

**Roundtable Discussion**

***Poverty Alleviation and Corporate Social Responsibility***

***Launch of the Kofi Annan Fellowship in Global Governance***

The Freie Universität Berlin and the Friends of the Freie Universität Berlin (FFUB) in partnership with the United Nations Global Compact are pleased to present their new Kofi Annan Fellowship in Global Governance. The Global Compact seeks to encourage and enable businesses to act in socially responsible and environmentally sustainable ways. Under the patronage of UN General Secretary Kofi Annan, the fellowship brings public, private and academic actors together to provide a unique environment for research that contributes to the goals of the Global Compact. Within nine months, fellows have the opportunity to pursue their research interests within three different contexts: the Global Compact office, a sponsoring company and one of the partner universities (Freie Universität Berlin, LSE, Institut d'Etudes Politiques, Harvard University, Columbia University). The Karl Storz GmbH & Co. KG is the first sponsoring partner of the program.

The Kofi Annan Fellowship was launched on Thursday, September 21, 2006, with a high-level roundtable discussion at the German Society for Technical Cooperation (GTZ). At the event, the first fellow, Christina Gradl, was introduced to the public and presented her research topic. Gradl is a doctoral candidate in economic ethics at the University of Halle-Wittenberg, Germany. She investigates the opportunities and challenges of alleviating poverty through new business models. After her presentation, some of the leading German experts on international development and public-private cooperation discussed the ideas in a stimulating debate.

In her presentation, Gradl argued that making products accessible to the poor can benefit both the poor and businesses. The poor may be better able to satisfy their basic needs and improve their quality of life while companies can gain new markets. However, not all products have such a positive effect. Sometimes, having access to a product may even harm the poor. By challenging the assumptions of consumer theory, Gradl developed two criteria that must be fulfilled for products to alleviate poverty: the product must have characteristics that provide for some basic need, like health or education, and the poor must have the ability to use these characteristics. Finally, Gradl stressed that all three sectors, private, public and non-governmental, have an important role to play to ensure that new products in the market of the poor will also benefit the poor.

In the discussion that followed, the following points are particularly noteworthy:

Peter Laser, Executive Director of Business Development, Karl Storz GmbH & Co. KG, described his company's initiative to provide high-quality medical treatment for poor women in India. He argued that the market of the poor has indeed a lot of potential. However, investments may be very long-term. He highlighted that, in order to succeed in this market, companies should never cut back on quality but must find new business models to make state-of-the-art products accessible to the poor.

Jörg Hartmann, Executive Director, Center for the Cooperation with the Private Sector, GTZ, emphasized the difference between new products and new business models. German companies, so he argued, had a lot of products that could be offered profitably in the market of the poor. Yet, they often lacked the necessary ability to innovate and take risks to capture this potential through adequate business models.

Hansjörg Elshorst, Founder of GTZ and Co-Founder of Transparency International, reminded all participants not to forget the dimension of labor. The provision of products for markets in the South by companies in the North may destroy local labor. The concept of poverty alleviation through new business models must consider these effects and find ways to let the poor participate in the value chain.

Thomas Risse, Director of the Center for Translational Relations, Foreign and Security Policy, Freie Universität Berlin, pointed out that the concept of corporate social responsibility includes two separate issues. On the one hand, there are long term tasks that companies can address individually, such as providing goods in a difficult market. On the other hand, there are coordination problems, like labor standards or corruption, that can only be solved through cooperation.

Ingo Pies, Professor of Economic Ethics, University of Halle-Wittenberg, responded to Risse's observation by noting that both one-sided and cooperative action can be seen as an investment of a company. By expanding the concept of investment, e.g. by incorporating institutional

arrangements to improve the business environment, companies can make more reasonable investment decisions.

The discussants agreed that providing products for the poor was in principle a recommendable way for companies to contribute to social goals through their core business. They also stressed the importance of cooperation with the public and non-governmental sector, where a lot of knowledge on poverty alleviation and the conditions in the market of the poor exist. The participants considered the discussion so productive that they planned to continue it in the future .

**Dr. Hansjörg Elshorst**, *Founder of GTZ and Co-Founder of Transparency International*

**Christina Gradl**, *Karl Storz Fellow in the Kofi Annan Fellowship in Global Governance*

**Peter Laser**, *Executive Director of Business Development, Karl Storz GmbH & Co. KG*

**Jörg Hartmann**, *Executive Director, Center for the Cooperation with the Private Sector,  
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)*

**Prof. Dr. Pies**, *Professor of Economic Ethics, University of Halle Wittenberg*

**Prof. Dr. Thomas Risse**, *Director of the Center for Translational Relations, Foreign and  
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