

Giving Can't Save the World

by Paul Polak and Mal Warwick (<http://www.businesssolutiontopoverty.com> and www.paulpolak.com)



Since the global fight against poverty began gathering steam in the years following the Second World War, the rich nations of the world have invested two-and-a-half trillion dollars in ‘development’ in the form of philanthropy or overseas development assistance. Yet there are still 2.7 billion people in the world who live on two dollars a day or less—more than the total population on earth when the global fight against poverty began.

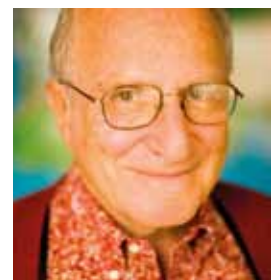
Undoubtedly there have been massive advances in health and life expectancy and impressive gains in literacy. However, despite ongoing efforts to persuade the public that poverty is disappearing, it’s patently obvious that it’s not. Why? The answer, in part, lies in the magnitude of the effort. That \$2.5 trillion averages out to less than \$40 billion a year over the approximately 65-year duration of what is sometimes called the ‘war on poverty.’

We assert that the major players in combatting poverty—the UN, the World Bank, nonprofits, faith-based organizations—have largely failed for six principal reasons:

- (1) nearly all anti-poverty programs have been planned from the top down by people wearing suits in air-conditioned offices, an approach long well known to be both inefficient and ineffective;
- (2) poor people themselves have only rarely had the opportunity to speak for themselves about their needs and aspirations;
- (3) a huge proportion of the money invested has in reality been directed to economic development programs designed to grow developing nation economies and not into grassroots-level projects involving poor people themselves;



Mal Warwick
Photo credit: Nancy Jo



Paul Polak

- (4) much of the funding pays for giveaway programs and equipment left untended, failing to recognize that poor people must invest their own time and money to lift themselves out of poverty;
- (5) a huge share of so-called 'foreign aid' has been directed toward the purchase of goods and services from donor countries; and
- (6) corruption and military-related 'development' expenditures have drained away a staggering proportion of the available funds.

We believe that the failure of traditional efforts to end poverty represents an *opportunity* for entrepreneurs, investors, and existing businesses to open new markets, gain new customers, and make big profits—while simultaneously transforming the lives of those 2.7 billion people and bringing them fully into the 21st-Century market economy by creating jobs and putting more money into their pockets.

Our conclusions are grounded in Paul Polak's more than three decades of experience working directly with farmers living on \$2 a day or less in places like Bangladesh, Zimbabwe, and Nepal. He and his colleagues in the organization he founded in 1981, International Development Enterprises (IDE), have helped 20 million people lift themselves out of poverty using a pioneering market-based approach—selling them products and services at affordable prices that enable them to multiply their income from the land while supporting local manufacturers, sales, and distribution networks. It was Polak and his colleagues in IDE who commercialized the foot-operated treadle pump for irrigation, now at work on more than three million small farms around the world, as well as drip irrigation systems for farms with one acre or less and other now widely adopted technologies.

We're convinced that entrepreneurs and existing businesses can themselves successfully enter the \$2-a-day market through an approach we term zero-based design, a practical, step-by-step method for designing, marketing, and delivering new products and services for the bottom billions *on a global scale*. Analogous to zero-based budgeting in which the process starts from scratch without preconceptions or assumptions, zero-based design encompasses eight key concepts:

Listening. Don't look at poor people as alms-seekers or bystanders to their own lives. They are rational customers who make purposeful choices in how to support their families. Always set out by listening to understand thoroughly the specific context

of their lives—their needs, their wants, their fears, their aspirations.

Transforming the market. Think like Steve Jobs or Akio Morita ("I don't serve markets. I create them!"). Your goal is to put a dent in the universe. A transformative new market will mimic the chain reaction in an atomic explosion, releasing energy to create yet bigger explosions. With success, your business will change economic behavior, create huge numbers of new jobs, and transform the character of villages around the globe.

Scale. Design for scale from the very beginning as a central focus of the enterprise, with a view toward reaching not just thousands or even millions of poor people but hundreds of millions. Scale isn't mysterious; it's fundamentally a mechanical process. You begin with a pilot project in, say, 50 villages. With success, you roll out to 50 villages per month, then to 250 per



month, and later to 500 or 1,000, building on what you learn as you go. You always keep in mind that you've set out to design a global enterprise—a profitable and sustainable working system, not simply a product or service.

Ruthless affordability. Design and implement ruthlessly affordable technologies and supremely efficient business processes, offering prices not just 30 to 50 percent less than First World prices but often an order of magnitude less, or 90 percent.

