

SUBMISSION BY BUSINESS FOR DEVELOPMENT TO THE JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE - FOREIGN AFFAIRS AND AID SUB-COMMITTEE.

SUBMISSION TO THE INQUIRY INTO THE ROLE OF DEVELOPMENT PARTNERSHIPS IN AGRICULTURE AND AGRIBUSINESS IN PROMOTING PROSPERITY, REDUCING POVERTY AND ENHANCING STABILITY IN THE INDO-PACIFIC REGION.

Leadership Role of Government.

Business for Development (B4D) acknowledges the interest of the Joint Standing Committee (JSC) in investigating current and potential development partnerships in the food and agriculture sector, as part of the broader role of government. We are encouraged that the focus is strongly on the role of the private sector, both in Australia and beyond, in creating sustainable solutions to agricultural production and the alleviation of poverty in the agriculture sector of the Indo-Pacific region. B4D have been innovators in this space for the past 8 years and on the basis of our experience we wish to contribute to this Inquiry.

Business for Development (B4D).

B4D is an Australian based NGO that connects poor communities to global markets in order to deliver sustainable and measurable improvements in incomes and livelihoods through private sector partnerships. Business for Millennium Development was established in 2007 as an alliance between World Vision Australia and a group of leading Australian companies and became an independent Australian registered charity in 2008, aligned with the UN Millennium Development Goals. During our startup phase we were funded by AusAID to the order of around A\$1M. Since inception, we have focused on **Inclusive Business** models, commercially sustainable connections between farmers and companies in their core business value chains. We have included further detail on Inclusive Business approaches as an Appendix to this Submission.

We have changed our trading name to **Business for Development** from November 1, 2015 to align with the current UN Sustainable Development Goals and to reflect our focus on practical development partnerships with companies and poor farm communities into the future. We focus on advocacy for awareness of the need for development of Inclusive Businesses; profitable businesses which generate avenues from poverty; plus build inclusive businesses with our partner companies and poor farm communities.

B4D has developed a range of brokerage and advisory services for companies seeking to connect to poor smallholder farmers in their value chain. We have a long history of working for companies in the food and agriculture sector such as Nufarm, Syngenta, Sunrice, VISY, Olam, Louis Dreyfus, Goodman Fielder, Mondelez International, PepsiCo, Coca Cola Amatil, Ironbark Citrus, Cotton On, and George Weston Foods. We also have a unique model that connects mining companies with food companies. Our clients in the mining sector range from OilSearch, ExxonMobil, Base Resources, G Resources, Finders Resources, MMG, Ok Tedi Mining and Newcrest.

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Enabling Inclusive Business Outcomes.

B4D has applied its expertise to develop innovative Inclusive Business projects in a range of settings. The best way to articulate these innovative models is to bring to the Inquiry's hearing some of our clients who can speak to how they are creating commercially scalable ways for farming communities to escape poverty in a range of countries in the Indo-Pacific region such as Indonesia, Papua New Guinea, Laos, Myanmar and Kenya. We currently have 8 inclusive agribusiness projects in various stages of formation and development in these countries. Beyond the innovation that we are applying on the ground with these projects through working with local partners, we also see considerable scope for application of innovative Australian technologies and practices drawing on our national expertise especially in tropical agriculture, as well as in agribusiness supply chains.

Our experience has provided us with a range of unique insights as to how to harness the power of the private sector to improve farmer productivity and alleviate poverty. Intentional commercial mutual benefit lies at the heart of our learning, and our refined model based on those learnings. The role of specialised trusted intermediaries between farmers and market partners is also key. Finally, the role of mining companies as a "benevolent host" acting on behalf of the interests of local smallholder farmers is another key dimension of our model.

Above and beyond our project advisory services, Business for Development acts as Regional Partner for the United Nations Development Programme Business Call to Action, which promotes the role of Inclusive Business in solving entrenched development problems. Through our role as Regional Partner, we have researched a number of companies in Indonesia, Singapore and Australia this past year who are interested in development of Inclusive Business partnerships with farmers. There is a valuable set of learnings we have obtained through that process.

Practical Examples of Inclusive Business in the Indo-Pacific Region.

