Foreign Aid and Sustainable Business: A Review

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Abstract

Foreign aid exists in multiple forms and a variety of strategies have been devised to use such resources to address numerous objectives. Among these strategies is the use of foreign aid to provide resources to support local enterprise, encourage sustainable business and develop appropriate innovation practices within developing countries lacking in the relevant infrastructure. This paper will identify and evaluate some of the key strategies used in encouraging sustainability and development through the use of aid and assistance to support business and enterprise.

Keywords: Foreign Aid, Sustainable Development, Social Entrepreneurship, Fair Trade, MDGs

Introduction

The objectives of foreign aid are complex and have evolved considerably since the European Recovery Programme (the ERP or “Marshall Plan”) was conceived in the late 1940s. In the early post-war period, aid was generally conceived to be a way of providing financial assistance to support government planning in developing physical infrastructure and urban industrialisation. Since the 1980s there has been a tendency towards the privatisation of foreign aid, such as channelling aid through Non-Government Organisations (NGOs) and the private sector, a shift that has altered the way in which aid has been used and its effectiveness measured (see Adams, 2009: 86-114). As an extension to the already multiple objectives of foreign aid and assistance, the notion of sustainability has emerged as a desirable component of the design of aid initiatives (Adams, 2009: 26-27; Lenssen and Van Wassenhove, 2012: 406-407). In this way, foreign aid programmes are becoming increasingly framed with an emphasis upon the long term benefits of removing barriers to opportunity coupled with enabling sustainable change. Aid and assistance has thus become a means to support a broader range of objectives beyond poverty reduction and building physical infrastructure. Providing a better social environment to foster change-making organisations and supporting communities and organisations in managing resources in a sustainable way are now central aims for aid providers (Adams, 2009: 108-114), although solutions to achieve greater sustainability are still lacking, even with new and innovative approaches (Jones, 2012: 13). This review will examine and evaluate opportunities for supporting business and sustainability in order to achieve these central aims.

The Effects of Foreign Aid

This review evaluates the options available to developing countries in pursuit of profit from the benefits of inclusive development coupled with the protection of local resources. Before examining policy frameworks and the impact of aid assisted business on growth and sustainable development, several issues need to be addressed in order to evaluate the role of aid in more general terms. A number of difficulties arise due to the different assessment criteria, models, methodologies, theoretical frameworks and paradigms applied to the evaluation of the impact of aid.
Within development economics, the capital scarcity or capital bottleneck theory has been an influential approach, arguing that a lack of economic growth is almost exclusively due to capital shortage, with aid providing the capital to fill the financing gap (see Meier and Stiglitz, 2001). Such an approach has been critiqued by Harms and Lutz (2004), claiming that it overemphasises the importance of investment in economic growth, with other key factors likely to increase productivity and add value to production, such as knowledge transfer, training, education and health provision, largely ignored. A related argument is that developing economies experience low growth and low productivity because there are other policy priorities, leading to a poverty gap. A sustained aid programme aimed at targeting and tackling multiple causes of poverty would be required to end such poverty traps (see Sachs, 2006) but in the absence of large amounts of finance, an estimated annual figure of 40-70 billion USD according to Clemens et al. (2007), small increases in aid would contribute little to local economic activity (Hansen and Tarp, 2000).

Due to the multiple objectives of aid provision, evaluating the impact of aid is made more complex. Much of the aid made available to the least developed countries is used to address crises, provide humanitarian assistance and supplement welfare service provision, as priority areas. Consequently it seems unrealistic to expect a direct correlation between aid and economic growth within this aid context. Recent research does, however, suggest that increasing aid provision has a long term positive impact on growth (see Minoiu and Reddy, 2010; Jones, 2012) but the opposite claims are also made (for example, Easterly, 2003; 2006). The complexity of evaluating such interdependencies often means that different variables and different methods are used in making an assessment, meaning that empirical case studies often use incompatible variables and are thus difficult to compare (Deaton, 2009). Even where considerable attention to detail has been made in evaluating case studies, the conclusions drawn from an evaluation of the research can often be contradictory. For example, Doucouliagos and Paldam (2008) produce an analysis of 68 studies examining the impact of aid on growth, concluding that the data shows no correlation between the two variables. Mekasha and Tarp (2011) examining exactly the same data, conclude that there is a (statistically) significant positive relationship between aid and economic growth. Without disaggregating the variety of variables it seems unlikely that a clear account the impact of aid can be determined (see Temple, 2010) and thus a consensus on the effects of aid on growth and economic activity unlikely to be reached.

As a consequence of the uncertainty of the link between aid and growth, a number of research projects have focussed on more specific details of the context of aid provision. Research by Burnside and Dollar (2000) suggests that aid is effective only within an environment conductive to effective policy implementation. While this claim is contested (see, for example Easterly, 2003; Roodman, 2007) it has been influential both to policy makers and researchers (see Wood, 2008). Other factors identified in the literature have an impact on aid effectiveness that can be just as important. Examples include the agenda of aid providers and NGOs (Kilby and Dreher, 2010) and a variety of unintended consequences including reducing local accountability of political leaders (Putzel, 2010); providing opportunities for a wide variety of political corruption (Olken and Pande, 2011); and, potentially leading to reduced competitiveness of the private sector (Rajan and Subramanian, 2011). While none of these issues is decisive, they collectively suggest that a cautious approach is taken when evaluating the potential of aid in transforming economies that lag behind the developed world in terms of
institutions, infrastructure, capacity, good governance, human capital, stability, international influence and negotiating power.

