Come To Africa For Business, Not Handouts

"Buy one give one" model does no development favors

by Michael Buckler and Beau Jackson

Africa is a marketplace on the move. Over the next 40 years, it will yield the highest returns on investment of any place on Earth. As a 2012 Goldman Sachs research note remarks, "is now the time for multi-nationals to be investing in Africa? In short, our conclusion is yes." Africa currently has fewer people but more purchasing power than India. According to McKinsey & Company, by 2020 more than half of African households will have enough income to purchase non-essential goods. The Brookings Institution adds that, by 2030, Africa's 18 leading cities will wield a combined $1.3 trillion in spending power. However, the U.S. has been slow to engage Africans as business partners and customers, due, in part, to false perceptions of the continent. In fulfillment of Peace Corps' Third Goal, Peace Corps Volunteers (PCVs) should lead a paradigmatic shift that corrects the record and benefits our friends abroad.

In our work as international trade attorneys, we track the intricacies of foreign aid, trade and investment. Although we believe that each has a legitimate role to play in spurring the development of low-income countries, it is axiomatic that Africa needs increased trade and investment to mature economically. Yet, free markets and for-profit businesses do not solve all problems and, frankly, sometimes create new ones. There will always be a need for nonprofit and for-profit social enterprises to fill gaps. Not all social enterprises are created equal, however, and we reject the notion that good intentions are enough.

Two social enterprise models embraced by Americans are particularly troubling from a pro-African business perspective. TOMS Shoes popularized the buy-one-give-one (BOGO) model, whereby a consumer purchases two pairs of shoes, one for herself and one for a "child in need." Under the second model, utilized by Goods for Good (GFG), an organization collects surplus goods and repurposes them as giveaways in low-income countries. Under both models, companies do well—TOMS has made a lot of money and spawned myriad BOGO copycats, while Goods for Good acts as a conduit for companies to write off their losses as charitable giving. Yet both models are a form of dumping, which often harms local entrepreneurs and perpetuates the stereotype that the recipients are our dependents. The economic reality is that these organizations would foster greater social impact by investing time, energy and money in locally driven businesses and community initiatives.

The proprietors of these flawed models are well-intentioned people with a misunderstanding of poverty alleviation in developing countries. According to the New York Times, TOMS acknowledges that it is "not in the business of poverty alleviation," but you would never know that from its marketing campaigns, which exclaim, "Try the shoes that sparked a global movement to improve children's lives." Similarly, Goods for Good's website boasts, "you have known us as the organization that provides material resource to African communities. Now … we help these same communities generate their own resources." It is clear that both organizations are struggling to forge an internally consistent identity. At the center of this struggle lies an irreconcilable incongruity between viewing Africans as partners in economic growth and relegating them to the counterproductive stereotypes of the past.

To be fair, dumpers are not all bad. Goods dumped in poor countries do not always displace existing local industry (although they certainly suppress the emergence of new industry). In the short term, kids do get shoes and school supplies, and to their credit, the dumpers have heard the chorus of criticism and attempted to make amends. TOMS, for example, is piloting a shoe manufacturing operation in Ethiopia, and Goods for Good has introduced a community enterprise program. Still, these efforts pale in comparison to the damage wrought by their continued dumping—TOMS has given away more than 2 million pairs of shoes globally, and Goods for Good claims to have distributed (mostly dumped) 1.4 million pens, 116,200 shoes and 23,000 school uniforms and other garments in Malawi alone.

However, successful marketing is the most insidious way in which these organizations inflict harm. When an investment banker returns home from work and sees his child wearing TOMS Shoes, the message is clear—Africa is not ready for my investment money. When a CFO authorizes the donation of excess goods to Goods for Good, she is propagating the myth that Malawians are too poor to buy consumer goods. Surveys of American companies confirm this bias.

Widespread poverty reduction will occur in Africa, as it has in China, only when investors see business value and trade flows increase. Many companies are investing in Africa at a frenetic pace. But by choosing a dumping approach that inherently perpetuates the stereotype that Africans are needy and disempowered, organizations like TOMS and Goods for Good are hurting local economies and discouraging the influx of business stimuli that Africa really needs. Game-changing growth and development will come from robust trade and investment, not handouts.

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