



Human Development through the Market (HDtM): An innovative market-based approach for poverty reduction via environmental and social improvements

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Abstract

This paper introduces Human Development through the Market (HDtM) as an innovative, market-based approach to environmental and social challenges, specifically in relation to the process of poverty alleviation and the various dimensions that determine human well-being and dignity. This approach regards the environment as a key source of income for the poor, as well as bearing a direct impact on an individual's well-being, and promotes activities that are financially self-sustaining, i.e. those which do not rely on continuous external funding.

After a sketch detailing the background justification for this concept the paper will contain the following elements: Chapter one provides a definition of the HDtM approach by mapping its three defining elements. Chapter two explains how the concept relates to other approaches taken by business and policy makers. Chapter 3 discusses the possible synergies available through the embracing and blending of well-established concepts. Chapter 4 takes a look at the action strategies available for key actors to implement the concept. The last two chapters provide a checklist which can be used in the identification of replicable real-life examples for HDtM (5), and presents the core ideas and functional mechanisms behind three case studies, in order to illustrate how the concept could operate in real-life.

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1 Premise – Why Human Development through the Market?

The Millennium Development Goals (MDGs) are an international commitment designed to achieve significant reductions in poverty. This requires improving nutrition, health, education and other issues in developing countries of the world through international partnerships. Due to a decline in official development aid flows, as well as the often limited success of government-led development, many academic and policy makers have turned to market forces to spur economic growth and development benefits. As the UN Secretary General said: *“It is the absence of broad-based business activity, not its presence, that condemns much of humanity to suffering. Indeed, what is utopian is the notion that poverty can be overcome without the active engagement of business”*.

However, the business community’s involvement in development has attracted widespread criticism from NGOs and community groups in the past. While often businesses were accused of exploiting the natural environment and not catering to the needs of the poor. Both of these occurrences could limit both short- and long-term prospects for a sustainable reduction of poverty. This paper thus proposes a model for development labelled “Human Development through the Market” as identified above. Its purpose is to structure the emerging discussion around business, poverty and the environment by supporting the development of concrete tools and business models that can be used to implement this concept in the diverse, real-life conditions of developing countries worldwide.

2 Human Development through the Market – What it is and what it is not?

Human Development through the Market is an approach aimed at satisfying basic needs of the poor through market-based activities in an environmentally and socially responsible manner. This approach includes the activities of business, entrepreneurs, NGOs, community based organisations and the public sector. However, it excludes more traditional approaches such as charity, volunteering or official development assistance. The various activities that can be considered under the HDtM concept are governed by three key principles.

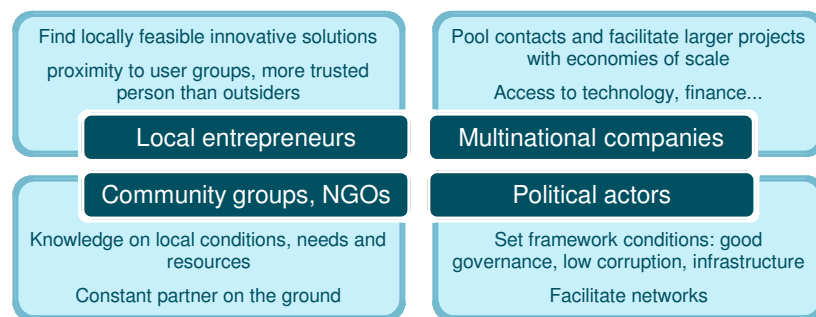
1. Creating tangible benefits for the poor: The activities should bring concrete benefits to the poor, above all the action should be focused on eradicating extreme poverty and hunger, improving the health of the poor, achieving education and promoting the empowerment of disadvantaged groups.

2. Addressing social and environmental issues. The change envisioned by HDtM shall be sustainable and long-term oriented, in order to preserve and enhance options for future development. The activities should be conducted in an environmentally friendly manner, and result in the minimisation of negative environmental impacts, the adoption of sustainable resource utilisation and the preservation eco-systems and other forms of natural capi-

tal. On the social dimension, the activities of HDtM should promote issues like community integration, social networks, community services and other social values.