Business and Sustainability in Emerging and Developing Economies

There are many different strands of research examining the role of business as an agent for social and economic development. In order to navigate this literature the review will focus on two key issues: developing appropriate frameworks to encourage relevant and sustainable business activity, and coupled with this, creating impact strategies with which to scale up appropriate practices or to transfer effective approaches to new development contexts. Once these issues have been evaluated, this review will conclude by synthesising the key findings in order to assess the potential for business to meet the multiple objectives of being an agent for (social and economic) development and sustainability.

Before examining these themes, the issue of business as an agent for change needs some additional clarification. Some strands of the literature emphasise the role of existing businesses, based in the developed world, as change agents. Motives for foreign companies to engage in change making activity differ. Possible motives include corporate social responsibility as activism or as a (social) movement (Utting 2005: 376-379); offsetting poor governance through global benchmarking of good behaviour (Cornelius 2005 17-18); responding to reputational issues (business as the problem), responding to threats to long term business prospects (business as the victim), responding to commercial incentives (business as solution; BOP opportunities) (Blowfield 2012: 417-421); the opportunity to capture future market share and potentially create entirely new (and lucrative) markets (Lenssen and Van Wassenhove 2012: 409-410). Other research implies the need for the creation of local businesses and related organisations based in, and operated from, the developing world. These organisations are then able to act as conduits for local development, either by being connected to larger value chains and international networks (WBCSD 2005), in response to sustainability incentives (WBCSD, 2012); through the offer of high rates of productivity and impact for low financial investment (Smith and Thurman 2006); because they are best placed to understanding the local needs and skills available in poor communities, particularly in the context of BOP opportunities (Prahalad, 2006); or conversely, because they understand the barriers to enterprise and the structural causes of subsistence, such as illiteracy and deprivation, that need to be addressed as part of business development in order for entrepreneurship to be viable (Sridharan, and Viswanathan, 2008). In this review, both types of business structure will be considered relevant strategies in support of poverty alleviation and sustainable development objectives, in particular for the diversity they provide. Indeed, where both local and foreign firms exist within the same markets, networks and aid contexts, opportunities for successful outcomes are likely to be enhanced (see Bob, 2008: 178-195). Business, as conceived of as a change agent or as a sustainability and/or development stakeholder, will be differentiated in this review primarily according to their strategy (BOP; microfinance-based; social entrepreneurship, etc.), although detail of their aims and motivations will determine how these strategies are implemented and resourced.

An additional consideration to be addressed in reviewing the literature is that a number of different terms are used to encompass the joint objectives of environmental
sustainability and business-led poverty reduction within developing counties. Sustainable production, sustainable development, market environmentalism, mainstream sustainable development (MSD), ecological modernisation, weak/strong sustainability, conservation with development, green development, environmental social movements, Bottom/Base of the Pyramid (BOP) or various forms of social entrepreneurship, international corporate accountability or corporate social responsibility in emerging economies, are among the terms used to describe (often overlapping) strategies aimed at addressing poverty through ethical and environmental business practices (see Adams, 2009). A variety of such approaches will be included in this review, guided by the meta-evaluation of aid and other external support structures to developing countries developed by Heiner Janus (2012). Janus’ review is a useful guide with which to clarify different aid schemes and methods as it identifies a range of approaches in which aid is programmed and delivered. This offers a useful classification for categorising factors such as guiding principles, mechanisms and instruments in aid provision. Janus’ classification for aid approaches includes the following categories: a) technical assistance; b) programme-based approaches, such as budget support and sector-wide approaches; c) poverty reduction strategy papers; d) results-based aid such as cash on delivery aid; and, e) other aid innovations such as innovative financing mechanisms, advance market commitments and blending. (Janus, 2012: 36-45). In examining the practical issues of these related approaches, there emerge three key elements to be examined: the effectiveness of the strategy as measured by its environmental impact, as measured by its social impact and as measured by financial metrics. While the concept of a “triple bottom line” (or even quadruple bottom line) has become a standard multi-metric, there remains, however, a clear tension between these three senses of effectiveness, and they in no way equate to a single bottom line of sustainability (see Gunder, 2004). This tension will also be explored in this review.

Before identifying examples of success and good practice it is important to note that the success of a project, policy or innovation will often be a matter of opinion, especially in the absence of consensus concerning appropriate criteria (see Burnside and Dollar, 2000). The literature does mention attempts to develop indicators of sustainable production (see, for example, Velva et al., 2000) and aid-related effectiveness (Birdsall et al., 2012) but there remains no consensus on what constitutes success, indeed there is often a conflict of interest, as those responsible for evaluating projects are often those that have been involved in the implementation process or providing the funding (Bob, 2005). In order to address these issues, an enlarged bibliography has been provided with a variety of additional detailed case studies, evaluated from a range of perspectives, to provide further examples with which to build a more nuanced account of the key trends and debates.

