



## PROSPECTS FOR RURAL AREAS

Approaches to overcome hunger and poverty

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### Summary

There will be about 600 million young people around the world looking for work by the year 2030; one out of three will be African. The unemployment rate among young people is two or three times higher than average and many of them live in rural regions of developing countries. According to estimates from the World Economic Forum, economic growth in the agricultural sector reduces poverty eleven times more than growth in other areas. In this regard, investments in sustainable peasant agriculture such as small and medium-sized enterprises offer great potential.

However, this requires that governments encourage investments, and progress must be made in various areas: combating corruption, mobilising local resources and supporting rural areas. However, it is crucial that investments and programmes contribute to poverty reduction. In particular economic support of donor organisation should focus less

on international companies and more on supporting the construction of local and regional markets, acting in coherence with human rights and taking into consideration ecological and social impacts.

Civil society organisations such as Welthungerhilfe (WHH) can create new and better income-generating opportunities to contribute to economic development in rural areas. The aim of economically-oriented engagement is to ensure that the work that has been done so far is becoming more sustainable and effective. Besides creating new opportunities to react more flexibly to challenges in a fast-moving and globalised world, new ways of financing with expansion of instruments can be used. As an advocate of those in hunger and poverty with an increased focus on economic approaches and actors, Welthungerhilfe must also ensure that ethical and development-oriented guidelines are observed in its own work as well as in cooperations.

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# OPINION ●

# 1. Introduction

For millions of people around the world decent working conditions and an appropriate income are still just a dream. Nearly one in ten people are currently in extreme poverty – living on less than 1.90 US dollars per day – and one in two of those in poverty live in Sub-Saharan Africa. Even though economic growth has remained relatively stable across the continent of Africa at about 4.5 percent since 2000, little of this has helped those in poverty. Discriminatory structures mean that women and young people are the ones who benefit least from economic development (Oxfam 2017: 2). By the year 2030, around 600 million young people around the world will be looking for work, and a third of them will be from Africa, according to the International Labour Organization. The unemployment rate among this social group is two or three times higher than average and many of them live in rural regions of developing countries.

Labour markets in developing countries are characterised by low wages, irregular or seasonal jobs, and a lack of protective rights and risk mitigation – particularly in the informal sector. In comparison with other developing regions, economic growth in Africa causes the least poverty reduction (Fosu 2015) because of low productivity and underemployment. People living in poverty cannot afford to be unemployed, particularly in countries without any appreciable social assistance. In the search for improved living conditions and income-earning opportunities, one safety valve or strategy – predominantly for men – is seasonal or permanent migration within the same country or to neighbouring states and other continents.

Passed by the international community in September 2015, the goals of the Global Sustainability Agenda include combating hunger and poverty, promoting inclusive economic growth and creating full and productive employment. It is estimated that 3.3 to 4.5 trillion US dollars are required annually to reach these goals in developing countries (UNCTAD 2015). Public development financing funds alone are not sufficient, so further money from business and local resources must be mobilised to this end. As a comparison, the gross domestic product of Germany in 2015 was 3.5 trillion US dollars. To have a clearer idea of how marginalised people can be supported, Braun/Gatzweiler (2014) recommend that the first step be to identify the causes for their social exclusion and to strengthen the voice of those affected. Then the basic economic and political conditions must be improved and there must be investment in people who have been affected and in regions that have been left behind.

The work of Welthungerhilfe (WHH) focuses on the second Sustainable Development Goal: “End hunger, achieve food security and improved nutrition and promote sustainable agriculture.” This would mean ending hunger worldwide by 2030. According to estimates from the World Economic Fo-

rum (2016), economic growth in the agricultural sector is eleven times more effective at reducing extreme poverty than any other sector. This affects up to 2.5 billion people worldwide (IFAD 2016), as family farms in Africa and Asia produce up to 80 percent of the food consumed domestically. This is also linked to the challenge of promoting a socially viable and ecologically sustainable structural change in rural areas. People involved in politics, business, development cooperation and also civil society organisations have a duty to take on this task. Apart from agriculture, some other sectors, such as construction, energy and wage-cost intensive light industry, can contribute to economic growth and job creation. However, in view of Welthungerhilfe’s mandate, they are not relevant for future initiatives.