Three of our projects should be of specific interest to the JSC and we welcome the opportunity to present on these together with our clients. The first is a partnership between Base Resources, a Perth based mining company operating in Kenya and Cotton On, the large national clothing company. B4D has brokered a partnership between these two companies to create a large scale ethical cotton supply chain from the south of Kenya through to Cotton On in Australia.

The second is a collaboration between Trukai Industries, a wholly owned subsidiary of Sunrice Australia, OilSearch and the Ok Tedi Development Foundation. The collaboration seeks to improve national food security in Papua New Guinea by enabling local farmers to produce and mill rice. The third project is a collaboration between a SME citrus company in Queensland called Ironbark Citrus and MMG, a large mining company with its head office in Melbourne. The collaboration is transforming subsistent farming communities in Laos from low value root crop production to high value citrus fruit production with a supply chain into Thai supermarkets.

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Sharing our Experience

We are delighted to see the maturing of our project portfolio which is wholly private sector funded and driven by commercial fundamentals, as well as meeting our Vision of **‘Tackling Poverty through Inclusive Business’**. To our knowledge, we are the only NGO in the world that is 100% private sector funded and focused on business solutions to poverty amongst smallholder farmers. The initial grant funding of AusAID has enabled Business for Development to reach this sustainable basis as an innovative Australian based NGO.

We would welcome the opportunity to present to the Inquiry’s hearing to exemplify further the opportunities that an approach such as Inclusive Business in agriculture and agribusiness provides in the promotion of prosperity, reduction of poverty and enhancing stability in the Indo-Pacific Region.

Terms of Reference – summary of relevance of B4D’s Submission.

- *Australia's contribution and achievements to date in catalysing sustainable economic growth, improving livelihoods and strengthening food and nutrition security through partnerships in the agriculture and food sector in developing countries in the region:*
 - Three Australian companies already make a substantial contribution, and B4D has either existing or proposed engagement with them in its activities:
 - Trukai Industries, wholly owned by Sunrice Australia is a company essential to national food security in PNG, supplying 80% of the country's rice.
 - Goodman Fielder, who are a major provider of animal feed to the PNG market and have a well developed poultry business in Fiji that connects to smallholder farmers across the country.
 - CBH Group supplies wheat from Australia to Indofood who operate one of the world's largest noodles factories in Surabaya, East Java, Indonesia.
- *including the extent to which these efforts support our national interest;*
 - All of the examples referred to above in our Submission have strong alignment with national interest. Nearly all of our clients referenced, in particular the three projects highlighted, are Australian companies generating export earnings.
- *The particular roles of agricultural innovation in supporting agricultural development and inclusive economic growth;*
 - *Innovation at local level*
 - Our private sector partners introduce new tools and technology to poor smallholder farming communities across the region. Business for Development has created an innovative farmer aggregation to offtake model called our LINC enterprise model.

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- *Actions and approaches to agricultural development in the region that would promote gender equity, women's economic empowerment and health;*
 - Our 12 point Inclusive Business Checklist includes a direct focus on the empowerment of women farmers, who constitute the majority of farmers in the communities in which we work. Our LINC model seeks to optimise their voice, equity and reward from market partnerships.
- *The current and potential role of the private sector, including small developing-country entrepreneurs and larger Australian and international businesses, in driving inclusive and sustainable development in Indo-Pacific agriculture and food value chains;*
 - A major focus of our organisation is to harness the power of larger Australian and international businesses. We do this through alignment of core business interests.
- *Innovative modalities and practices that would enhance the contribution of all relevant stakeholders in supporting agricultural development, better nutrition and inclusive economic growth in the Indo-Pacific region.*
 - We strongly advocate the role of inclusive business models, profit driven and therefore long-term commercially sustainable. The role of B4D as a designer, broker and catalyst of inclusive business is a key component in realising on the ground executed projects.

Please direct any enquiries to:

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APPENDIX

Inclusive Business

The World Business Council for Sustainable Development (WBCSD) defines inclusive business as:

An inclusive business is a sustainable business that benefits low-income communities. It is a business initiative that, keeping its for-profit nature, contributes to poverty reduction through the inclusion of low-income communities in its value chain. In simple words inclusive business is all about including the poor in the business process be it as producers, entrepreneurs or consumers¹

Fundamental to this idea is the belief that commercial drivers, including expanding markets for products and services and maximising profit, can be aligned with development outcomes, including creating opportunities for the poor and disadvantaged. Unlike corporate philanthropy and corporate social responsibility (CSR) programs, which are primarily driven by ethical considerations and a desire to minimise impacts and enhance reputation, inclusive business addresses development challenges through core business activities.