Finally, before examining the support provided to encourage business activity and sustainability, a brief note should be made about the meaning of sustainability used in this review. While the topic has been extensively debated (see Mebratu, 1998), I will use the World Commission on Environment and Development or Brundtland terminology of sustainable development (see Brundtland Commission, 1987: 1), with its focus on intergenerational justice, implying resource conservation, deferred consumption, biodiversity preservation and developing structures to focus on the ethical and environmental impact of production and consumption when considering developmental options. While this conception of sustainability has its limitations, with
various “weak” and “strong” interpretations of its use as a policy agenda (see Barbier, 2011; Adams, 2009: 144-147), and has been critiqued for presenting an ideological view of justice that ignores social equality (Gunder, 2004), and as offering little more than “a rather comfortable Keynesian reformism” (Adams 2009: 81), it nevertheless helps to draw attention to the tensions and trade-offs between economic efficiency, environmental protection and social justice, the three “bottom-lines” discussed above, as well as the need for key decision makers to combine these considerations in evaluating their options.

Global Policy Frameworks

The literature on foreign aid and business sustainability explores a number of cases in which multiple “bottom-lines” are emphasised. Alvarez et al. (2015) refer to the "Big Five" approaches to poverty alleviation: foreign aid, microfinance, social entrepreneurship, base of the pyramid (BOP) initiatives, and the property rights frameworks. These approaches are, though, further complicated by the interdependent nature of their aims and objectives. For example, aid and social entrepreneurship can be used to develop sources of microfinance, social entrepreneurship can be used to support BOP business models, and property rights are intertwined with aid and social entrepreneurship initiatives in many developing countries (see Nicholls and Opal, 2005). Examining these approaches in broader aid and trade initiatives with an emphasis on sustainability values will be more helpful in identifying the way multiple approaches can – indeed must – be linked in addressing poverty within a sustainable context. These types of frameworks can be divided into two approaches: policy frameworks designed to support sustainable business practices and initiatives related to the “Big Five” approaches that exemplify good practice within the key approaches to business and sustainability practice. This section will examine the main policy frameworks. This will be followed by a section evaluating the key initiatives able to exploit the opportunities provided by these frameworks.

The most relevant policy frameworks are those designed to coordinate action through international organisations with a global development scope. These can be further assessed according to their focus, for example the OECD, UNDESA and UNEP have identified similar areas such as support strategies, developing an enabling environment, industry-led initiatives, applying environmental technologies and more effective promotion of sustainable business practices as being of particular relevance to enable sustainable businesses to emerge and flourish within a development context (see for example OECD, 2005b), but address these challenges in different ways, as outlined below.

Examples of frameworks applied to creating sustainable development through business include the Special Climate Change Fund, the Least Developed Countries Fund, the Adaptation Fund and the Global Environmental Facility (GEF). The most relevant frameworks to the aims of this review are the Agenda 21 action plan, a multi-layered approach to financing sources, emerging from the Rio Summit, particularly section one and section four of the framework; and, the 2005 Paris Declaration, which emphasises the key role played by business, enterprise support bodies and local environmental groups among the varied stakeholders required to ensure aid has a high impact on social change, economic activity and sustainability. In addition, the 2008 Accra Agenda for Action and the
2011 Busan Declaration each supplements the Paris Declaration, aiming to modify the framework to improve its effectiveness, monitoring and delivery of aid, are of which is a key framework agreement in its own right (see OECD, 2012a).

Section one of the Agenda 21 Action Plan applies to the social and economic dimensions dealing with combating poverty, especially for developing country by changing consumption patterns, promoting health and sustainable settlement. Sections two and three of the Action Plan apply to conservation and equality respectively. Section four of the Action Plan applies to effective implementation of skills and knowledge including science, technology transfer, education, institutions and financial mechanisms (Adams, 2009: 90-95; 204). There are a number of related plans and frameworks for example the work of the World Business Council for Sustainable Development (WBCSD) including the annual WBCSD road show, an attempt to roll-out WBCSD’s program and engagement of business and opinion leaders in key emerging economies such as Brazil, China, India, Mexico, South Africa (see WBCSD, 2012).

In contrast, the Paris Declaration on Aid Effectiveness consists of a series of commitments designed to improve the delivery and use of aid with the objective of increasing the impact of aid resources and coherence of programmes. The declaration emphasised five core principles for aid effectiveness: ownership, alignment, harmonisation, managing for development results and mutual accountability, supported by twelve monitoring criteria. As a framework it represents an international partnership for aid effectiveness with a large number – and wide variety – of participants including bilateral and multilateral donors, aid recipients, emerging providers of aid and assistance, civil society organisations, global programmes, as well as philanthropic and private sector organisations (OECD, 2012a; OECD, 2012b).

The OECD and UN have identified many cases that illustrate the importance of an effective policy infrastructure in each of its spheres of influence. While not all of the case studies they use to illustrate such policy frameworks are derived from foreign aid, there are many examples where such financial support has been applied within developing countries to meet sustainable development objectives (OECD, 2003). While such approaches may pose many challenges and have limitations; nevertheless, even critics of the use of foreign aid as a method for supporting economic development acknowledges the success of some examples of sustainability afforded by a combination of the coherent policy framework and an appropriate application of innovation financed with foreign aid, though not necessarily its cost (see Easterly, 2003: 36; Easterly, 2003: 40-41). A more detailed analysis of the frameworks discussed above is the OECD’s 2008 Survey monitoring the Paris Declaration (OECD, 2008), which indicates slow progress requiring new structures to support improved implementation, such as better coordination and a clearer understanding of the role of a wider variety of change agents. Evaluating these new structures and objectives four years later indicated that local action plans based on international frameworks were a good focus for coordination, but were proving to be very slow in leveraging the change required for development (see OECD, 2012a). Independent research on these efforts is also mixed, with praise for the monitoring and accountability of aid provision within the modified Paris Declaration framework (Chandy, 2011) coupled with critique on the same grounds. For example Addison and Scott suggesting that there remains a fragmentation of aid allocation and delivery, with the various frameworks presenting an overly bureaucratic and
technocratic means of addressing problems unable to be solved by a one-size-fits-all solution (see Addison and Scott, 2011).