3. Functioning collectively through the market. The activities of HDtM basically rely on market mechanisms to mobilise the resources necessary for the implementation of innovative HDtM business models, and aim at being financially self-sustaining in the medium to long term. However, external funding is often used to start or expand the activities. HDtM often happens through new decentralised organisations, networks, and partnerships. A brief overview of the role different actors can play can be found below in [Figure 1](#).

Core actors:



Supporting actors :

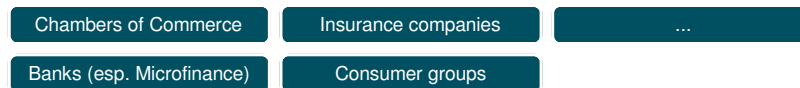


Figure 1: Actors involved in the HDtM approach (own elaboration).

3 How does HDtM relate to other concepts?

HDtM builds on and integrates a range of already well-established concepts. Its aim is not to replace these, but to build on their respective strengths and weaknesses in order to integrate them into a common framework that recognises the synergies that exist between them. Different from many other approaches, HDtM seeks to appeal to a variety of actors, allowing them to find a common approach and language to facilitate network and partnership building across disciplinary and ideological boundaries. [Figure 2](#) provides an overview of some of these relationships. For example, in the public sector, HDtM promotes looking at issues of public environmental policy, private enterprise development and poverty reduction from an integrated standpoint, capitalising on the synergies between these three dimensions. HDtM also integrates academic concepts like Social Entrepreneurship (Bornstein 2004) and Bottom of the Pyramid (Prahalad & Fruehauf 2004), strengthening the environmental dimension in them and strongly linking them to public policy issues.

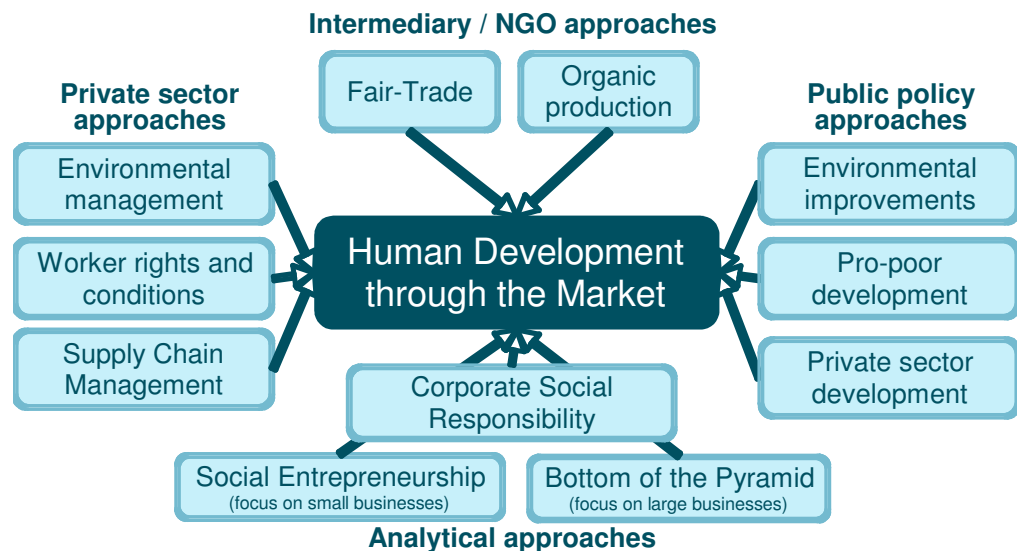


Figure 2: An overview on concepts that HDtM relates to (own elaboration)

4 What strategies are needed to implement HDtM?

As HDtM is a market-oriented approach, implementation will ultimately rely on its uptake by actors in the private sector. This sector includes already established businesses, as well as entrepreneurs in the start-up phase of their business. The outer columns of [Figure 3](#) provide a quick overview, in a stylised manner, of some strategies these groups of actors might respectively take. They are roughly ordered from bottom to top to reflect how they can and should build upon each other. Political actors can assure that supportive framework conditions are in place. This might include sound environmental and social regulation, as well as the prevalence of good governance.

