

Business & Development

DISCUSSION PAPERS

Harnessing Development 2.0: Creating opportunities with the poor

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As new ways of bringing people together web and mobile technology, from SMS to social networking, continue to change development initiatives, this paper examines how technology is transforming access to new markets, money and skills, and how it offers the prospect of driving more inclusive business models.

New communications technology, from SMS to social networking, has already had a major impact on the nature and pace of development initiatives. What is less clear, however, is to what extent this new technology represents a logical advance on traditional working practices or will force a more challenging – and exciting – paradigm shift. For businesses trading in or with developing countries, the possibilities offered by so-called Development 2.0 (see below), represent a chance for consumers and producers to know more about each other than ever before, for greater efficiency and transparency in the supply chain, and the potential to open up new markets, innovate and grow.

Just as the connections between business and poverty reduction are becoming better understood and appreciated, Development 2.0 offers the prospect of using technology to transform past structures of engagement.

Websites such as Kiva.org, which allows people to lend to small businesses in the developing world, have moved their beneficiaries closer to their (typically Western) funding than

ever before, while also drawing in a new market of donors. In that sense, it has altered people's expectations for involvement, as well as their capacity to be involved. The growing availability of technology, particularly mobile telephony, within the developing world means that more and more people around the globe will gain access to new opportunities that can transform livelihoods.

This paper examines, in brief, how new technology is transforming access to new markets, money and skills, and considers the potential of more accessible market information, policy formulation and networking. The crux of Development 2.0 is that new connections, with individuals, businesses, data and ideas can and should be made with the developing world, for

What is Development 2.0?

Development 2.0 means different things to different people, but for the purposes of this paper refers to the application of the *principles* (e.g. interactive, participative, collaborative, transparent) and *tools* (e.g. blogs, social networks, mobile web) of Web 2.0 to the challenges and processes of international development.

the sake of both business efficiency and poverty reduction. The two can be mutually reinforcing.

The contribution of business to international development

Previous *Business and Development* Discussion Papers have explored the emerging role of business in tackling poverty and other challenges in developing countries. It is now well recognized, if not universally accepted, that business can make its most significant contribution by doing good business. This drives growth, jobs and, in the case of formally registered businesses, the tax revenues needed to fund public services. World Bank surveys have shown that poor people see private enterprise as their surest way out of poverty.

In practice, the connections between business and poverty reduction are many and complex. Attention is turning from the question of whether even business has a role, to how its role can best be aligned to improve development impacts. Yet just as we are getting a better handle on this complexity, Development 2.0 promises to transform things. Below, we offer a framework for better understanding what Development 2.0 may mean for business impacts on poverty.

How Development 2.0 can enhance the connections between business and development

Of course, businesses are already using new technology in the service of trade and development. The internet has rapidly become a vital part of modern commerce. It would now be illogical to expect any organization to regard its use of the web as somehow separable from its overall aims. In this sense, Development 2.0, as it is currently evolving, is simply about using technology in the service of development goals. Further iterations of Development 2.0 are likely to see technology do more than simply speed up current aspirations.

There are three areas where the current impact of Development 2.0 is most marked: business development, market development and network development (see Figure 1). While it is still

unclear as to whether the effects will be transformative, early indications hint that they could be.