Inclusive business initiatives are different to full commercial business activities due to its greater focus on poverty alleviation and achieving development outcomes. The Asian Development Bank (ADB), for example, describes IB's as "private sector investments specifically targeting a low income market (less than US\$3 per day) with the double purpose of making reasonable profit (i.e. an internal rate of return of 8-20%) and creating tangible development impact". Rather than seeing the poor as bystanders or even victims of the market, inclusive business models aim to include poor people in value chains as producers, employees, consumers, distributors and innovators.

Together we can help galvanise the private sector and encourage a broader set of actors to engage in inclusive business activities...There's no better way to reduce poverty than inclusive business growth that creates jobs"

Alistair Fernie, Head of Private Sector Department, DFID

Hundreds of inclusive business from Papua New Guinea to India and Ghana operate worldwide, and have already created an avenue from poverty for millions of families. The UN's Business Call to Action keeps a public record of many of these businesses².

Why Inclusive Business?

¹ <http://www.inclusivebusiness.org>, WBCSD, 2014.

² See <http://www.businesscalltoaction.org/>

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1. Families exit poverty when a family member gets a job

Poverty has a range of facets from health to education and nutrition. However, at its core poverty is linked inexplicably to inadequate incomes. It is our contention that only the private sector can provide the jobs and supply contracts (at scale) to lift incomes to a sustainable level.

The rise of India and China in just one decade provides clear evidence of what's possible when the private sector engages with low income families at scale and delivers poverty alleviation outcomes.

2. The poor, when asked, want jobs

In its comprehensive study 'Voices of the Poor', which included interviews with some 60,000 of the World's poor, the World Bank concluded that jobs were a key priority for poor people themselves³.

"That economic growth is the primary driver of poverty reduction is well evidenced. On average, four fifths of poverty reduction in recent decades can be attributed to growth in average incomes."

"By catalysing more private investment and deepening private sector links into communities we can multiply the reach of the private sector and increase the opportunities for poor people."

The private sector and prosperity for poor people (DFID 2011)

3. Inclusive Business is being adopted by leading agencies

For governments, donor agencies and NGOs focused on achieving development outcomes, it has become increasingly clear that the world will not eradicate poverty, nor achieve the Millennium Development Goals (MDGs), unless businesses play a greater role as partners in development.

The growing interest in new enterprise-based solutions to poverty reflects, in part, the limitations of both traditional donor development programs and business models for economic growth.

Inclusive business models have unique attributes and capabilities that enable businesses - in partnership with governments, donor agencies and civil society – to contribute directly to achieving development outcomes.

The US, UK, Swedish and German aid programs together with the IFC and ADB have adopted inclusive businesses strategies, providing evidence based models and learning for the Australian aid program. DFID and USAID have both established dedicated private sector divisions focused on facilitating the creation of inclusive business.

The below table provides snapshot of financial contributions and numbers of inclusive businesses supported by key donor agencies that have specific inclusive business programs. The programs outlined below give an indication as to some of the lead investments being made in inclusive business around the world.

Organisation	Program	Period	Financial contribution (US\$)	Number of IBs supported
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³<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/0,,contentMDK:20622514~menuPK:336998~pagePK:148956~piPK:216618~theSitePK:336992,00.html>, Voices of the Poor, 2011

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IFC ⁴	IFC Inclusive Business Models Group	Since 2005	> \$7 billion	> supported 300 clients in 80 countries through investment
ADB ⁵	Promoting Inclusive Growth through Business Development at the Base of the Pyramid	2010 - 2013	\$700,000	n/a focused on market studies, investment forums, country policy notes and development of IB Funds
ADB, Government of Sweden, Credit Suisse	Inclusive Business Support	2014 – 2017	\$3.6 million	- Increase by 50% of inclusive business projects in selected countries, of which at least 15 are from ADB - Tailored advice and technical support provided to at least 20 companies - Inclusive business impact assessments conducted for at least eight companies - 50 companies benefiting from IB training - Sector Workshops
UNDP ⁶	Facilitating & Brokering Private Sector Partnerships	Since 2004-2010	n/a	creation of 23 business linkages, brokered 75 IB partnerships
SIDA ⁷	Innovations Against Poverty	Since 2011	€5,420,265	66 organisations received grant funding
DFID ⁸	Business Innovation Facility	2010 – 2013	n/a	> 300 IB's supported across five countries through technical assistance

