



RISK & INNOVATION

## Innovative Ideas Transforming The Developing World

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### OVERVIEW

The recent refugee crises in Southeast Asia and the Mediterranean demonstrate how developing world problems are increasingly becoming the problems of the developed world. Instability and economic weakness in poorer countries are leading to significant challenges for richer nations.

Aon's Political Risk Map analysis finds significant instability across much of the developing world, compounded by cycles of war, famine, drought and disease, and this is only likely to get worse as climate change and rising populations make sustaining poorer countries more difficult than ever.

But the developing world also has huge potential. According to a recent PWC report, to 2050 the ten fastest-growing economies are all likely to be developing countries, while many developed economies will find their growth hampered by slowing productivity and the needs of their aging populations.

For the health of the global economy, as well as to relieve pressure on developed world countries' ability to cope with increased migration, helping the developing world to become more stable and sustainable is in everyone's long-term interests. Yet until recently, most attempts to help have been based around charities and aid.

This is starting to change. Below, we round up some interesting, innovative projects – many driven by the private sector – that could have a significant positive long-term impact on the developing world.



## IN DEPTH

The reasons for the slow growth of the developing world economies are well documented – poor infrastructure, lack of education, lack of money, high levels of disease, susceptibility to extreme climate events, political corruption and instability.

Solving this is a long-term challenge – not something that can be fixed with a bit of international aid to mitigate the effects of the latest crisis. With governments often focused on the short-term periods before the next election, increasingly it is business that is starting to come up with innovative and effective solutions.

### **Improving access to knowledge**

It might seem strange to suggest technology-based solutions to education in societies where many struggle to earn enough to feed themselves. But to build viable societies and thriving economies, we need to provide the workforce of the future the skills it needs. Everything starts with education – but how can we provide access to reliable, quality education in underfunded countries with poor infrastructure and a serious lack of trained teachers?

According to recent Pew Research Center data, a majority of people across the developing world now have access to a mobile phone. This is a true game-changer.

Access to a mobile means access to information, and access to information means having the ability to make improvements to your way of life. Even basic feature phones can improve literacy rates, according to the World Bank, while smartphones, computers and tablets have the potential to radically change the educational landscape of developing countries.

By enabling access to the Internet, a single connected device shared by a community can provide access to structured remote learning programs, as well as all the knowledge on the World Wide Web. And while Internet access may still be a challenge for the most remote communities, there are several initiatives under way to provide universal global Internet – Google's Project Loon, using high-level balloons to provide wireless connectivity, and Facebook's satellite-based Internet project are merely two of the most high-profile.

Access to the Internet can also bring significant health benefits. Connected devices are increasingly being used for some remote medical examinations through organizations like Peek and CardioPad. Education campaigns to improve knowledge about nutrition and basic hygiene via mobile could also have immense impact: Improving knowledge about child nutrition in the poorest countries could boost their GNP by 11 percent, cut child deaths by a third, and increase wages by up to 50 percent, according to the Scaling Up Nutrition movement. Even simple text message alerts about disease outbreaks, like that used in Sierra Leone during 2014's Ebola outbreak, have the potential to save tens of thousands of lives.

### **Improving access to finance**

Technology could also help tackle the developing world's funding challenge. According to the Bill and Melinda Gates Foundation, only 41 percent of adults in developing countries have bank accounts. Without bank accounts, saving for the future – to invest in improving farms and businesses and to weather unexpected financial shocks – becomes much harder, as well as far less secure. It can also restrict their ability to buy products and services that they need to improve their lot in life.

Access to physical banks remains a serious challenge for remote communities – which is where mobile phones can again come in. Vodafone's M-Pesa money transfer system is one of the best-known examples of mobile-based payments, reducing the need for a traditional bank account, but there are plenty of alternatives, such as Africa's Airtel Money, or Bangladesh's bKash. "The mobile phone is becoming ubiquitous and is a natural distribution channel," says Aon's latest Global Insurance Market Opportunities report, "it offers the promise of more efficient distribution and an improved ability to scale quickly."

Yet ability to make payments is one thing – getting hold of the money to pay them is quite another. This is where microfinance comes in.

First established in the 1970s, the microfinance concept is simple: provide reliable, low-interest loans of relatively small sums to the poorest in society to enable them to invest in essential equipment or materials to start or improve their businesses. With the rise of mobile, the logistics have become considerably easier – and the concept has been spreading exponentially. With basic seed capital becoming more accessible to small businesspeople across the developing world through organizations like the Nobel Peace Prize-winning Grameen Bank, the potential for economic growth is stronger than ever.

But while loans are a good start, the next phase in microfinance is set to focus on providing additional financial security through microinsurance. Funded by low payments, if crops fail, natural disasters strike, or illness or injury hit, low-cost insurance for the world's most vulnerable can help them recover, where previously they may have had no safety-net. People with microinsurance have also been shown to invest more in developing their businesses. This has been shown to encourage the use of healthcare services, prevent the spread of diseases, and help reduce the burden on government budgets for pensions, healthcare and aid.

### **Teach a man to fish**

The key to both these approaches is to help the world's poorest help themselves – not merely teaching them to fish rather than giving them a fish, but providing them with the ability to buy their own fishing nets, rods and boats, and the security of knowing that if any of these are broken, they will be able to replace them.

Where previous efforts at helping the developed world to develop have focused on providing vital infrastructure, healthcare or nutrition one community at a time, the shift in recent years towards helping the developing world help itself is proving a revolutionary innovation. It's still early days, but the signs are that by focusing on improving access to knowledge and finance, empowering communities to focus on building sustainable improvements, the developing world is starting to have a better chance of developing than ever before.



## **TALKING POINTS**



"From better health to increased wealth, education is the catalyst of a better future for millions of children, youth and adults. No country has ever climbed the socioeconomic development ladder without steady investments in education." – Irina Bokova, Director General, UNESCO



"There has been a strong social mobilization to use cell phones, television and whatever technology the government and private health care sector can to disseminate public health messages... Modern technology is vital here, and it can be this simple." – Ladi Awosika, CEO, Total Health Trust



"The problems and risks facing low-income populations are vast and complex. Offering microinsurance to these segments brings with it all the complexities of their daily life which need first to be understood and then addressed by microinsurance stakeholders; education levels, house- hold budgeting, behavioral economics, choice, priorities and inconducive infrastructure to name but a few. These barriers change from community to community, from region to region and are often vastly different to those faced by the more traditionally served clients in developed insurance markets." – Marco Antonio Rossi, President, Brazilian Insurance Federation

## FURTHER READING

- Mark Zuckerberg Calls for Universal Internet Access to Combat Poverty – The Daily Telegraph, 26 September, 2015
- Micro-Insurance Offers Families in Poorer Countries Protection from Destitution – The Guardian, 1 September, 2015
- Shortage of Long-Term Finance Blunts Progress in Developing Countries – The World Bank, 14 September 2015
- How Mobile Phones Are Changing the Developing World – UNICEF, 5 August, 2015
- 6 Lessons from Mobile Money Ventures in Developing Countries – Forbes, 28 September, 2015
- Global Insurance Market Opportunities 2015 – Aon report