

Global Poverty Alleviation – Course Information

Daniel Altman, Stern School of Business at New York University
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INTRODUCTION TO THE COURSE

Summary

Students in this course will study mechanisms for raising living standards around the world, with particular emphasis on the role of the private sector. Fighting poverty was once seen as a job for governments and foreign donors, yet some of the biggest advances against poverty have come through private investment and entrepreneurship. Students will learn about a variety of models for poverty alleviation: impact investing, prize mechanisms, public-private partnerships, innovative financing mechanisms, corporate social investment, base-of-the-pyramid business models, product design, etc. They will learn a practical, business-centered approach to solving the cluster of social and economic problems that result in poverty.

Readings

Readings will be drawn from both the popular and the academic press, as well as from primary sources. They will be available online through Blackboard. To conserve paper, printed sourcebooks will not be distributed; students can print what they wish to read. Students are advised to read up before each class meeting. Priority readings are starred (*) on the syllabus; others are optional but may be particularly useful in preparing the final paper, depending on each student's area of focus. In addition to the readings that are listed with each lecture, students may wish to consider the following books to enrich their understanding of the topics in the course:

Poor economics: A Radical Rethinking of the Way to Fight Global Poverty
by Abhijit Banerjee and Esther Duflo

Out of Poverty: What Works When Traditional Approaches Fail
by Paul Polak

Impact Investing: Transforming How We Make Money While Making a Difference
by Antony Bugg-Levine

Social Enterprise: What Everyone Needs to Know
by David Bornstein and Susan Davies

The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits
by C.K. Prahalad

Business Solutions for the Global Poor: Creating Social and Economic Value
by V. Kasturi Rangan et al.

Power in Numbers: UNITAID, Innovative Financing, and the Quest for Massive Good
by Daniel Altman

Students may also wish to peruse the following websites:

SSIRReview.org – Stanford Social Innovation Review

NextBillion.net – Next Billion

www.cgdev.org - Center for Global Development

www.ashoka.org/changeinsight - Ashoka's Change Insight Blog

blogs.worldbank.org/psd – World Bank Private Sector Development Blog

Class meetings

The course will meet Wednesdays from 6 to 9 pm between February 13 and May 8. Students who do not attend class will be unable to achieve the best possible grades (see below). Meetings will typically include a combination of interactive lecture and class discussion. There will be a break in the middle of each meeting.

Grading

Students will be graded on a combination of written work and class participation. There will be two five-page papers (10 percent of the final grade for each) and one 15-page final paper (60 percent). Class participation will count for 20 percent. The final paper will require students to write a business plan for a new mechanism for poverty alleviation.

Lecturer

Daniel Altman is the founding president of North Yard Economics, which provides technical analysis and consulting for developing countries. He is also a member of the expert advisory board at Dalberg Global Development Advisors, a strategic consulting firm where he previously served as director of thought leadership. He was previously an economic advisor in the British government and an economics columnist for *The Economist*, *The New York Times* and the *International Herald Tribune*. He is the founder of the Emerging Design Centers initiative.

Altman is the author of four books: *Outrageous Fortunes: The Twelve Surprising Trends That Will Reshape the Global Economy*, *Power in Numbers: UNITAID, Innovative Financing, and the Quest for Massive Good* (with Philippe Douste-Blazy), *Connected: 24 Hours in the Global Economy*, and *Neoeconomy: George Bush's Revolutionary Gamble With America's Future*. He holds a PhD in economics from Harvard University and has published articles in academic journals including the *American Economic Review*.

Office hours

Office hours will be held by appointment only.

COURSE OUTLINE

Lecture 1; February 13: The Causes of Poverty

Any efforts to alleviate poverty must begin with an understanding of the problem. We will review the causes of poverty, not all of which are intuitive, and investigate why poverty is persistent in some regions and communities. We will also consider various absolute and relative definitions of poverty.