Private capital. Design for a generous profit margin so that you can energize private-sector market forces, which will play a central role in expanding any venture—drawing from a pool of trillions of dollars in private capital rather than the millions typically available for philanthropic or government-sponsored programs.

Last-mile distribution. Design for radical decentralization that incorporates last-mile (even 'last 500 feet') distribution, employing local people at local wages in a marketing, sales, and distribution network that can reach even the most isolated rural people.

Aspirational branding. This is even more critical for \$2-a-day markets than for those serving the top 10 percent. Without aspirational branding that generates in buyers' minds an appreciation for its most widely appreciated benefits and attributes, Coca-Cola is just flavored, fizzy sugar water, and a Mercedes is only a high-priced car. Branding convinces us that paying a premium for these products will make our lives more rewarding.

Jugaad innovation. The Hindi term jugaad connotes improvisation, working with what you have, and paying unflinching attention to continuous testing and development. A cynic might call it simply ingenuity.

By employing zero-based design, entrepreneurs or existing businesses can build huge new enterprises that span borders throughout the Global South by taking advantage of any one or several of the numerous large-scale opportunities that characterize the \$2-a-day market:

- More than one billion rural people who make their living from agriculture are potential customers for income-generating tools and strategies.
- At least a billion poor farmers around the world lack access to affordable income-generating tools such as small-plot irrigation,

information on how to farm better, and access to markets for the crops they grow.

- At least a billion poor farmers lack access to crop insurance, and even greater numbers have no access to health and accident insurance that could lessen their financial challenges.
- As many as 950 million people in the world go hungry, and an equal number lack access to affordable nutritious foods.
- More than a billion people live in rudimentary shelters, constituting a ready market for \$100 to \$300 houses with market and collateral value that could start them on the road to the middle class.
- At least one billion people have neither toilets nor latrines.
- More than one billion people have no access to electricity.
- One billion or more don't have access to decent, affordable schools.
- A minimum of one billion people lack affordable and professional health services.
- At least one billion use cooking and heating methods that make them sick and pollute the air.

Huge opportunities exist for innovative, affordable products and services in each of these areas—and many more. By gaining just a ten percent market share, a business that enters one of these billion-plus markets can attract at least 100 million customers, generate \$10 billion in annual revenue, and realize handsome profits—within ten years of starting out.

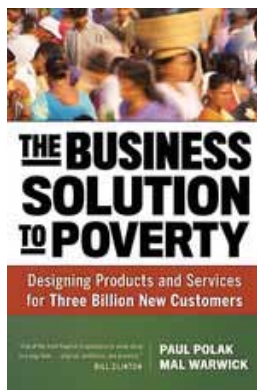
To demonstrate the feasibility of this approach and jump-start this revolution in business, Paul Polak is setting up four new companies:

Spring Health: Safe drinking water for the rural poor

Already in commercial rollout in eastern India with an all-Indian staff of 110, Spring Health purifies polluted water through electro-chlorination in 3,000-liter tanks erected at tiny village shops and sells it at a comfortable profit for the company, shop owners, and delivery staff. Eighty percent of customers opt to have this affordable clean water delivered directly to their homes in 10-liter jerrycans on rickshaws or motorized rickshaws staffed by drivers hired by the shopkeepers.

Sun Water: Affordable solar electricity for irrigation, lighting, and small electrical tools

Sun Water is working with volunteer scientists and engineers from Ball Aerospace to design a proof-of-concept prototype of a 2,000-watt solar PV pumping system that can be sold at \$1,500, less than a third of the retail cost of a similar conventional PV system available in India today.



Biocoal from the Village: Transforming agricultural waste into marketable biofuels

This company will pay farmers to collect and deliver biomass from their fields to a nearby village, where local entrepreneurs will operate furnaces of a revolutionary new low-cost design to produce high-value, low-carbon-emission fuel that can be shipped to coal-fired electricity generating plants in China or Europe to reduce their carbon footprint and gain them carbon credits.

Success International: Offering an alternative in rural education

What passes for primary education in much of the Global South is sadly inadequate, especially in rural areas. Absenteeism among teachers is widespread, and grossly under-qualified teachers sometimes teach nothing at all. Private school systems are starting to flourish, mostly in urban areas; Success International will work in the countryside, delivering effective primary education for six or seven dollars a month per pupil.

We envision a time when hundreds of innovative multinational companies will thrive in the \$2-a-day market, extending the benefits of the market to the whole human race—and ending the scourge of poverty forever.

Mal Warwick, is a social entrepreneur, impact investor, philanthropist, and author who lives in California.

Paul Polak, widely regarded as the father of market-centered approaches to development, is the founder and chairman of Windhorse International.

More information is available at www.businesssolutiontopoverty.com and www.paulpolak.com.