Perhaps the most influential and widely debated framework able to be extended to emphasise sustainability within the context of business and development is the Millennium Development Goals (MDG) approach, which emerged from the OECD's Development Assistance Committee report Shaping the 21st Century: The Contribution of Development Co-operation (OECD 1996). One of the principal architects of the MDGs, Jeff Sachs, argues that extreme poverty in the world’s poorest countries could be eliminated by 2025 through carefully planned use of aid and new investment (of around 135-195 Billion USD annually), This he argues would help the poorest countries to reach the "bottom rung" of the ladder of economic development and thus have a greater presence within the global market economy in a viable and sustainable way, and thus reducing the need for aid in the long term (see Sachs, 2005). Critics, though, claim that there is simply a lack of evidence that highly ambitious approaches to aid could ever act as a catalyst for economic growth of the world’s poor nations:

Aid agencies should set more modest objectives than expecting aid to “launch the takeoff into self-sustained growth.” Aid agencies have misspent much effort looking for the Next Big Idea that would enable aid to buy growth (Easterly, 2003: 39-40)

The scope of the MDGs goes beyond this simple notion of “buying growth” or offering a sustainable development panacea. Instead, its scope is to make markets accessible to everyone, as producer and consumer; emphasising poverty reduction in the context of long term sustainable development. It also places an emphasis on clinical economics, which approaches aid mainly as mechanism to support infrastructure coupled with an emphasis on the removal of barriers to (local) business initiatives. This holistic approach to poverty eradication and opportunity creation thus fits very well with the objective of using aid to support a framework for sustainable business. Indeed, at the 2002 World Summit on Sustainable Development, the Poverty-Environment Partnership presented the report Linking Poverty Reduction and Environmental Management, arguing that effective sustainable resource management is a central feature of addressing both poverty and inequality in developing countries and can be coupled with the key objectives of the Millennium Development Goals (MDGs) (see Adams, 2009: 108-115). Two areas of particular focus are goal one: the eradication of extreme poverty and hunger, and goal seven: to ensure environmental sustainability.

Goal one is designed to provide support, expertise and funding from aid sources to enable efficient use of key resources including energy, materials and water (OECD, 1996; United Nations, 2011). An efficient use of resources over the life cycle of goods and services can result in improved productivity and reduced costs. Growth in consumer demand for sustainable products, as in the example of Fairtrade discussed in the previous section, can provide sustainable businesses in developing countries with access to new markets, and thus an opportunity for job creation and price premiums for their products. More effective resource stewardship such as agriculture and forestry can result in improved land productivity and thus lower costs for raw materials for locally sourced goods. Goal seven is designed to provide support, expertise and funding from aid sources to improve water treatment infrastructure, pollution prevention programmes, education on preserving and protecting scarce resource and projects focusing on resource management including improving human resources and human
capital through resource distribution and sustainable practices on water, food, energy, transport and key infrastructure (OECD, 1996). These two goals are linked and complementary, enabling improved coordination between different aid stakeholders. The benefits of a more clearly coordinated and well resourced approach to assistance is attractive; however, the danger is the prospect of raising unreasonable expectations concerning outcomes, particularly within short time frames implied by the MDGs, and raising unreasonable expectations concerning the contribution of aid to poverty eradication and (sustainable) development, as though the hard work of political and social reform and the collective action to exploit these opportunities were in some way merely secondary conditions (see Clemens et. al., 2007).

While many aspects of the MDGs approach is contested, in particular cost (see Reddy and Heuty, 2008), expectations (Clemens et. al., 2007) and negative unintended consequences (Easterly 2006), it is however conceded by critics that key elements for stable long term planning in business identified by this approach are still absent in much of the developing world, delaying sustainable production within these economies (OECD, 2012a). Many of the arguments related to the opportunities offered by the large untapped potential of the less developed countries are coupled with the need to balance the optimism of the likely development of profitable, inclusive businesses with a realism concerning the difficulties of doing business in a context very different from places where private business flourishes most. By working in countries where there is a perceived improvement in long term infrastructure planning, businesses are able to contribute more to sustainability as there is a tendency to reflect more on their contribution to long term objectives. According to United Nations, World Bank and OECD reports, specific changes can be identified that contribute towards making a place more attractive to do business (see for example World Bank, 2005). The changes include: approving laws and policies supportive of local development that clarify rights and the standing of voluntary associations; formally recognising the role of communities in governance and service delivery; and, improving the legal, fiscal and governance framework for local government (see for example OECD, 2001a; UNCTAD, 2008).

Evaluating further the effectiveness of the MDGs and their impact in relation to their costs is complex, with no consensus on costs or evaluation methods emerging within the literature (see Reddy and Heuty, 2005). The MDGs have certainly stimulated an increase in commitments and obligations for aid and assistance, despite the pressures of the global financial crisis (Dang et. al., 2009; OECD, 2012a). Additionally, the MDG framework has also enabled a more effective coordination of programme efforts and helped to harmonise stakeholder interests in meeting clear objectives. They also represent clear benchmarks useful in promoting and raising awareness of global development challenges, in particular among government agencies, NGOs and intergovernmental organisations, although the consequences might also be to raise unrealistic expectations of the likely effects from increasing aid provision, as suggested earlier (see Clemens et. al., 2007).

