

Getting Tough on Poverty:

How pocket-sized solar panels and investments in agriculture are changing the fortunes of Africa



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TRANSFORMINGBUSINESS

by Peter Heslam

Tackling poverty in Africa has had a series of false dawns. But in this article Peter Heslam highlights two entrepreneurial businesses that point the way to a brighter future for what many still regard as the dark continent.

Wealth and poverty are not mainly about money. They are mainly about inclusion and exclusion. We understand the social significance of these terms when it comes to education – to be unable to read and write is to be so pushed to the margins of society that we make education compulsory. But equally alienating is lacking the means to provide for the material needs of ourselves and our families by dint of our own endeavour.

Yet this is the lot of a large proportion of the world's population. Many of them are excluded from global markets, often through trade policies that protect the interests of rich countries but also often through lack of quality, expertise and economies of scale. For 1.4 billion people, such exclusion stems from having no access to electricity. It means they cannot acquire adequate education and skills or access the information and communication technology that is rapidly becoming a requirement for scaling up a business almost anywhere in the world.

But remarkable businesses are emerging that are implementing highly innovative and entrepreneurial solutions to such challenges in pursuit of a vision to help raise millions of people out of poverty through enterprise. Transforming Business, the project I direct, analyses and catalyses such businesses, paying particular attention to the moral and spiritual opportunities and challenges they face and to the kind of leadership they require. Two businesses serve as examples.

Andrew Tanswell is the founding CEO of the alternative energy company ToughStuff. On a visit to Africa, he noticed that many of those without access to electricity were using small kerosene lights that provided little light but plenty of burns, fires and breathing problems. The main alternative, cheap batteries, were delivering poor performance and contaminated water supplies. Both options, he noted, consumed a large proportion of the meagre income of poor people.

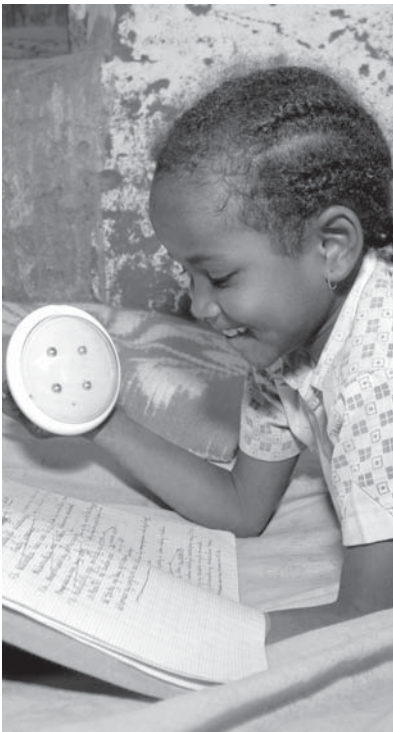
Following extensive field research, Tanswell, an engineer by training, developed an affordable, light-weight, pocket-sized solar panel made of thin flexible PV, a rechargeable LED light and battery pack, and connector cables for cell phones and radios.

The development potential of these products goes well beyond saving poor consumers money, improving their health and safety and protecting the environment. The light makes reading, education and commercial productivity possible during darkness and the connecting cables enable the vital improvements in information, communications and secure banking that radios and mobile phones provide.

They also serve to stimulate local entrepreneurship. The company's Business in a Box (BIAB) programme involves selecting, equipping, training and supporting Solar Village Entrepreneurs (SVEs) to sell or rent ToughStuff products to local residents. These entrepreneurs, many of whom are women, thereby experience

the empowerment and dignity of running their own business and providing for their families.

The spotlight now turns, albeit more briefly, on to Africa Invest, a Malawi-based agricultural business, launched by a UK-based investment fund. When its founding CEO Jon Maguire, an investment manager with a



Icon of hope: ToughStuff light in use

background at Legal and General, first visited Africa it was in response to a debate between aid agencies about how many millions of children would be orphaned through AIDS. Spending time with such orphans affected him so profoundly he toyed with the idea of founding an orphan feeding programme charity. But having visited areas of Malawi that lacked irrigation, despite their proximity to Lake Malawi, he switched focus from feeding

to farming and Africa Invest was born.

Neither a bank nor an aid agency, Africa Invest is an agri-business that seeks to make good profits for investors through 'transformational investment' in poor African farmers called 'outgrowers'. With low-priced seed, spray, fertilizer and irrigation techniques, the company helps outgrowers raise crops, often on their own ancestral land, and to sell them on national and international markets.

A key part of Maguire's strategy is to introduce pre-existing clubs of workers to cash prizes, rating systems and literacy programmes, all in an effort to raise quality, productivity and scalability. He finds that the strong relationships of trust that characterise these clubs provide 'moral collateral' that makes up for their lack of material collateral in commercial exchange.

What do these two remarkable businesses have in common? While being unapologetically commercial, they are both highly sensitive to local culture. This is reflected not only in Africa Invest's commitment to the workers clubs but also in its commitment to agriculture, on which most of Africa's cultures are based and which represents the continent's key competitive advantage – its 'new gold' as the global food crisis looms.

Likewise, ToughStuff goes to great lengths to discover what off-grid Africans really need, rather than what westerners think they need. And in an effort to make sure their products are sufficiently robust to work in Africa's tough

environments, they subject random selections to rigorous durability tests: solar panels are run over by trucks and rechargeable lights are dropped from the height of a six-storey building!

These companies' relentless focus on the real needs of consumers and producers at the bottom of the economic pyramid bodes well for going to scale. Africa Invest is already beginning to deliver investment returns significantly higher than most savings accounts. Similarly, ToughStuff's BIAB programmes are rapidly creating hundreds of VSEs, not least in Malawi, where the company is gaining access to additional distribution channels through a unique partnership with the Salvation Army, which is represented in many rural communities.

The effectiveness of this partnership reflects the transformative potential when Christian spirituality and entrepreneurship come together. This coalescence also represents one of the key common features of Africa Invest and ToughStuff and one of the key secrets to their material and social impact. For both are led by highly motivated and inspirational leaders whose vision for lifting millions out of poverty is driven by their Christian faith. This is what helps them understand the importance of economic inclusion and sustains their hope that what many dismiss as the basket case of Africa will one day be the bread basket of the world. ■

Dr Peter Heslam is Director of Transforming Business, Cambridge University, which focuses on enterprise solutions to poverty.