop investment ready projects).
- A small international GSB secretariat established and fully operational.
- A well developed global network of GSB partner organizations and supporters established.
- Clear GSB conceptual framework developed and presented to international steering group.
- Expanded GSB outreach and advocacy campaign initiated, linked to the Millennium Development Goals and targeting the international business community.