Other framework factors identified in the literature include fostering local civil society by measures able to legitimise social networks and local collective action (see, for example United Nations, 2011). Directing these measures towards strengthening civic institutions and supporting transparency and accountability, while, at the same time promoting societal values (participation, equity, accountability, and local responsibility
etc) provides a more attractive environment for communities and organisations. Enhancing local capacity through investment directed towards improving horizontal coordination is likely to increase knowledge and skills to enhance the technical, administrative and adaptive capacities of local actors. Providing resources for local development, including devolving local governance, increasing the coverage/quality of local infrastructure and services, technical assistance to local public sector and civil society organisations, will help to transfer expertise that is crucial for local development, but often lacking (see Helling et. al., 2005)

Finally, other strategies to create appropriate bridging links within networks could also be of great importance in ensuring that the concept of sustainability is embedded within local production processes, particularly by organisations coordinating between businesses and agencies. Features such as mainstreaming and championing through designated/dedicated roles within an organisational network could provide a strategic point of reference and source of monitoring that would enable desired outcomes to be scrutinised and made more transparent. In addition, programme-based approaches, in which successful development assistance practices become formalised plans for coordinating support for a locally owned programme of development, could help to enable cooperation and coordinated support for local systems of aid-financed project implementation (see Domingo et. al., 2010)

The “Big Five” Initiatives and Beyond

In contrast to such frameworks, initiatives, schemes and other approaches to sustainable business within a sustainable development context, include a wide variety of enterprise strategies, the most important of which can be grouped together as the “Big Five” (foreign aid, microfinance, social entrepreneurship, base of the pyramid (BOP) initiatives, and the property rights initiatives). Of these (overlapping) approaches, social entrepreneurship seems to represent the broadest strategy to draw different types of initiative together into an enterprise-based means of tackling the complex and multiple objectives of poverty alleviation, social equality and environmental sustainability. In the context of developing countries, Fairtrade is perhaps the most familiar strategy for the coupling of business, sustainability and development (see Raynolds and Murray, 2007). The Fairtrade movement began from the realisation that many communities in developing countries are poor not because they do not produce anything of value, but because they often receive low prices for these products. The initial objectives of Fairtrade strategies were to alter the terms of trade and modify the supply chain so that a larger proportion of the price paid by the end consumer could be received by the producer. These objectives, though, are implemented through a sustainability framework. Fairtrade accreditation requires introducing structures designed with the intention of using the available resources effectively and efficiently. These structures include a focus on training, knowledge transfer, application of appropriate technology, capacity building, network and community building, marketing and promotion, access to finance, credit and markets, meritocratic values, deliberative and democratic decision making, and the development of a reinvestment strategy. Fairtrade thus aims to identify viable business opportunities and ensure that the business adds value to the available resources and the communities they serve. The initial impetus for such improvements towards value added sustainable production is typically foreign aid, often indirectly through the support by NGOs, but with the objective of
achieving long term profitability (see Nicholls and Opal, 2005). Such structures themselves afford a range of other local business opportunities, often with the same sustainable production objectives. While there are few detailed examples of the development context of Fairtrade and its related commercial activity, in which the “impact for the poor and marginalised is only crudely assessed” (Blowfield, 2012: 422), those that examine the aid support and sustainability outcomes of Fairtrade scheme participation find generally effective channelling of funding to sustainability enhancing programmes, coupled with positive revenue effects (see Jones, 2013: 85-123), though equally Fairtrade schemes could also have some negative effects on poor communities by imposing costly standards (Blowfield and Dolan, 2010).

Another category of enterprise has been identified in the literature as having an impact on sustainable development in developing countries, sometimes called Base/bottom of pyramid (BOP) opportunities, or the related concept of Growing Inclusive Markets (GIM), although terms such as “sustainable livelihood businesses” or “pro-poor” businesses are also used to describe such strategies. The BOP approach is based on exploring the opportunities presented by the very large numbers of people with few resources concentrated in developing countries. This can be in the form of extending a business model to enrol many of these people and communities as consumers, business partners and suppliers. Sometimes hubs or anchor businesses are able to stimulate productive businesses within a region, helping to support knowledge transfer or providing supply chain or complementary opportunities, in addition to their main role of providing goods and services. These opportunities can be attractive to foreign businesses or local enterprises. In the case of local businesses, working with specialist development agencies and NGOs is particularly important in creating effective partnerships because agencies have been shown to encourage entrepreneurship in developing countries, often providing support through making available microfinance and microcredit, i.e. making finance available to entrepreneurs that are too poor to qualify for traditional bank loans. Care must be taken, though, with assuming that entrepreneurship is a determinant of economic development, as opposed to a component within a mix of institutional, industrial and policy structures (see Alvarez and Barney, 2014).

