

# Business and Development Session

## By Nick Whigham

A couple weeks ago, David Simon, journalist, author and producer spoke to a packed opera house about the capacity for unchecked capitalism and the pursuit of profit to create social inequality. He was the headline speaker for the tongue-in-cheek titled Festival of Dangerous Ideas.

No one is denying desirability of profit as such – and it's certainly not the sole measuring stick for development. However, tackling development problems should be just as much about social equity and environmental sustainability as it is about business success. This notion served as the underpinning idea for [a session](#) on business and development at the Development Futures Conference on 21 November..

Addressing the needs of the 'bottom billion' and corporate social responsibility are not new ideas but their potential to assist in poverty alleviation can not be overstated. However, as one member of the audience pointed out,, sometimes the prevailing view in the private sector is that "business doesn't have a conscious, it has a balance sheet."

Perhaps he's right. But that comment wasn't going to stop the presenters from trying to twist that paradigm into something a bit 'cuddlier'. Hence, the (very bold) goal of the session was to demonstrate ways in which private actors can simultaneously help overcome poverty and inequality, as well as their own balance sheet.

In light of this hopeful marriage, Anna Gero and Janina Murta from the Institute for Sustainable Futures at UTS delivered a talk examining trends in the development industry.

Drawing on a systematic review of the literature and research in Indonesia, the presentation on small-scale business roles in water and sanitation services for the poor centered on three central themes. The first of which was the fact that, according to Anna, "over the past few years there has been an increasing recognition of the need to use aid to leverage local investment." Secondly, it was recognised that a greater emphasis needs to be placed on the continued sustainability of aid programs.

Thirdly (and excitingly so!), Anna indicated that there has been a growing emergence of socially-minded businesses. Despite the general optimism of their work, challenges admittedly remain concerning the skills and tactics needed to support enterprise development and ensure the poor are reached..

The attentive crowd was then treated to a presentation by Dr Kerri Elgar and Robin Davies of the Development Policy Centre at ANU. This formidable duo looked at the effectiveness of enterprise challenge funds (ECFs) as mechanisms to encourage pro-poor private sector engagement.

According to Robin, interest in the topic comes on the back of recommendations from the 2011 independent review into aid effectiveness. ECFs are a relatively new tool in development and – due to their monetary size – tend to fly under the radar. In Australia, the ECF mechanisms have amounted to twenty million dollars spread over six years – barely anything, really! However, Robin is optimistic – based on the interest expressed in ECFs by the new government – that greater investment will help to bring them 'above the radar'.

Whilst he said there was broad agreement around the purpose of such funds to subsidise investments businesses wouldn't otherwise make and "compensate partially for market failure", he also pointed to areas of disagreement. What form of financing should be used? What level of technical support should be provided?

The talk proposed categorizing ECFs into two distinct types. The first being 'enterprise development' where the ECF provides a 'risk reduction' mechanism for companies to enter a particular market or sector and then, theoretically, grow. The second – 'business impact' – in contrast, works quite differently. It requires supporting shifts in the corporate strategies of multi-national enterprises in order to reconfigure them in an effort to increase their beneficial engagement with the poor.

Robin believes that donors must be aware of the strategy they are pursuing with regards to ECFs, and not try for a mixed bag. "Don't try and do those two things at the same time... that's going to be our core recommendation," he said. Sound advice, I think.