Welthungerhilfe’s 55 years of regional and technical experience in Africa, Asia and Latin America has yielded concrete approaches for economic support with a broad impact in rural regions. So far, the organisation has had experience with the production of rose oil as well as with growing and marketing coffee and cocoa. In the future, Welthungerhilfe will create new and better income-earning opportunities to contribute further to economic development in rural areas, focusing particularly on (family) farms and young people. New methods of support will also become more relevant, such as entrepreneurship training, founding companies and financing start-ups. The aim of economically-oriented engagement is to increase overall sustainability and effectiveness. There are also opportunities to react more flexibly to challenges in a fast-changing and globalised world.

Economic development in fragile states includes a particular challenge. It must be “conflict-sensitive”, as long-term plans and investments can be endangered by new crises at any time. It is equally important to improve living conditions for the population and for those who were previously involved in conflict. With an increased focus on economic approaches and actors, and in its role as an advocate of those in hunger and poverty, Welthungerhilfe must also ensure that ethical and development-oriented guidelines are observed in its own work, as well as within collaborations. Human rights offer a guiding framework.

## 2. Economic development with a broad impact

### 2.1 Investments in peasant agriculture offer levers for employment promotion

Young people in developing countries, including those in rural areas, want prospects for the future. However, few of these

young people want to follow their parents' footsteps and continue in farming. This is because income from farming is low, while arable land is becoming increasingly scarce partly due to population growth, land grabbing and a reduction in soil fertility. At the same time, family farms in most developing countries play a central role in food and nutrition security. For this reason, ecologically sustainable intensification of agriculture could be "the strongest lever for creating productive and stable employment" in rural regions (Altenburg 2017:15). However, in order to make farmers fit for the future, productivity increases must go hand in hand with sustainable cultivation methods, and value-creation for producers must be improved. On the demand side, there are a growing number of consumers with purchasing power – globally and above all in Africa. This spells additional opportunities for creating new jobs in growing, processing, and marketing food: burgeoning urban agglomerations rely on the supply of healthy food. At the same time, rural areas are suffering in particular because of the migration of young people. In this context, it is important to make the most of opportunities in new peri-urban areas and build up relevant skills and appropriate employment opportunities. However, there are opposing economic, political and scientific approaches to the positive transformation of small-scale supply structures in the context of socially sustainable structural change. Representatives of industrial agriculture and UN institutions (Morazan 2017 : 18), mainly back increased productivity and more efficient agro-industrial cultivation methods. Small farmers should preferably join global value-creation chains as suppliers. Socially and ecologically sustainable structural change follows a different strategy: investing in small-scale farms through trainings on appropriate growing methods, market-oriented business skills, and access to markets and land. Other benefits include self-sufficiency in more balanced and higher-quality food, and protection of biodiversity. However, small farmers taking this path require technical advice and support, especially when it comes to land rights and the negotiation of contracts. Further job opportunities can be created, particularly in the area of food processing – especially with a view to local and regional markets. There is also potential with regard to services and crafts. For these reasons, small and medium-sized enterprises should be assisted in getting to grips with new markets and networks. With the right business skills, they have an increased opportunity to enter the modern middle class (Hampel/Loewe/Reeg 2015).

## **2.2 Smaller companies create the most income opportunities**

Over recent decades, many countries, particularly in South-east Asia, have achieved great success in economic development and poverty reduction. However, in other regions of the world, particularly in Sub-Sahara Africa, the picture looks a lot bleaker. "Catching up development" is almost impossible, and the rules in global markets are strongly disadvantageous for weaker economic partners. At the G20 summit in Hamburg in 2017, the private sector was highlighted as the great hope for creating urgently needed jobs.

When international companies invest in developing countries and emerging economies, they are interested in gaining new sales markets and new target groups. Their interest is often linked to access to raw materials (minerals, land) or new food markets addressing a growing middle class. There is also interest in taking over public services, e.g. by privatising water companies or the health sector. International companies are mainly competitive thanks to their high productivity.