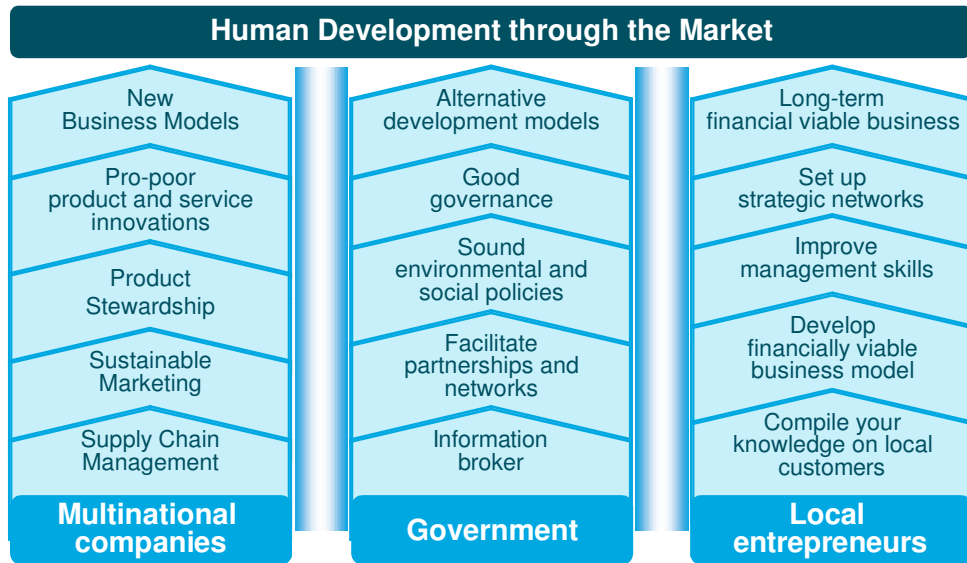


Figure 3: Action strategies for some core actors

5 How can HDtM activities be identified?

The three broad principles stated above provide the first criteria that should be used to assess what type of projects might be implemented with the HDtM approach. While the HDtM approach is also envisioned to lead to completely new types of projects, one main purpose is to facilitate the selection of best practice case studies whose replication can foster large-scale, long-term change without relying on external government or development funding. The criteria can thus be summarised in a practical checklist, as provided below, where information for assessing the expandable and replicable nature of projects can be examined:

Criteria	Explanation	Guiding Questions
Nature or Statute of an organization	The statute or nature of an organization should delineate that its earnings are higher than its costs. The statute of an organization should not indicate that financial survival is dependant on support from donors, fund raising or membership contributions. It should rely on its own earnings. Hence, it should have a financially sustainable growth potential.	Is the statute of the organization founded on earnings being higher than costs?
Economic Values	The direct economic values generated should enable the organization to at least cover its own costs. Furthermore, the organization should generate economic value in terms of revenues, operating costs, employee compensation, community investments, retained earnings, preferably payments to capital providers (e.g. dividends) and payments to the government (e.g. taxes). In all, the organization should have an innovative mechanism currently in place to create sound financial growth.	Is the organization indeed financially self sustainable in practice?