Another related context is that of corporate social responsibility (CSR) sponsored innovation, particularly in partnering with local organisations. Halme and Laurila (2009) examine ways in which such partnerships, when directed towards specific social problem within developing countries, are able to stimulate innovation through new businesses (Halme and Laurila, 2009). These can often be coupled with Growing Inclusive Markets, Base of the Pyramid and Fairtrade programmes (see Prahalad, 2006; Prasso, 2007; Richardson and Callegari, 2008). Foreign aid through philanthropic organisations and private foundations can be particularly significant in such cases as they provide significant financial resources easily, and often quickly, directed towards support for business activity in its diversity of forms. Foundations are often managed in such a way as to have a clear funding agenda and, as such, can avoid certain types of bureaucracy and are less prone to accusations of conflict of interests, both of which are levelled at the public funding of aid programmes supporting foreign businesses (see Easterly, 2006).

One final class of successfully using aid to support the growth of sustainable business is patronage. One clear example of this occurs within the context of Israeli business
innovation. A number of highly innovative and environmentally sustainable businesses have emerged within Israel in the last three decades with financial support from aid both from the United States government and private philanthropic sources, predominantly those based in the USA. While the innovativeness and the effectiveness of the social and ecological dimensions of such businesses are not contested, the degree to which such businesses are financially sustainable is not clear, particularly as they exist within a long term bubble of subsidised development and thus unlikely to transfer beyond the development context of such a bubble. The nature of such patronage, as an ideological feature of prioritising aid, is limited in scope, although linking such aid with other aspects of a political agenda has been used to support aid as part of cold war competition, neo-colonialism and more recently by the expansion of China into Africa (see Rui, 2010).

If innovation and entrepreneurship are crucial factors in enabling a range of partnerships and organisations to produce sustainable businesses, then new approaches to business and production will be required. A combination of local knowledge, knowledge transfer, sharing resources, technology and skills, will be needed to support these approaches. In addition, a new attitude to risk and enterprise by organisations able to provide finance and other resources will be essential as they are a prerequisite for entrepreneurship and sustainability within existing communities in developing countries. As with all forms of innovation and entrepreneurship, it is not possible to prescribe optimal solutions or accurately predict success or failure. Such uncertainty is the very nature of exploiting opportunity and risk-taking in business. The literature does suggest, however, that initiatives first applied in developing countries are often an important source of innovation for developing sustainable low-cost (but high quality) technologies and business models (see Hart and Milstein, 1999; Prahalad and Hammond, 2002; Heffron and Haynes, 2011).

Scaling-up and transferring successful practices

International agreements on aid, poverty alleviation and sustainable development have been in place since the 1970s and 80s, and have been updated on a regular basis throughout the last three decades (Adams 2009: 26-55). While many of the projects, programmes and best-practice case studies have shown the benefits of the agreements and the options for tackling poverty and environmental challenges, the continuation of the problems and challenges shows that these examples have failed to achieve the extensive and embedded change required on the appropriate scale or with the appropriate international coverage. Therefore, in addition to developing appropriate frameworks, other strategic decisions linking aid to practices that can be scaled up and transplanted appropriately to new development contexts are crucial in increasing the impact of business for growth and sustainability. These two objectives are separate but complementary features in determining the impact of aid provision on desired social, economic and environmental change, and will be the basis of this section.

The issue of scaling up successful practices in sustainable business has a multiple sense. In general it implies learning from successful small scale projects as the basis for developing larger scale, or larger impact, projects. In the context of sustainable development, scaling could either refer to increasing the proportion of the population engaged in sustainable business and social entrepreneurship, or increasing the absolute
number of businesses supporting more resource-efficient practices. Alternatively the issue of scale might relate to enabling businesses to grow rapidly in order to scale up the production of marketable goods, with greater social benefits to developing countries ensuing from increased output. It will be helpful to present a series of categories to clarify different aspects of scaling up, contributing to a clear strategic consensus on the topic (see Blackburn et. al. 2000). These include four interdependent considerations such as: a) the approach or programme to be scaled up; b) the methods of going to scale; c) the stakeholders included (and their roles) in scaling up; and, d) the coverage of the programme being scaled up. Focussing on the second category (consideration b) listed above) Korten and Siy (2008) identify three stages in which a scaling method are chosen and implemented – Stage 1: effectiveness i.e. an appropriate solution to a relevant problem; Stage 2: efficiency i.e. representing the most feasible and attractive solution; and, Stage 3: expansion, i.e. remaining an attractive and feasible solution as it is extended. Unpacking Stage 3 further, a distinction can be made between “expansion of experience” approaches and “transfer of experience” approaches, which can both be implemented through either organisational growth, i.e. “horizontal” strategies, or institutional/ policy changes, i.e. “vertical” strategies (World Bank, 2003). A further category of “collaborative partnerships” could be added to these two approaches, with formal networks, collaborative and cooperative partnerships or alliances enabling opportunities to be explored that would otherwise be unfeasible in the absence of the resources and expertise emerging within the collaborative relationships, as exemplified by examples presented by Prahalad (2004). The various types of approach to scaling up and transfer can thus be categorised as follows: A) Expansion of experience, including: branching, decentralisation and restructuring; B) Transfer of experience, including: policy adoption, grafting, diffusion and spillovers; and, C) Collaboration, including: formal partnerships, strategic alliances, networks, clusters and assemblages.