Readings

* World Bank [2000], "Causes of Poverty and a Framework for Action," from *World Development Report 2000/01* (Washington, D.C.: World Bank)

Harford, Tim [2006], "Why Countries Are Poor," excerpt from *The Undercover Economist* published in *Reason* (March)

Diamond, Jared [2012], "What Makes Countries Rich or Poor?" *New York Review of Books* (June 7)

Lecture 2; February 20: A Brief Survey of Poverty Alleviation

The fight against poverty has become a multi-billion-dollar industry for governments, multilateral institutions, and non-governmental organizations. We will follow the evolution of poverty alleviation efforts from their macroeconomic, project-based beginnings to their more recent microeconomic, results-based incarnations. Against the backdrop of these mostly international efforts, we will trace the success of the domestic campaigns against poverty, explicit and otherwise, which have had rather greater success. Finally, we will consider the ways in which the private sector alleviates poverty incidentally to its normal functions.

Readings

* Banerjee, Abhijit V. [2008], "Why fighting poverty is hard," mimeo, Abdul Latif Jameel Poverty Action Lab (September)

Rosenberg, Tina [2006], "How to Fight Poverty: 8 Programs That Work," *New York Times* (November 16)

Economist [2004], "Making poverty history" (December 16)

Ravaillon, Martin and Gaurav Datt [1996], "India's Checkered History in Fight Against Poverty," *Economic and Political Weekly*, Vol. 31, No. 35/37 (September)

Lecture 3; February 27: Social Enterprise

The idea that companies can have goals other than profits is not new, but its widespread popularity is. We will ask whether social enterprises can do more to fight poverty than regular, profit-maximizing firms. We will also study the factors that make social enterprises successful and sustainable in the long term.

Readings

* Rangan, V. Kasturi et al. [2008], "The Future of Social Enterprise," *Harvard Business School Working Paper Series*, No. 08-103 (June 18)

Altman, Daniel et al. [2011], "Learning From Leaders in a Fast-Growing Field," report, Dalberg Global Development Advisors (December)

Martin, Roger L. and Sally Osberg [2007], "Social Entrepreneurship: The Case for Definition," *Stanford Social Innovation Review*, Vol. 5, No. 2 (Spring)

Light, Paul C. [2009], "Social Entrepreneurship Revisited," *Stanford Social Innovation Review*, Vol. 7, No. 3 (Summer)

Babu, Suresh and Per Pinstup-Andersen [2007], "Social Innovation and Entrepreneurship," *2020 Focus Briefs on the World's Poor and Hungry People*, International Food Policy Research Institute (October)

Lecture 4; March 6: Base-of-the-Pyramid Business Models

Businesses can engage communities at the base of the socioeconomic pyramid in at least four ways: as consumers, employees, suppliers, and distributors. We will study how using all of these channels can make serving the base of the pyramid a profitable endeavor, with examples drawn from around the world.

Readings

* Hammond, Allen et al. [2007], *The Next 4 Billion* (Washington, D.C.: World Resources Institute)

Karamchandani, Ashish et al. [2011], "Is the Bottom of the Pyramid Really for You?" *Harvard Business Review*, Vol. 89, No. 3 (March)

Jenkins, Beth et al. [2011], *Accelerating Inclusive Business Opportunities: Business Models that Make a Difference* (Washington, D.C.: International Finance Corporation)

Kubzansky, Michael et al. [2011], "Excerpt from *Promise and Progress: Market-Based Solutions to Poverty in Africa*," Monitor Group (May)

Petkoski, Djordjija et al. [2008], "Business and Poverty," *Development Outreach*, Vol. 10, No. 2 (June)

Lecture 5; March 13: Service provision

Basic services can be essential for people trying to lift themselves out of poverty. In many poor communities, however, these services cannot be provided using traditional means. We will look at successful models of service provision for the base of the pyramid in areas such as electricity, water, health care, and mobile telephony.