Until now, small and medium-sized enterprises have created a bulk of jobs in most developing countries; this certainly applies to the informal sector.<sup>1</sup> At the same time a lack of good training and low investment capacity as well as poor access to markets and low productivity greatly limit, their capacity to grow. The situation is worsened by the fact that political elites in many countries, particularly in Africa, have established rentier states. Clientelism and political patronage are basic elements of this system. In this context, it is lucrative to collaborate with transnational corporations, e.g. for large infrastructure projects or commodities deals. In this economic context smaller local companies are too weak to impose their own interests, so they are grossly disadvantaged by the government, as Kappel/Nevers (2017) demonstrate with the example of Uganda. The fact remains that poor people pay a high price for poor governance and lack of access to markets.

The extent to which poor people benefit from investments by international companies in their countries depends largely on them starting processing industries that create new jobs for low-skilled workers such as the textile sector in Ethiopia. It also depends on the behaviour of these global companies with regard to corruption, observance of labour rights and environmental protection – in the positive case they can be attractive employers. It can be assumed that small and medium-sized companies make a more significant contribution to the high number of new jobs that are needed. (Altenburg 2017 : 21)

## **3. Strategies of different actors**

### **3.1 Governments are little concerned with combating poverty**

One of the great challenges in developing countries is fighting corruption and clientelism. Governments have a responsibility to create favourable economic conditions for job creation in which people in poverty do not suffer discrimination. Actors in development cooperation should be aware that a comprehensive improvement in this area is more significant than successful individual projects. For this reason it can be beneficial to have dialogues about economic models to support independent courts and audit offices and to promote progressive trade associations. Further supporting measures can include the implementation of the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests (FAO 2012) and strengthening initiatives such as the Extractive Industries Transparency Initiative and Publish What You



Worldwide most people, namely over 62 percent, work under precarious conditions. They must operate on their own account and bear the financial risk themselves. Social security is rare. Photo: Gliński/Welthungerhilfe

Pay (Altenburg 2017). Strengthening parliaments and helping civil society actors to drive debates on economic reforms can have a similar positive effect.

However, developing countries must also mobilise their own resources more effectively, for example by preventing tax evasion. In Africa alone, it is estimated that 854 billion US dollars was lost between 1970 and 2008 (UNCTAD 2016). This is equivalent to almost all the funds spent on official development assistance (ODA); a third of this amount would have been sufficient to pay off foreign debts.<sup>2</sup> It is also necessary to increase mobilisation of national capital by raising taxes and expanding the tax authorities, as implemented in the OECD initiative for fair international tax competition (Base Erosion and Profit Shifting) and the Addis Tax Initiative. These funds should be put towards extending regional development among other uses. Above all they should be used for poverty-reduction investments such as infrastructure measures, health services, as well as education of farming communities and girls in particular. Other important issues include access to credit, insurance and securing property rights. In the Malabo Declaration of 2014, African states estimated that at least ten percent of the state budget should be allocated to these measures. However, implementation has been lagging a long way behind the plans.

Not everyone can be integrated into the labour market. Therefore, it is important that social security systems are also built up in poor countries. Public employment programmes, such as the Mahatma Gandhi National Rural Employment Guarantee

Scheme, which offers a legal right to 100 days of paid work on the land, and the Productive Social Safety Net Programme (PSNP) in Ethiopia, illustrate how a state can link expansion of infrastructure with financial support for poor households. While this approach strengthens provision of public goods and services (e.g. through forestation, road building, drinking water supply), people in extreme poverty can also be supported through direct money transfers.<sup>3</sup>

As a growing number of young people are looking for work, governments should fulfil their duty to promote vocational training programmes more strongly. Adolescents should be prepared for the challenges in an increasingly globalised and digital world, even if they don't get one of the few jobs in the formal sector. There is a need for site-specific solutions, such as extra-occupational concepts with a highly practical focus that help promote small business associations – with support from development cooperation initiatives if they are applicable. Young people, particularly those in many African countries, want to actively shape their future, rather than missing out on the chance to participate in society, as is the case in many countries with authoritarian regimes (Tracey/Kahuthia 2017: 2).

### 3.2 Political actors and donor organisations prefer promotion of international companies

Poor people in the Global South have long been “left behind” by the economy, going against the key principle of Agenda 2030. Political and development-cooperation investment programmes may address the need to create economic growth

with a broad impact in order to contribute to the fight against poverty. However, only few approaches have been effective, as the causes of hunger and poverty are often not taken into account. Another reason for programmes focusing on Africa is Europe's fear of the growing number of young migrants.