Applying specific or combined scaling or transfer strategies will depend upon a mixture of conditions that the innovation or programme faces. Expansion strategies, for example, will require managers, institutions and organisations to implement a series of internal changes, often confronted with a degree of risk and great uncertainty. They will also need to meet additional resource requirements and be committed to maintaining higher financial obligations. In contrast, transfer strategies can often be implemented quickly, particularly if governments or well resourced organisations are incorporated into the strategy as change agents. Some transfer strategies, such as grafting, can offer benefits to both parties as they add value to existing services, while rolling out new services. Finally, collaborations can provide useful strategies and are particularly powerful where there are shared objectives and clear benefits of a division of responsibility. Such collaborations can build up expertise and provide new ways of creating and delivering services. The opportunities they provide for scaling and transfer will, though, depend upon the types of organisation that are linked together, with relationships of different types providing different challenges. Partnerships are also more likely to be flexible than expansion or transfer of experience, but they often represent less well resourced approaches. In this way networks are particularly good at delivering scaling of some programmes, particularly where commercial opportunities are available, but less so for other programmes, for examples, those requiring extensive monitoring or require a high degree of legitimacy, or, where there are benefit from centralisation (see World Bank, 2003). The benefits of the clusters, networks, alliances, collaboration for new business in the developing world is that they can jointly benefit from the skills, networks and infrastructure that are often of vital importance, and
benefit from the creativity and vibrancy provided by sharing an enterprise culture. The use of artificially enhancing collaboration and networks through business clustering strategy has shown some promise when they use appropriate structures (see Gordon and McCann 2000), as shown in their impact on development in India in places such as Bangalore, though such strategies are not though the panacea sometimes presented. As a business support strategy it runs the risk of narrowing the focus of an economy making it vulnerable to fluctuations in global markets, while artificially created clusters, as in the case under discussion, are more likely to require considerable nurturing to ensure effective networks can evolve over time, requiring resources that are less likely to be forthcoming from a developing economy (Martin and Sunley, 2003).

Other approaches to scaling or transfer relate to specific initiatives, particularly the “big five” discussed earlier. A prominent example is the evaluation of the scaling challenges facing social entrepreneurship projects, as examined by Dees et. al. (2004). To address the challenges implied by scaling, they identify a series of features of social enterprises and their projects likely to indicate their potential for scaling and transfer. They classify these challenges into “five Rs” specified as follows:

1. Readiness: Is the innovation ready to be spread?
2. Receptivity: Will the innovation be well-received in target communities?
3. Resources: What resources, financial or otherwise, are required to get the job done right?
4. Risk: What’s the chance the innovation will be implemented incorrectly, or will fail to have impact?
5. Returns: What is the bottom line? Impact should not just be about serving more people – it should be about serving them well. (Dees et. al. 2004: 30-31)

While such categories as these help to focus on specific aspects of the scaling challenge posed by a project, they offer a rather generic approach to strategy. In the absence of specific details, these categories merely identify areas in which uncertainty could undermine the scaling process, rather than a guide to develop effective scaling strategies.

Within the literature there are additional approaches to scaling-up not projects or programmes, but innovation and enterprise, which could potentially benefit from an extension of aid or investment. The first strategy directed towards extending the range of businesses is by introducing or fostering a culture of entrepreneurship. This is generally a long term strategy relying heavily on understanding existing values and attitudes to enable an education or training solution to making entrepreneurship an attractive option (see, for example, Peterson, 1988).

To focus more specifically on transfer challenges, introducing business models or supporting organisations that have been shown to be successful in one region does not guarantee success in another region, indeed neighbouring countries with similar economies, demographics and resource profiles, can respond in very different ways to the same framework. Explaining the reasons for such different outcomes is often very difficult, as Leach and Scoones illustrate very clearly with the seemingly simple application of appropriate technology (see Leach and Scoones, 2006). Evidence based approaches, such as Lenssen and Van Wassenhove (2012) identify a number of strategies such as: strengthening the governance structures, seeking stakeholder
alliances, developing long-term entry strategy for developing countries with challenge-adapted business modelling, using knowledge transfer to shape social/environmental environment, and, networking with academics (Lenssen and Van Wassenhove, 2012: 411). There are other general procedures discussed within the literature, such as engaging communities in choice and tailoring or delivery and regulation, or emphasising gender equality or democratising institutions (UNCTAD, 2008; OECD, 2012b). These are worthy and empowering, but as with other “how-to” approaches to complex development problems, are too generic to predict the likelihood of success or failure of transferring viable business models to a new commercial context.

A sustainable development approach with more emphasis on development than sustainability is the process of expanded industrialisation, with key authors concluding that industrialization has had the largest impact on poverty reduction, as evidenced by the emergence of economies such as China, India, and Brazil (see Alvarez et. al. 2015). Alvarez et. al. conclude that policymakers and aid donors should follow the example of these emerging economies and encourage greater industrialisation to address poverty. Indeed, the impact of foreign aid on China in the 1980s and 1990s, which has a mixed review in terms of ethical and sustainability issues, is too complex and specific to act as a model for development strategy (see, for example, Pharr and Wan, 1998). Aid helped to create new organisations with different managerial structures, property rights arrangements and the allocation of domestic resources. It was also used in empowering globally oriented groups, enabling them to compete more effectively for existing resources and build transnational alliances to enrol further foreign funds. In addition, foreign aid and the transfer of foreign ideas also altered the approach taken by a range of decision makers within China during this period (see Dweig, 2000: 210). Nevertheless, Dweig concludes as follows:

By creating new organizations, foreign donors may leave what I call “institutional footprints” that persist long after the foreign advisors and funds depart. However, unless projects are closely integrated into the local political economy, their impact may disappear as so much dust in the wind (see Dweig, 2000: 226-228)

Lessons to be drawn and transferred from this context are therefore the need to integrate new practices within existing structures that offer the most promising business and sustainability environments, i.e. shaping existing trends rather than imposing a framework alien to existing practices. However, the concentrations of urban populations, improved social provision such as health care and education coupled with relatively stable governance since the early 1990s mean that emerging economies, such as China, India and Brazil, offered a favourable environment with which to make good use of the opportunities afforded by aid, finance and other assistance measures. Such an environment is often lacking in the least developed countries and an industrial approach is neither feasible, nor likely to foster sustainability values. Indeed, without the emergence of indigenous businesses, such an approach is more likely to offer merely long term dependency or a loss of autonomy as powers are surrendered to foreign, especially neo-colonial, interests, with little concern for long term economic or environmental sustainability (see Sanyal 2005).

