

'WE NEED TO CAPITALISE ON PEOPLE'S ENTREPRENEURIAL DRIVE'

Photography by Tsar Fedorsky



According to **Iqbal Quadir**, professor of the Practice of Development and Entrepreneurship at the Massachusetts Institute of Technology, developing countries can grow through entrepreneurship, which also leads to dispersion of power. ‘The entrepreneurial drive on the ground is an important resource that is being wasted right now.’

You see commerce as part of the solution for developing countries. Can you elaborate on that? ‘Competitive commerce gives rise to products, services, jobs, entrepreneurial opportunities, innovations, more efficient means of production and, most importantly, choices for people. It unleashes people’s creativity and allows them to take initiative, work hard, and provide financial security for themselves and their families. Time and again, competitive commerce has proven effective in creating prosperity. It has done so not only by lifting people out of poverty, but also by giving rise to greater government accountability.’

You say that concentration of power is a problem in many developing countries. What is the solution to reduce this concentration of power? ‘What poor countries need is dispersion of power. Introducing innovations that raise the productivity of individuals would be one approach to achieving this. When people increase their productivity, they make economic gains that enable them to pay for the very tools that make them more productive in the first place. At the same time, entrepreneurs are able to build businesses around furnishing these productivity tools.’

I started working in 1993 to bring mobile phones, an example of a productivity tool, to Bangladesh. Making a phone

call from a rural area to the city instead of taking an expensive, time-consuming bus ride saves hours of productivity. By making a call for pennies, people gain a dollar and are therefore able to afford productivity-enhancing communication services. Collectively, individuals’ gains represent billions of dollars in gains for their country. At the same time, the pennies spent on phone calls add up to billions of dollars in revenue for operators who invest in infrastructure to provide the service. The result is a win-win-win situation: users make economic gains, providers make a profit, and countries make aggregate economic progress.

In addition, there are at least two things that rich countries could do to help disperse power in poor countries. First, rich countries could rethink the aid that they offer to poor country governments, which has a centralising effect because the money literally goes to the centre. Without that money, governments in poor countries would seek taxes

‘BY MAKING A CALL FOR PENNIES, PEOPLE GAIN A DOLLAR’

from people and businesses and would therefore have an interest in facilitating people’s and businesses’ earnings. In other words, governments would have an incentive to facilitate economic growth, which would also contribute to dispersion of economic power. Second, rich countries could promote imports from poor countries. Not only could this make lower-priced goods available to rich-country consumers, but it could also encourage entrepreneurial efforts in poor countries, dispersing power.’

You see innovation as an important driver for growth in developing countries. Can you explain how innovation could help people? ‘The innovations that proliferate are those that add value to ordinary people’s lives. This added value enables them to pay for the innovation, allowing the innovator to make a living. With this success comes imitators or competition. Competition brings checks and balances; among other things, businesses cannot abuse their power in a competitive environment. Competition also brings downward pressure on prices and an upward pressure on wages, both of which empower people. A virtuous cycle of progress is unleashed. Moreover, at the level of the business owners, every innovation has the potential to disperse power because the innovator, by the very act of innovating, separates himself from the incumbents.’

How would innovation take place and lead to viable products or companies when there is limited access to financing? ‘Innovative ideas need financial resources to get off the ground. This is why funds that back those entrepreneurs with sound ideas would be helpful. As I explained, people are willing to purchase innovations, such as mobile phones, precisely because the phones make them more productive. Once an innovation that adds value to people’s lives gets off the ground, it is likely to grow organically. Recognising this, entrepreneurs can build viable businesses knowing that people will be willing to pay for such products and services.’

Energy is an important condition for people to develop themselves. What are the biggest energy challenges in developing countries? ‘Lack of access to energy is a massive hindrance to people’s productivity. The absence of electricity, for instance, leads to wasted resources and missed opportunities to take initiative and advance. Children are unable to study in the evening to capitalise on their potential and adults are unable to work outside of daylight hours. The fact that billions of people do not have electricity in the rural areas of poor countries, despite decades of state-based effort to provide these services, is proof that we need decentralisation. We need to capitalise on people’s entrepreneurial drive.’