The Compact with Africa was initiated by the G20 in 2017. However, investments must be concentrated on large infrastructure projects in economically developed countries. Because of this, critics fear that foreign investors will benefit from the fund rather than African states. The proposal sounds like a recasting of old neoliberal ideas, according to Martin Tsounkeu, President of the African Development Interchange Network (ADIN) from Cameroon.

The European Union started the European investment offensive in September 2016 as an instrument for achieving the SDGs in Africa. When companies are supported with public funds, transparency and accountability on the part of the companies involved are paramount. Until now the European Investment Fund and the G20 Compact for Africa have lacked clear development policy guidelines, particularly with regard to social and ecological consequences. Furthermore, observance of human rights should be a binding requirement. This includes participation by the local population when they are affected by long-term investment decisions.

The impact of EU economic partnerships on African countries is critical: after signing, states have to liberalise at least 80 percent of their trade by reducing tariffs and taxes. This demand removes all political consistency, as the African Union wants to increase African internal trade to 50 percent of foreign trade by the year 2063 with the goal of promoting regional value creation. Otherwise, cheap imports from Europe could further drive out local products, counteract the expansion of processing industries and allow a further increase in the migration of young people, given a lack of economic prospects.

The special initiative "One World – No Hunger" by the German Federal Ministry for Economic Cooperation and Development (BMZ) is a step in the right direction. Thanks to this initiative rural development has been back on the agenda for the last parliamentary session, including subjects such as food and nutrition security, structural change in rural areas and innovation in the agricultural and food sector. The excessive focus on export-oriented value chains should be changed. In order to strengthen the networking of African markets, attention should rather be focused on developing local and regional economic cycles and farming structures – particularly in view of growing market opportunities that are appearing in the course of urbanisation resulting in the diversification of food demand. Donor organisations should gear their programmes more to the needs of marginalised people and help them to increase their agency. If increased productivity among small businesses and peasant farming is expected to provide the greatest boost to



To increase the productivity of smallholder farmers in developing countries, investments must be undertaken in more efficient working equipment, as well as in trainings relating to ecologically sustainable cultivation techniques. Photo: Stollberg/Welthungerhilfe

job creation, people in poverty will need support through training, including the use of digital technology, to gain access to financial resources and market information. Social security programmes and insurance offers can cover risks and motivate small-scale entrepreneurs to invest more heavily in workers and their own companies.

## 4. Entry points for Welthungerhilfe

### 4.1 Opportunities range from improved marketing to the manufacture of niche products

*Smallholder farmers need to be given opportunities to become an active part of trade and markets. The creation of decent jobs, income opportunities and economic development in rural areas will become an increasingly important field of intervention. A focus will have to be laid on education and vocational training for young people in the countryside, leading to more entrepreneurial activities and livelihoods.*

(Compass 2025 – The Welthungerhilfe we want)

To be precise, it is a question of providing economic support to people who do not have purchasing power or good training: the poor, the landless, the hungry, including many women and unemployed young people. As early as 2005, the World Business Council for Sustainable Development defined business approaches addressed to these social groups as follows: "An inclusive business benefits poor producers and /or consumers by providing access to markets, services and products in ways that improve their livelihoods, while at the same time being

a profitable commercial venture” (Woodhill 2016: 8). These markets certainly won’t yield the same profit margin as those involving more prosperous producers or consumers. However, they offer a scope for business involvement, particularly in the areas of food, trade, energy, transport, water and communications. People in poverty demand products and services, and they are also economically active as producers, workers or micro-entrepreneurs. Poverty-reduction approaches for economic development should contribute to social development by helping to reduce social and economic inequality. This is partly achieved by increased integration of young people and women in decent working conditions.

Actors in development cooperation face the challenge of addressing economic sustainability as well as social and ecological sustainability. Classical projects end when the project period elapses, and they are not always able to build up sustainable structures given these time constraints. At the same time, institutional and philanthropic donors are placing more emphasis on involving the private sector. Since 2004, Welthungerhilfe has been exploring how “classical” support instruments can be supplemented with business-oriented approaches. According to the WHH strategy 2017–2020, the organisation wants to test new inclusive business models including impact investment, shared value and founding social enterprises. Concrete approaches can be formulated on the basis of previous experience.