Business development

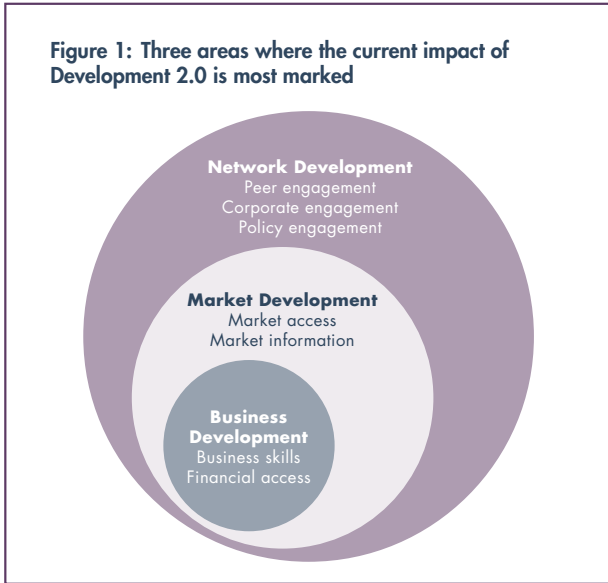
Small businesses, the engine of every economy, face particular constraints in developing countries, but the potential of new technologies, especially SMS, to bring real change in the sector is already being grasped by savvy consumers and companies. Google, for instance, with its “Trader” products, which it recently extended to Africa through a partnership with Grameen Foundation and MTN, allows consumers to advertise products and services to people anywhere within a radius of 30km. The principle of classified advertising, even for agricultural commodities is of course not new, but the 30km scale emphasizes that technology is being used to bring local people into better contact with each other. It also establishes Google as the search engine of choice for a generation of consumers who to use the internet more and more.

As mobile handset technology in the developing world improves, use of web-based services is likely to be more prominent alongside SMS technologies; existing websites such as the fair wage calculator (www.fairtradecalculator.com) have the potential to alter negotiations around wage prices by providing localized wage data and comparisons with international levels. As more people are able to access such websites on mobile phones, the possibilities for Web 2.0 technologies to increase collaboration – both between businesses and employees – increases exponentially.

Access to finance is also made easier by large-scale use of technology. For large and small scale investors this is in part because the sources of funding are more able to monitor and influence what happens to their money thanks to improved communications. (Closer ties between those giving and receiving have been shown repeatedly to increase donations). The web, as shown at Kiva, Microplace and many other sites, allows the possibility for small donations to quickly aggregate into more useful amounts.

With the advent of mobile banking, small businesses are able to more easily send, receive and manage their money. Services such as Vodafone’s Mpesa is heralding a new era of branchless banking. Bankom is helping drive this transformation in Uganda.

Although Western customers have exhibited a profound reluctance to use their mobile phones for financial transactions, this area is set to be one of many where the early availability of mobile internet access will ensure that developing world economies miss out whole stages of evolution that still define developed world norms. In that sense, the rapid pace of change in concurrent aspects of technology used in the developing world could, for the right businesses, create a virtuous circle of efficiency. Similarly, web conferencing, email, SMS and, more recently, the development of secure online workspaces and document storage (not to mention the new ubiquity of voice communications) means that



it is comparatively easy for employees to interact with colleagues and suppliers abroad. Ventures such as the online business mentoring initiative Mentori encourage this, and also offer tools to those business people who are keen to donate time as well as money.

Bankom, Uganda

Bankom (www.bankom.net), a private electronic payments service provider in Uganda, has an exclusive licence from the Bank of Uganda to handle electronic financial payments and local “switching” – needed to enable people to access and manage their bank accounts, pay bills and school fees and top up their mobile phone credit through any ATM, as well as over the web, mobile phones and other mobile devices.

Charlotte Kaheru, Managing Director of Bankom, is excited about the possibilities that this will bring existing customers as well as the millions of “unbanked.” However, practical and cultural challenges remain. “The primary proof of payment has been a paper receipt and as the banking, service and other industries streamline operations and improve efficiency, people’s trust in mobile banking and in the possibilities of a cashless society will build and grow.”

Ultimately, it seems that the tipping point in Uganda towards branchless banking will be driven by competition. After a decade of strict controls, five banks were licensed last year. Competition over a limited existing customer base is encouraging banks to differentiate themselves by pushing through new web and mobile applications, as well as to look for new ways to reach the unbanked and underbanked.

“By working in partnership with others in the sector, government and the donor community”, believes Kaheru, “the possibilities are limitless – in terms of transforming the customer experience and extending financial access through fast, secure, convenient and affordable banking solutions.”