You feel that bottom-up solutions are the way to go? ‘Decentralised power production would engage thousands of entrepreneurs. The entrepreneurial drive on the ground is an important resource that is being wasted right now. In collaboration with BRAC in Bangladesh, I have organised Emergence BioEnergy Inc. (EBI) which exemplifies my vision for bottom-up energy production. EBI will help people in poor countries manage dairy farms more efficiently to use the farms’ waste productively. Manure from these farms can be used to produce fertiliser and methane, the latter of which can run sophisticated engines that generate elec-



tricity. This electricity can then be sold locally to villages near the micro-generating station. Furthermore, the exhaust heat from the engines can be used to chill milk to increase shelf life of the dairy farmers’ primary product. We expect the return on investment for these small dairy farms to triple while electricity becomes available, milk spoilage is minimised, organic fertiliser is produced, and jobs are created in the process. Because these benefits would be very relevant for rural populations, I believe they will embrace the model rapidly. In addition, this approach creates opportunities for entrepreneurs to own and operate the generating stations.’

Is it possible for developing countries to step into sustainable energy directly or will they have to start with fossil fuels first? ‘I believe developing countries can go into sustainable energy directly. Their

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current need is small and can be met by renewables. Over time, as demand grows, renewable technologies will also get cheaper. However, because fossil fuels are cheap relative to personal income in rich countries, innovations in renewable energies are not pursued in rich countries as aggressively as many would like. Rich countries could lead the way in promoting sustainable energy solutions by shifting some portion of taxes away from personal income and toward taxes on fossil fuels. This would lead to a host of renewable energy innovations that would later fall in price, thereby facilitating the economical spread of renewable energy in poor countries as well. For instance, micro-combined-heat-and-power (micro-CHP) engines that EBI plans to use were originally made for rich countries. If they are adopted more widely in rich countries, projects like EBI become more viable in poor countries.'

Many people believe that climate change is the most important challenge facing the world. How can developing countries face this challenge, given the high costs? 'To the extent that climate change is an issue, we often think that rich and poor countries have different sets of problems. But in reality, their problems are often linked, as are potential solutions. In general, if rich countries adopted policies to reduce their carbon footprint, poor countries could become better positioned to meet climate change challenges. For example, if it became viable to produce high volumes of renewable energy innova-

tions, such as solar panels, for rich country consumers, prices would fall. People in poor countries would then be able to benefit from cheaper technologies. In this way, the volume of renewable energy innovations adopted in rich countries can affect the viability of their adoption in poor countries.

Again, take the example of micro-CHP generators that produce both usable heat and power, which boosts fuel utilisation from 20% to 80%. To put this into perspective, centralised power production utilises less than 20% of the energy from the fuel it burns. This is because the heat from a centralised plant is generally thrown away. In contrast, when power is produced in a decentralised model, the heat can be used at the point of production to heat someone's house, for example. In the case of EBI, this heat is used to chill milk.

Micro-CHP generators make far better use of fuel and are an example of an innovation from rich countries that could benefit poor countries as well. If rich countries were to adopt this technology in a large scale, they would reduce their carbon footprint. In addition, demand for these engines and these systems of power production in the rich world would invite competitors to enter the market. Eventually, greater volume production would bring down the unit cost of the engines, making them more affordable in low-income markets. The same phenomenon was at play when the widespread adoption of mobile phones in rich countries eventually made them affordable enough to proliferate widely in poor countries.'

But there is a big difference between mobile phones and energy. 'Both mobile communications tools and energy tools respond to basic needs. Both empower people economically at the individual or household level, which translates into people's ability and willingness to pay for these tools. When empowered people can pay for a service, entrepreneurs can retail a service profitably. In this way, EBI will provide opportunities for local entrepreneurs just as the Grameenphone model

provided opportunities for village phone ladies. This local, shared access also makes the service more cost-effective for users.

Both mobile communications and energy technologies benefit from billions of dollars spent on R&D in rich countries. If local entrepreneurs develop practical and appropriate schemes to apply these technologies in poor countries, rich country investment in R&D becomes a kind of aid that is actually beneficial to poor countries.'

Can foreign investors play a role in this?

'Investors, foreign or local, can play a role in supporting decentralised power generation in poor countries. Since the governments of these countries face other challenges, they could concentrate on governance, public safety, law enforcement, education, and public health while investments in entrepreneurs allow them to meet energy challenges.'

Do you also see a role for bilateral development banks?

'Development banks could be most effective in fostering people's empowerment in poor countries if they were to fund entrepreneurs there. Furthermore, while it might seem counterintuitive or outside the scope of their usual activities, development banks could finance retraining or rehabilitating rich country workers from industries that are no longer competitive globally. In this way, these rich country workers could move into innovative and more lucrative industries so that rich country governments would not find it necessary to discourage trade with poor countries. Poor country entrepreneurs would then be bolstered by having greater access to export markets.' «

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