### Focusing on peasant agriculture and sustainable food systems

Most hunger hotspots are still in rural areas. Consulting family farmers towards a more productive and ecologically sustainable agriculture should play a role when integrating producers mainly in local and regional markets (Kaplan et al. 2016). It is easier for farmers in developing countries to meet the growing quality demands of consumers, particularly of the growing urban middle class, than those of global markets. Firstly, this strengthens local economic cycles and food security in the region where crops are grown. For this reason, the economic potential of processing and marketing farming produce should also be exploited. “BhoomiKa”, a label recently founded in India, provides an example. Forty dealers will cooperate with 5,000 small farmers to market their ecologically grown produce to consumers in large cities, jointly using the new label. The project involves “old” NGO partners and “new” partners, particularly start-ups and the catering trade. The producers receive an increased income, 300,000 consumers in several federal states gain access to healthy and pesticide-free food, and there is also nutrition training, particularly in schools. Processing, marketing and transport offer further opportunities for job creation by founding new companies.

Integration in global value chains results in the fact that small farmers have to deal with high-quality requirements and the



By processing locally cultivated food – here for example cheese – the growing demand of wealthy consumers can be satisfied in big cities, especially in developing countries. At the same time new income sources emerge for farming families. Photo: Kopp/Welthungerhilfe



In Sierra Leone, young people are collecting waste as microentrepreneurs. Then they sell it, and part of it will be recycled. Photo: Brockmann/Welthungerhilfe

need to fulfil contracts. To handle these issues they need training and support, when negotiating contracts with international companies and building up appropriate organisational structures, e.g. trade or producers' associations. It is worthwhile for poor farmers to collaborate with companies that are interested in a long-term relationship and fair division of risk, linking sustainability standards with improved income. Speaking of rural development, it is also desirable for food and nutrition security to be considered in business activities.

#### Affordable services for the poor

Products or services should also offer solutions to the urgent problems faced by people living in poverty in rural areas. Given the precarious condition of state services, small companies can take over the task of constructing easily accessible drinking water systems, which are reasonably priced. Waste disposal, combined with recycling measures, also offers opportunities to creatively develop new value chains using specially founded small companies, as has been demonstrated in Sierra Leone and Madagascar. The same applies to the installation of low-maintenance wells if they offer a clear added value for those affected. In case of entrepreneurial activity addressing water and sanitation, it is, however, important that people in poverty can afford to access these services. Welthungerhilfe will generally concentrate on imperfect markets, and new offers should fill niches. On the one hand, poor consumers benefit from the availability of previously

inaccessible products and, on the other hand, these young companies do not have to compete with companies that are already successful.

#### Vocational training for young people

There are many opportunities for investing in the future of young people, especially concerning small companies. Practice-oriented support is needed, and Welthungerhilfe is providing this for 15,000 young people in Sierra Leone, Uganda, Kenya and Tajikistan through the Skill Up programme, which runs until 2020. Basically it is never 100 percent economically sustainable to finance vocational training, and this also applies to trainings addressing marginalised young indigenous farmers through the "Green Colleges" in India. However, training is a prerequisite for successful entrepreneurship, or for founding a start-up. Therefore, trainings should mainly be financed through public funds and private donations. State recognition and cooperation with local authorities are also key pillars, as education is essentially a public task that must be financed by the state and business proportionally. The "dual system" in Germany provides a good example.

#### 4.2 Business-oriented experiences in the field

There are a wide range of possible business approaches, but only a few are relevant for Welthungerhilfe. It is necessary to take into account typical challenges and critical issues during implementation – with a view to people living in poverty. On



the basis of lessons learned over previous years, Welthungerhilfe will concentrate its energies on the following, in coherence with its strategy:

### Founding new companies in which Welthungerhilfe has a share

It is important for small-scale farmers in several African countries to have access to an affordable, ecological and health risk-free agent to combat a parasite called Striga, which drastically reduces yields of food crops. For this reason, in November 2017, Welthungerhilfe embarked on a new initiative with international partners from the areas of science and philanthropy to establish a company based in Kenya in which it holds a 25 percent share. The aim of this development-oriented company is to produce a biological pesticide and build a marketing system to distribute it. Around 400,000 farmers should benefit during the first phase, and the final effectiveness tests are currently being carried out on the ground. Building the company and distribution structure may create new job opportunities, although employment will be mainly seasonal. Profits from the company are reinvested, and in the long run, the company should be able to cover its costs. If appropriate, the product can be brought to market in other regions and other countries. So far, the majority of the amount invested has come from donations, and in the future, public grants and bank loans could also play a role.