Other approaches to transferring good practice will depend upon resolving the problem of how to combine sustainable outcomes from sustainable activities. Gibb, and
Adhikary for example, argue that developing entrepreneurial NGOs with a focus on dynamic stakeholder network development, entrepreneurial management, strategic business development, and strategic alliance building is more likely to enable a combination of sustainable outcomes and organisation than other types of organisational structure. Gibb and Adhikary conclude that sustainability criteria can be identified and that donor approaches can be reproduced internationally (see Gibb and Adhikary, 2000) but more recent research has not borne out this optimism (see, for example Arndt et. al. 2010).

Finally, there are those aspects of aid and support that are transferable because they address universal barriers to business in poorer communities in general, and long term planning in particular. There are, for example, a variety of options for providing finance for new businesses of the type discussed in this review: multilateral financial institutions; bilateral development agencies; private foundations or related philanthropic organisations; social loan or similar venture funds; and, microfinance institutions. Evidence from organisations such as Ashoka present a large number of case studies illustrating that each of these finance types can be used successfully in different regions to support entrepreneurship, and in particular social entrepreneurship, thus enabling businesses to become a viable options across poor communities according to the specific circumstances and needs of local communities (see also Prahalad, 2006). A counterpoint to these claims is the research suggesting that social entrepreneurship is more successful in addressing specific social needs such as sanitation, or clean water provision, but rather less effective at addressing poverty, growth or environmental sustainability (Hubbard and Duggan, 2009; Alvarez et. al., 2015; Barbier, 2011). The “big five” are perhaps ultimately big in terms of promise, but rather smaller in their contribution to sustainable development at this present stage.

Conclusion

While there is a substantial and growing literature on all aspects of aid, growth, sustainable development and sustainable business as an agent of change, there is considerable uncertainty and a lack of consensus on even basic assertions (see Janus, 2012: 51-53). Even amongst researchers expressing a generally positive view of the impact of aid on growth and development, great caution is taken to avoid overstating their claims: As Minoiu and Reddy argue, despite a substantial aid-effectiveness literature, researchers, academics, practitioners and recipients still know little about what makes some types of aid more growth promoting than others (Minoiu and Reddy, 2010: 37).

The evidence presented in this review illustrates that a wide variety of approaches have been applied to identifying opportunities and developing strategies for using aid and assistance to leverage an increased level of sustainable development. Narratives of sustainable development are shown to be truly interdisciplinary, which presents its own challenges of focus, engagement and consensus-building among experts. The literature also shows that progress towards achieving the multiple goals of poverty alleviation, environmental production and a more equitable approach to resource distribution in the least developed countries has been slow, despite the efforts of powerful and well-resourced global organisations and a set of clear frameworks and networks to support practical efforts to achieve these goals. As Bill Adams argues:
Despite the enthusiastic rhetoric and the celebrated greening of development agencies, corporations and governments, there is no easy reformist solution to the dilemmas and tragedies of poverty and environmental degradation, whether at the local or global scale (Adams, 2009: 376)

Part of the critique of business-based approaches to (sustainable) development is that it is inherently supportive of exactly the type of (capitalist) economic growth that created the ethical and environmental problems that it is being asked to solve. Sustainability and the sustainable- prefix has been challenged from a variety of perspectives, such as eco-socialism (Pepper, 1993), eco-feminism (Plumwood, 1993) and eco-theology (Gottlieb, 1996), as little more than a (neo-liberal) ideology; however, such critiques fail to recognise the variety of strategies and practices of resistance that sustainability implies, from anti-consumption and resistance, to downshifting and voluntary simplicity among its many manifestations (see for example, Lee et. al. 2011). Indeed, innovations in ecological economics, increased environmental awareness, the “greening” of many key development and trade-related international organisations, the reduction of poverty and environmental awareness within the emerging economies, the emergence of global knowledge transfer platforms and infrastructure, shows that sustainable development need not be an oxymoron, even if the challenges of sustainable development seem to be increasing rather than becoming more manageable. There is no formula for sustainable development, there is no planning fix, nor a conclusive entrepreneurial solution; however, sustainable development or developmental sustainability need not be conceived in terms of environmental management reflecting the interests of business. Instead it can be reconceptualised as a means to enable network and market presence designed to enable the world’s poor, present and future, to have a more effective engagement with local and global resources. In this way it represents a “boundary object” or a “device” for engagement through which powerful but conflicting interests, perspectives, ideologies and agendas can use as the basis for communication and exchange. Such engagement is particularly important when considering that the problems requiring a sustainable development solution are not fixed but constantly changing, providing new – and global – challenges.
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