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Over the last 15 years there has been no shortage of international meetings and conferences – ranging from the World Solar Summit and the G8 Renewable Energy Task Force, to the UN Conference on Environment and Development – that have contributed to drawing attention to the issue. But, while it has percolated within the international development community for over a decade, very little of this awareness has been translated into delivery on the ground.

Indeed, one only has to follow the money to find out what both the development community and the private sector have, or have not, been doing. It would appear that neither is willing or able to respond to the magnitude of the energy challenge.

Direct investment

According to the 2004 World Energy Assessment Update, both Official Development Assistance and foreign direct investment earmarked for energy in developing countries lagged significantly behind what was invested in infrastructure, for example, throughout the 1990s.

Yet there has recently been no shortage of opportunities for meetings and partnership. In 2002, the World Summit on Sustainable Development gave birth to as many as 39 primarily donor-led, energy-related public-private partnerships. This is to be commended – but a closer look at these initiatives would probably indicate that they are mainly about process rather than delivery. This suggests that there is little new on the table, which in turn means that there is unlikely to be more investment or aid to address the energy gap.

So the question remains: how do we attract a greater share of both private and public flows to improving energy access for the poor?

In this debate, business is usually cast as a straightforward source of investment and technology. More private sector investment is indeed needed. But given the scale of the problem and the slow responses of the past, this extra investment is hardly likely to be enough. And if the modern energy gap remains unclosed we are not going to be making poverty history any time soon.

Basic skills

The experience of the Shell Foundation suggests that business offers another set of assets that can be applied to development – in what we term business DNA and business thinking. This is the set of basic skills and expertise that all enterprises draw on to function and endure.

These rather mundane, non-financial assets can be harnessed to address poverty eradication with tremendous effect. This is particularly true for large enterprises, which generally remain untapped reservoirs of expertise and talent across the ►

A New Conversation

KURT HOFFMAN says that business and the development community must join to end the dearth of aid and investment to meet the energy needs of the poor

One statistic remained stubbornly unsung among all the ones quoted at length by anti-poverty campaigners and pop stars in 2005 – that two billion people in developing countries lack access to modern energy services.

As access to modern energy is such a core determinant both of productivity and closing this gap – in environmentally sustainable ways – this poses one of the biggest and most urgent of all development challenges. So it is lamentable that energy access is not recognised as a Millennium Development Goal in its own right. Lack of it is both a cause and a consequence of mass poverty.

developing world. The ability of corporations to measure risk, survey markets, meet customer needs in terms of price, availability and quality, can all be harnessed for development.

Many donors and non-governmental organisations are now grasping this. For our part, the Shell Foundation began an experiment in 2002 to see if we could find a market-oriented solution to the indoor air pollution which kills 1.6 million poor people every year. This is the largest energy related health hazard faced by the poor, and thus dovetails with the Shell Foundation's charitable remit to develop sustainable solutions for communities at risk of poverty, while staying close to the Shell Group's core competency, energy.

Three years later, we think we have learned important lessons and identified a way of scaling-up our pilot programmes. We managed to sell 200,000 stoves in less than three years across six countries – equivalent to helping one million poor people to reduce their exposure to the pollution – by substituting a donor- or subsidy-led approach for a market one.

Financially viable

The experiment taught us that there is demand among the poor to buy improved stoves. Knowing this, we set about applying sound and tested business principles to work up a business plan to sell 20 million stoves by 2010 through a combination of grants and loans from donors. This may seem ambitious, and indeed unprecedented for a non-subsidy-led model, but we believe that, if we develop a financially viable approach, we can scale it up to meet the energy needs of a huge proportion of the world's poor people.

In the process, we hope to create a self-sustaining cooking stove industry in every country we target, which will go on providing jobs and livelihoods long after our intervention is complete.

This is, of course, just one example of how business thinking and enterprise solutions can be applied to the energy gap. But if this kind of innovation is to take root there will have to be a new conversation – one initiated by donors willing to listen to the poor people who make up their market and to grasp new ways of meeting their needs.

Some people in some development agencies and NGOs are certainly trying to learn the language of business – and this is good. But they have a long way to go. They are embedded in a system that generally looks primarily to public sector solutions and sees corporations mainly as a source of technology and capital. The value creators within enterprise have no one with whom to have that new conversation.

This explains why so much that passes for Corporate Social Responsibility and philanthropy underperforms in its developmental impact. But corporations can move remarkably quickly compared to the public sector, if they are presented with the right value proposition by the right partner. Much learning needs to be done on both sides. We can all start by immediately initiating a conversation that goes beyond the spend-mentality of donors and the risk minimisation of major investors. There is a clear business and developmental case for the two sides to come together over closing the energy gap ■

Kurt Hoffman is director of the Shell Foundation.



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