### Financing start-ups

In July 2017 Welthungerhilfe became a joint investor in the Food & Lifestyles Fund set up by Alliance2015 partner HIVOS. Start-ups in southern Africa with an innovative and promising business idea addressing sustainable production and consumption are provided with initial financing. Founding of new firms should create jobs. The firms in question are generally small companies, which are not of interest to traditional financial institutions because of their relatively low turnovers. HIVOS and Welthungerhilfe take on entrepreneurial risk through this fund, and they might even lose their entire investment. They may try to insure against this through development cooperation institutions such as the KfW Development Bank. This approach is defined “in the broadest terms as investment made with the intent to create social or environmental benefit in addition to financial return” (Thorney et al. 2011). After three or four years, experience with the Food & Lifestyle Fund should be evaluated and a decision should be made on whether it makes more sense for NGOs to support start-ups with their own impact investment funds, or to transfer company founders to appropriate financial service providers. It is also worth checking the conditions in which start-up founders can make investments that create added value for the poor.

### Collaboration with (international) companies

In an increasingly globalised economy, it can be attractive for small-scale farmers to have market access to international value chains for their cash crops such as f.ex. spic-



Agricultural products like cocoa, which are destined for export, must be produced in a sustainable way. Especially in regions where food is scarce the right to food must not be violated. In the future, this can be monitored by the “Food Security Standard”.

Photo: Kopp/Welthungerhilfe

es, coffee or cocoa. This particularly applies to small-scale farms, which meet requirements of buyers achieving an attractive level of added value thanks to training, income and possibly infrastructure. Local value creation can also be increased if products are processed at regional level, so that local economic cycles are strengthened. In the case of agricultural produce, this could involve drying and packaging. Porter/Kramer (2011) build on this through their concept of “shared value” and developed the hypothesis that long-term business success can only be guaranteed when social needs are also addressed at the same time. Welthungerhilfe already has experience in collaborating with international and local companies, particularly with export commodities like coffee, cocoa and spices. One current example is Welthungerhilfe’s cooperation in Ethiopia with the German start-up Coffee Circle, which presents high-quality coffee attractively for export. In this case, it was crucial to provide training to improve product quality and coaching on how to build up a producer organisation for 10,000 coffee growers. This should be financed or co-financed by the companies involved. Depending on the country, observance of land rights can also play a decisive role. Experience of cocoa growing in Sierra Leone has shown the need for legal support for small farmers.

#### 4.3 Value-based standards are a must

Trust, credibility and professional competence are the most important assets of a civil society organisation. Values and convictions that are communicated publicly must also be put into practice in order to “walk the talk”. For business-oriented activities, this means that when Welthungerhilfe implements development-focused entrepreneurial approaches, it has a responsibility to observe social, ecological and economic sustainability standards, which support the achievement of human rights. This affects the cooperation with companies in partner countries and Welthungerhilfe’s participation in its own companies. It must set an example of transparency and responsible business practices, which bring civil society organisations from the private sector into lobbying and advocacy activities and work in harmony with the relevant organisational goals.

Welthungerhilfe’s work focuses on rural areas. Sustainability standards play a vital role in growing and processing agricultural produce. Until now there has been a lack of standards for judging whether the human right to food is violated by producing agricultural goods for export, but Welthungerhilfe may potentially be able to work with the Food Security Standard (FSS), which is currently being field-tested.

In the future, agricultural production must meet the Food Security Standard (FSS), and this is obligatory in countries for which the Global Hunger Index is calculated. As the FSS is not an independent certification standard, it must be embedded in a recognised sustainability standard (e.g. Fair for Life, Cotton made in Africa, RSB, RSPO, UTZ, IMO). In cases of agricultural production for local and regional markets, certification is not obligatory. However, the observance

of sustainability criteria should be progressively improved in this area as well.