Market development

The growth of small business in developing countries is often constrained by limited market access or incomplete market information. A number of major corporations are endeavouring to introduce a new level of transparency to their supply chains, and Development 2.0 could consequently alter Western demand for products sourced from poor communities worldwide; ethical products such as those available via eBay’s WorldofGood.com drive a higher payment to producers. WalMart, too, is aiming to introduce a standardised system of labelling that will make a product’s origin and manufacture clear to the consumer. Combined with new technology, this makes the supply chain more transparent.

Similarly, the expansion of markets is being encouraged by tools from China Mobile and Nokia, among others, which ensure that crucial real-time data on pricing and weather can be shared efficiently over large areas. Reuters Market Light delivers tailored market, weather

Worldofgood.com by eBay

WorldofGood.com by eBay, an online marketplace where all products are verified at the producer, product or seller level by third party verifiers, guarantees that the products have a positive impact on either people or the planet.

This marketplace brings increased market access to thousands (probably millions) of producers from around the world. Currently there are over 25,000 products on the marketplace, supporting thousands of producer groups from over 80 countries.

Simultaneously eBay launched the Marketplace Access Program (MAP), made up of experienced eBay sellers who help producers manage their listings and sales on WorldofGood.com – services such as Shipping & Customs, Payment, Returns and Customer Support. Producers who have never sold directly to U.S.-based consumers in the past can now access the U.S. market directly, ideally increasing their cash flow by cutting out some of the middlemen in the supply chain.

“The MAP is central to our work,” says Seema Shah, GM for WorldofGood.com, “and evolving [it] is vital for bringing greater market access to producers in the emerging and impoverished regions of the world.”

eBay has developed an innovative example that leverages both technology and core business model to bring market access to millions in the South.

and crop information to farmers in India via SMS, and is being rolled out to several million farmers over the next few years.

Network development

A commonly cited benefit of the new web is its cost-effective ability to harness the collective intelligence of disparate groups of individuals. In the business and development context this has three dimensions, all of which offer the prospect to build meaningful connections with and within the global South.

There are, again, three distinct categories, that can broadly be thought of as:

- Peer engagement, exemplified by groups such as Business Fights Poverty or BidNetwork, which bring together practitioners, experts and new partners, to understand how to enhance the contribution of business to poverty reduction. Here too social networking is playing a part.
- Corporate engagement that encourages businesses to further integrate ethical trading into their business models, and even to


make a virtue of it. This genre is typified by companies as diverse as supply chain specialists Sedex and Patagonia, the outdoor clothing manufacturers who have used recycled plastics to make fleeces, and enable their customers to follow their clothes' journey on their website.

- Finally policy engagement sees the web facilitating a collective voice of business to engage with governments on the policies needed for growth and poverty reduction. This, again, uses technology to build momentum and to coordinate voices more effectively. The World Bank's Doing Business program is building communities on Facebook and Twitter around data which is cleverly presented on Google Maps, all of which creates new coalitions for policy reform.

Conclusion

As things stand, Development 2.0 is not a movement, and it is not a coherent programme. Rather it is a trend, brought about by businesses using technology in the pursuit of efficiency. For development, however, this trend offers unique possibilities, because it encourages commercial engagement with the developing world to take on a different complexion.

As technology allows entrepreneurs in developing countries to connect with new global markets, and as consumers are able to understand increasing amounts about where their purchases originate, so the possibility of real relationships between previously disparate groups of trading partners becomes a commercially powerful reality. This transparency in the supply chain seems an aspect of Development 2.0 that looks set to cause real changes; what was previously a cost businesses had to bear has become, courtesy of the internet, a potentially lucrative virtue.

Development 2.0 has the potential to drive new business models that are both profitable and inclusive. With new technology, there is greater chance of development happening with its constituents – not to them. 

Business & Development DISCUSSION PAPERS

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