Criteria	Explanation	Guiding Questions
Environmental Values	An organization's performance should be environmentally friendly. The environmental dimension concerns an organization's impacts on living and non-living natural systems, including ecosystems, land, air and water. The structure of environmental aspects covers input (material, energy, water) and output (emissions, effluents, waste) related performance. In addition, it covers performance in relation to biodiversity, environmental compliance, environmental expenditures and the impacts of products and services.	<p>Does the approach compare favourably from an environmental standpoint to the alternatives? Does the organization try to minimize its environmental impact?</p> <hr/> <p>Do the products and services of the organization consider environmental values?</p>
Social Values	An organization should be socially responsible. The social dimension concerns an organization's impacts on the social systems within which it operates. The social performance includes key performance aspects surrounding labour practices, human rights and broader issues affecting consumers, community and other stakeholders in society.	<p>Does the organization respect labour laws?</p> <hr/> <p>Are there any negative impacts on the community because of its processes and final products and services?</p>
Expandability / Replicability	<i>As far as possible</i> most elements in an organization should be well tested elsewhere in the world, or have the capability to be transferred and adapted to other settings around the world. In other words, how much could the initiative be expanded from its original group of beneficiaries or how large is the potential for adaptation to other settings.	<p>Can the activities of the organization be expanded elsewhere beyond its original beneficiaries?</p> <hr/> <p>Does it have the potential for adaptation to other settings?</p>

Table 1: Criteria for selecting HDtM projects

6 Human Development through the Market – How it works in practice?

HDtM ultimately strives to satisfy the basic needs of the poor. Therefore, the collection of HDtM case studies can be appropriately organized in accordance to which basic need(s) they address. This chapter refers to nutrition, health and education issues.

Projects can be identified that increase **nutrition** security (i.e. the economic, physical, social and environmental access to a balanced diet and clean drinking water) based on marketing mechanisms. In this regard ECOVIR, an effort initiated by a Bolivia enterprise, is a good example. The enterprise is organized to increase the local income of the rural poor, as well as improve nutrition, gender equity and community participation. Successfully it has provided food for thousands of children every year, and supplied nutritious foods to students who previously lacked fresh fruit in their diets. ECOVIR has transformed an association of poor organic farmers into a socially conscious business; and at the same time has increased income and nutrition security while responding to ecologically unsound practices and gender inequality.



Similar cases can be identified in the area of **health care**. For example, the Sustainable Healthcare Foundation (SHEF) in Kenya, operates in areas where there is poor access to essential healthcare, and their efforts have proven how effectively the HDtM concept can be used to accelerate the achievement of the MDGs health objectives. The Foundation works with professionally trained health workers to assist them in establishing clinics in their own community by providing a standard list of health products and services. The project illustrates how collaboration between different actors, public, private and NGOs, can help to better achieve public health goals. Ultimately, creating financially self-sustainable businesses that provide additional income to people without stressing public budgets. These concepts are partly taking up by health service policies in some developing countries that have linked commercial elements with the public provision of services; in order to increase coverage and the quality of services delivered to the population.

As a last area to be looked at, **education** is crucial to human development. To address the substantial lack of funding for education prevalent in many developing countries, HDtM projects rely on market mechanisms to mobilise additional resources for educational efforts. The activities undertaken should be consistent with the education policy of the country, and in best case be linked to and supportive of this policy. In practice the Uganda Mango Tree Enterprise shares ideas in their positive business model that steps up the achievement of the MDGs educational objectives. The organisation manufactures innovative educational tools for schools and health centres, as well as providing training programs on how to use them effectively. These learning products affect low-income individuals by improving the quality of educational services they are able to receive. The clients are local teachers and health care workers, and the majority of the educational tools are made from locally available materials.

Final remarks

HDtM, as a new mindset, is concerned with concrete practical approaches designed to achieve tangible results. This research should guide different actors in their journey to start or join HDtM activities, ultimately enabling framework conditions to be created. A series of good practice case studies, documenting the efforts initiated by different sectors, shows how the concept can come to life and function in a practical, every day setting. Some of these case studies have progressed beyond the initial experimental stage and have substantially improved the life of millions, enabling them to improve their nutrition, enhance their health, find appropriate shelter and receive reliable, fair incomes. CSCP thus believes that Human Development through the Market, as a new way of thinking, offers substantial opportunities when embraced by a wide set of public and private institutions.

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