In all other business-oriented activities, Welthungerhilfe observes the principle of “responsible business management”. This includes observing due diligence, labour rights, anti-corruption guidelines and transparent governance structures.



“Markets are merciless”, according to Delhi start-up founder Jyoti Awasthi, who left her job in an aid organisation a year ago to market ecologically produced vegetables from small-scale farms on the outskirts of the Indian capital. She is a partner of the recently founded Welthungerhilfe platform “Bhoomi Ka”. This young entrepreneur believes that markets are merciless because any economic mistake in your own company can lead to severe losses and threaten the entire future of the business. Photo: Schöninger/Welthungerhilfe

## 5. Conclusion and outlook

Decent working conditions and an appropriate income are part of Welthungerhilfe’s vision of a world in which all people can exercise their right to lead a self-determined life in dignity and justice. One of the reasons for poverty and hunger is that members of a society have no say. Another reason is that they suffer from unfair social and economic structures. If Welthungerhilfe is committed to these people’s needs, it should not only attempt to directly improve living conditions, but also ought to address structural causes. This applies equally for the new field of business-based approaches and broad-impact business models, which NGOs want to integrate into their existing work. The following points should always be observed during development and implementation of innovation “from within”:

#### Site-specific solutions rather than a blueprint

The challenge is to keep social and ecological challenges in mind when promoting business-based approaches. Wherever possible, “classical” assistance projects will be linked to business-oriented activities. This requires a profound analysis of the situation and skilled employees with appropriate expertise. To give a concrete example, this could mean that people in extreme poverty are supported through money transfers, while at the same time people who are young or fit for work receive support for economic activities with the intention to achieve sustainable structural change.

#### Shared values are the foundation for partnerships

In this case the partners are representatives of companies or financial institutions, and they should share the values of Welthungerhilfe, such as fairness, integrity, freedom, respect for diversity, etc. This is also linked to establishing long-term

cooperative relationships among other issues. For disadvantaged people to have any chance of profiting from economic activities, negotiations should cover periods of at least three years. Shared values are also the foundation for observance of ethical minimum standards with regard to the origin and investment of funds on the financial market, which may be used to implement business approaches.

### **“Good business” provides impetus for the necessary change towards fairness and sustainability**

Civil society organisations like Welthungerhilfe do not attempt to make profit through their work, but rather contribute to achieving the global Sustainable Development Goals. Even business-oriented measures are based on solidarity with people suffering from poverty and hunger. This implies a responsibility to go beyond conventional companies' business as usual, develop forward-looking examples, and at the same time take part in public debates on combating growing inequality. In specific cases where multinational companies or

politicians at national or international level violate the rights of small-scale companies or farms in developing countries, Welthungerhilfe should link advocacy with economic support on a situation-specific basis.

There are many challenges when the very different cultures of development cooperation and business meet. Primarily, businesses want to make a profit, while development cooperation focuses on not spending more money than is available. Entrepreneurs on the ground are important actors if start-ups are to survive and not disappear from the market at the first crisis. If Welthungerhilfe wants to provide more support for entrepreneurial activities in partner countries, it should also specify risks that may stand in the way of success. It must also observe and monitor developments, to see if the measures really lead to higher incomes and improved living conditions, or if new solutions must be sought. As ever, the key goal of our work is to help make the world a better and fairer place by defeating hunger and poverty.

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### **Footnotes**

<sup>1</sup> According to an ILO study (2018), more than two billion people currently work in the informal economy. This corresponds to more than 61 percent of the world's population who earn their living in this way. In sub-Saharan Africa, almost 86 percent work in the informal sector.

<sup>2</sup> It is difficult to come up with a quick solution owing to the involvement of many multinational companies from industrialised countries and emerging economies (Panama Papers 2016, Paradise Papers 2017). Civil society organisations could work with the media to play an important role as watchdogs at a global level. Industrialised countries are strongly resisting the upgrading of the UN Committee of Experts on International Cooperation in Tax Matters to the status of an intergovernmental committee.

<sup>3</sup> Thus a large proportion of the annual budget of the Ethiopian PSNP (500 million US dollars, or one percent of GDP) is financed by foreign donors (the World Bank, the European Commission, the World Food Programme, UNICEF, the USA and Sweden).

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