4. Business is increasingly ready to partner

The calls of leading business leaders such as Prahalad and Porter are being heard by business. Executives from a range of companies are seeing the role that trading with the world's poor can play in helping them realise their growth aspirations. Three prominent examples are:

- **Nestlé's creating shared value program** under which the company sold 167 billion fortified products in 2013 and trained 300,000 farmers⁹.
- **Vodafone's mobile money programs**, which are offering basic financial services to millions of previously unbanked families in Kenya, Fiji and India¹⁰.
- **Syngenta's Good Growth Plan**, which will see the company train some 20M farmers globally¹¹.

"Employing one person changes the lives of 15 to 20 others."

Terry Davis, Group Managing Director, Coca-Cola Amatil

These leading companies have already moved beyond the limits of CSR and have built profitable inclusive businesses that provide poverty alleviation at sale. They, together with

⁴ http://www.ifc.org/wps/wcm/connect/AS_EXT_Content/What+We+Do/Inclusive+Business, IFC, 2013.

⁵ <http://www.adb.org/projects/41258-012/main>, ADB, 2013

⁶ <http://www.undp.org/content/dam/undp/library/corporate/Partnerships/Private%20Sector/UNDP-Private-Sector-Strategy-final-draft-2012.pdf>, UNDP, 2013.

⁷ <http://www.sida.se/English/Partners/Private-sector/Frequently-asked-questions/>, SIDA, 2013.

⁸ <http://businessinnovationfacility.org/page/about-us-about-the-business-innovation-facility>, BIF, 2013.

⁹ <http://www.nestle.com/csv>

¹⁰ http://www.vodafone.com/content/index/about/about-us/money_transfer.html

¹¹ <http://www.syngenta.com/country/au/en/news/releases/Pages/Syngenta-launches-The-Good-Growth-Plan.aspx>, 2014

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hundreds of others companies worldwide are positioned to partner with DFAT to establish inclusive businesses.

In 2012 our research showed that ninety-three percent Australian executive believed business can play an important role in alleviating poverty¹².

5. Inclusive Business provides leverage and scale

The challenge of poverty is extensive. In Indonesia alone 32 Million people live in poverty, earning less than \$264 a year¹³. Doubling their income requires a total of \$B8.5 of new wealth, some 16 times the value of Australian aid to the country. To see this challenge met requires the Australian aid program to act as a catalyst for others to co-invest. B4MD believe the missing actor is business, and that inclusive business is the framework under which businesses can work with the aid program to see this challenge met.

6. Inclusive Businesses maximise Australia's return on investment from aid

That Australia business must consolidate its foothold in emerging Asian markets is broadly accepted. In fact many of these companies recognise the business opportunity that exists in these markets at the Base of the Economic Pyramid (BoP). BOP refers to the world's poorest socio-economic group; the 4 billion people who live on less than US\$2.50 per day. BOP has emerged as focus of business strategy researchers and practitioners¹⁴, who believe that

"One of the better ways to poverty alleviation is by creating jobs, improving education and leaving a lasting impression. It is much more powerful than corporate social responsibility alone."

Phil Craig, Executive General
Manager - Corporate Affairs, Origin

tremendous benefits exist for companies that choose to serve BOP markets and are responsive to their development needs. It is our view that inclusive businesses can meet part of the need for Australian companies to engage in the BoP markets of the Indo-Pacific. By catalysing inclusive business (with Australian corporate partners) DFAT can therefore provide a return on investment to Australia.

¹²Business in Development Study, B4MD & Accenture Development Partnerships, 2014

¹³<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/0,,contentMDK:23191612~pagePK:146736~piPK:146830~theSitePK:226301,00.html>, World Bank, 2014

¹⁴Strategies for the Bottom of the Pyramid: Creating Sustainable Development, C.K. Prahalad and Stuart E. Hart, 1999.