

Partnering

with the world's poor makes business sense

By Patrick Francis

At the 2009 Business Leaders Forum in Canberra earlier this year a mechanism for businesses to be become involved in poverty alleviation in the Asia Pacific was outlined by Masud Isa. The former manager in the highly successful Bangladesh Grameen group, which includes the micro-financing operation Grameen Bank, asked how real development can take place across the world when 40% of the world's population accounts for only 5% of global income.

Masud Isa is now general manager project development with Business for Millennium Development Ltd, a Melbourne-based organisation attempting to link businesses with the Millennium Development Goals (MDGs) across emerging markets of the Asia Pacific. The objective is to work with poor communities to help them develop skills to produce and market foods and other services that will lift them out of food shortages and poverty.

Masud demonstrated how this can be done using Grameen Bank's model which loans money to the extreme poor for business investment.

"The bank's 7.5 million borrowers own 94% of its shares, the rest are owned by the Bangladesh government. To date it has distributed US\$7 billion and been repaid US\$6.25 billion. With a loan recovery in excess of 98%, 60% of the borrowers are now out of poverty. They are taking charge of their lives," he said.

After Grameen's successful microcredit strategy to reach out to the poor, new approaches were initiated by the Grameen Group under its founder, the Nobel Laureate Professor Muhammad Yunus. Some of the examples cited by Masud include:

- The Grameenphone Ltd – a joint venture between Grameen Telecom and Telenor of Norway. This company has quickly grown into a large cell phone provider giving poor villagers access to information technology through its mobile phone network. More than 200,000 poor villagers were extended this service through Grameen Telecom's Village Phone model which is being replicated successfully in Africa. Grameenphone owns about 50% of the mobile phone market of more than 40 million subscribers. Under the village phone model the users of mobile phones take loans from Grameen Bank to buy the handsets and the antenna (if needed) and repay the loans in installments from the revenues earned by selling mobile phone services to other villagers. Typically they have set up mini communications kiosks including services such as phones, fax and internet. It enables villagers to access markets in cities and far flung areas to rationalise the prices of the primary goods and services that they produce. It is likely to reduce farmers' dependency on middlemen and increase their profits.

- Grameen Danone Foods was established through partnership between Grameen Group and Groupe Danone of France, the world leader of dairy products. The project is a social business and products such as yogurts and milk-based food and beverages will be made available to poor children at an affordable price. The prices



Masud Isa former manager in the highly successful Bangladesh Grameen group is encouraging Australian businesses to invest with small landholders in south-east Asia.

Poverty facts

- Of the total 6.4 billion people on the planet, 2.6 billion earn less than US\$2 a day.
- Bottom half of the world's population owns barely 1% of the planet's assets
- Richest 20% enjoys about 66% of the world's income

will be different for higher income urban consumers. The project is already in operation.

Business for Millennium Developments, as part of its drive to achieve MDGs, is trying to involve Australian businesses and communities in the program.

Masud said there are opportunities for doing this in Papua New Guinea. Despite the country having rich oil and gas resources 37% of inhabitants live below the country's poverty line.

"We are talking with Visy, Agility and Goodman Fielder about setting up a fresh food, vegetable, chicken and eggs production, packaging and distribution project in the Southern Highlands in Papua New Guinea. The primary beneficiaries of this social business enterprise will be the women who grow the produce (as in Africa, men don't usually do the farm work). In fact these women – now earning little more than 20 kina (about A\$9) a year – will be made majority shareholders of the business," he said.

As a result of the project, it is anticipated the growers will be able to get the market prices for their produce, be technically and financially capable of ramping up their production to a commercial level and should embark on a social and economic path to escape poverty and hunger. The vegetables grown at a subsistence level can now be scaled up to commercial level and sold domestically and internationally to generate wealth. Vegetables include sweet potato, tomatoes, bulb onions, asparagus, snow peas, cabbage, carrots, silver beet, beans, broccoli, lettuce, ginger, egg plants, zucchini, pawpaw, onion and banana to mention a few.

Masud said it was time to change our approach to poor communities and give them the opportunity to take part in the value chain.

"Instead of trickle down it shall be a trickle up policy. Let us partner with them (the poor) and get them along with us," he said.

Find out more:

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