Readings

(choose at least one following your own interests)

Aron, Jean-Elie et al. [2009], "Access to Energy for the Base of the Pyramid," report, Ashoka and Hystra (October)

Haupt, Solveig and Aline Krämer [2012], "Bringing Medicines to Low-income Markets," report, German Agency for Development Cooperation (January)

Keraan, Tauriq [2010], "Banking the Bottom of the Pyramid," report, Deloitte Touche Tohmatsu

Vousvouras, Christian A. and Urs Heierli [2010], "Safe Water at the Base of the Pyramid," report, 300in6 Initiative (August)

Lecture 6; March 27: Product Design

No anti-poverty program is as sustainable as a new product that generates income for employees and benefits for consumers year after year. We will consider the various design processes that lead to products that fall within the willingness and ability to pay of poor people. We will also look at how the markets for these products become integrated, both geographically and vertically, and ask whether poor communities could play a greater role.

Readings

* Brown, Tim and Jocelyn Wyatt [2010], "Design Thinking for Social Innovation," *Stanford Social Innovation Review*, Vol. 9, No. 1 (Winter)

Polak, Paul [2010], "Death of Appropriate Technology II: How to Design for the Market," blog, Out of Poverty (September 17)

Schuster, Tassilo and Dirk Holtbrügge [2011], "Market entry of multinational companies in markets at the bottom of the pyramid: A learning perspective," *International Business Review*, posted online (October 13)

Weidner, Kelly L. et al. [2008], "Marketing to Subsistence Consumers: Contemporary Methodologies and Initiatives," *Marketing Science Institute Working Paper Collection*, No. 08-205

Nieusma, Dean and Donna Riley [2010], "Designs on development: engineering, globalization, and social justice," *Engineering Studies*, Vol. 2., No. 1 (March 3)

Lecture 7; April 3: Microfinance, Microcredit, and Microinsurance

Financial products for the base of the pyramid have grabbed the headline for decades, yet their capacity to raise living standards remains in question. We will discuss the debate on microfinance and its related fields, with particular reference to randomized controlled trials. We will also ask which for-profit and non-profit models are likely to be the most viable and create the most social benefit in the long term.

Readings

* Roodman, David [2012], "Think Again: Microfinance," *Foreign Policy* (February 1)

Bauchet et al. [2011], "Latest Findings from Randomized Evaluations of Microfinance," *Access to Finance Forum*, No. 2 (December)

Rosenberg, Richard [2010], "Does Microcredit Really Help Poor People?" *CGAP Focus Notes*, No. 59 (January)

Wharton School [2009], "Micro Insurance: A Safety Net With Too Many Holes?" *Knowledge@Wharton*, online via knowledge.wharton.upenn.edu

Morduch, Jonathan [2004], "Micro-insurance: The Next Revolution?" mimeo, New York University (June 1)

Dalal, Aparna and Jonathan Morduch [2010], "The Psychology of Microinsurance: Small Changes Can Make a Surprising Difference," *ILO Microinsurance Papers*, No. 5 (September)

Lecture 8; April 10: Corporate Social Investment

Companies' involvement in poverty alleviation has broadened to encompass much more than philanthropy. We will examine the differences between corporate social responsibility programs, shared value programs, and social investments that become part of companies' core operations. In addition, we will study how time horizons for decision-making can affect companies' interest in fighting poverty.

Readings

* Altman, Daniel and Jonathan Berman, "The Single Bottom Line," *Stern School of Business Economics Working Paper Series*, No. EC-11-15 (June 13)

Drucker, Peter F. [1984], "The New Meaning of Corporate Social Responsibility," *California Management Review*, Vol. 26, No. 2 (Winter)

Reich, Robert B. [1998] "The New Meaning of Corporate Social Responsibility," *California Management Review*, Vol. 40, No. 2 (Winter)

Porter, Michael E. and Mark R. Kramer [2011], "Creating Shared Value," *Harvard Business Review*, Vol. 89, No. 1-2 (January/February)

World Business Coalition on Sustainable Development [2012], "A Framework for Dialogue on National Market Participation and Competitiveness," report (March)

Lecture 9; April 17: Public-Private Partnerships

In rich and poor countries alike, public-private partnerships have become a popular tool for marshalling resources for large-scale investments and social programs in the fight against poverty. We will briefly survey this complex and varied field, asking where economic efficiency and social welfare are best served by cooperation between the public and private sectors. We will also review the tensions implicit in these arrangements.

Readings

* Asian Development Bank [2008], "Public-Private Partnerships (PPPs) – An Overview" and "Recent Experience with Infrastructure Privatization and PPPs" from *Public-Private Partnership Handbook* (Manila: Asian Development Bank)

United Nations Development Program [2005], "Starting a Pro-Poor Public Private Partnership for a Basic Urban Service," report (January 1)

Global Compact LEAD Task Force [2011], "Partnership Fundamentals: A 10-step guide for creating effective UN-Business partnerships," report, United Nations Global Compact (September)

U.S. Agency for International Development [2008], "Doing Good Business: HIV/AIDS Public-Private Partnerships," *USAID Technical Briefs* (April)

Ridley, Robert G. [2004], "Product Development Public Private Partnerships for Diseases of Poverty: Are there more efficient alternatives? Are there limitations?" mimeo, Initiative on Public-Private Partnerships for Health (April 15)

Mercy Corps [undated], "A Public-Private Partnership to Fight Rural Poverty," mimeo

Lecture 10; April 24: Impact Investing

As a general definition, impact investing is investing with the goal of creating benefits for society. As a practical matter, it often amounts to public-private partnerships using financial instruments to distribute risk and return. We will discuss impact investments across two axes: the corporate growth path from angel investing through initial public offering, and the spectrum of opportunities ranging from small enterprises to the syndication of large infrastructure projects.

Readings

* Deelder, Wouter and Serena Guarnaschelli [2012], "Leveraging Scarce Resources: Blended Structures" in *Fund This, Not That* (New York: Dalberg Global Development Advisors)

Bank, David [2012], "How Financial Innovation Can Save the World," *Atlantic* (May 31)

Bugg-Levine, Antony [2009], "Impact Investing: Harnessing Capital Markets to Drive Development at Scale," *Beyond Profit* (May/June)

Wood, David et al. [2012], "Impact at Scale: Policy Innovation for Institutional Investment with Social and Environmental Benefit," report, InSight and Initiative for Responsible Investment (February)

Monitor Institute [2009], "Investing for Social & Environmental Impact: A Design for Catalyzing an Emerging Industry," report (January)

Lecture 11; May 1: Innovative Financing Mechanisms

The power of markets can be harnessed for charitable purposes as well as for garnering investment and selling products. Innovative financing mechanisms use markets to aggregate resources for poverty alleviation on a grand scale. We will consider several case studies of innovative financing and look for new areas where it might be a useful tool for poverty alleviation.

* Sandor, Elisabeth et al [2009], "Innovative Financing to Fund Development: Progress and Prospects," *OECD DCD Issues Briefs* (November)

Leading Group on Innovative Financing for Development [2012], "Peer review of existing innovative finances for development," report (March)

I-8 Group [2009], "Addendum: Progress Report on Innovative Sources of Development Finance," from *Innovative Financing for Development* (New York: United Nations)

Landau, Jean-Pierre et al. [2004], "Report of the Working Group on New International Financial Contributions," report (December)

Ketkar, Suhas and Dilip Ratha [2009], "Overview" in *Innovative Financing for Development* (Washington, D.C.: World Bank)

Michaud, Josh and Jen Kates [2011], "Innovative Financing Mechanisms for Global Health: Overview & Considerations for U.S. Government Participation," report, Henry J. Kaiser Family Foundation (October)

Lecture 12; May 8: Discussion

The semester will culminate in a free discussion of the private sector's role in the fight against poverty. Students will be encouraged to present their ideas for poverty alleviation to their peers in an informal manner and to comment on other ideas from the class.