

Business and the Millennium Development Goals: The Business Challenge Africa

Background Paper to the
11th International Business Forum
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Internationale Weiterbildung Capacity Building
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Business and MDGs

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Preface

The 11th International Business Forum takes as its starting point the fact that success or failure of the Millennium Development Goals (MDGs) will be decided in Africa, and that business is central to ensuring the outcome is indeed one of success.

InWEnt - Capacity Building International, Germany, and the World Bank Institute, along with our partners, the United Nations Development Programme, the UN Global Compact and the Africa Association of German Business, are convinced that a new approach is needed to meet this challenge.



This new approach must take, as its starting point, the central role that the diverse business sector in Africa has to play in accelerating progress towards the MDGs - above all, through its contribution to economic growth, but also through its core business operations.

Critically, this points to the priority that must be given to creating a vibrant private sector and accelerating growth, as well as to enabling the private sector to better understand and scale up its

positive core business impacts, including through collective action.

The conference focuses on three themes.

First, it looks at the role of businesses and individuals in the Diaspora. Under the heading "New Network Potential", the conference explores how to harness the vast potential of the Diaspora for economic growth, business development and achievement of the MDGs. Key conference questions include: *how can the framework be improved for remittances; how can the potential "brain gain" benefits of migration be facilitated, and how can the Diaspora's efforts be effectively co-ordinated?*

Second, the conference focuses on one of the primary drivers of growth - international trade, with a specific focus on South-South economic relations. Under the heading "New Economic Structures", the conference examines the growing importance of these relations and asks *how can business leverage the opportunities that arise from them?*

And third, the conference - under the heading "New Economic Infrastructure" - looks at the other primary drivers of growth - the *investment climate and infrastructure*. Also under this heading, we explore the interaction of *core business and the MDGs*, looking in particular at innovative business models that are being successfully used in the African market.

This Report provides a background to the issues, challenges and opportunities within each of these themes. It focuses on the business perspective - based on interviews with businesses and published

Preface

surveys. In particular, a set of 20 companies - all of whom have been pioneering in the application of their core businesses to meeting the MDGs - provided thoughts and insights on the key issues.



The goal of the Forum is three-fold: First, to showcase a more positive, i.e. a more realistic scenario of the business opportunities and connected development prospects, without neglecting the huge challenges that lie ahead. Second, to enable business-to-business learning through intense discussion and exchange among the delegates, thereby facilitating business partnerships and cross-sectoral partnerships. Third, to send a signal to the various policy-making processes related to African development that are imminent.

We would like to thank the authors of this background paper for giving an excellent introduction into the topics that will be addressed during the Forum (in Section 1). Moreover, our thanks go to the companies featured in Section 2, that provided our authors with their innovative and inspiring examples. Delegates to the 11th International Business Forum will be able to meet many of those companies soon in Bonn.

We wish all delegates a successful meeting, interesting new contacts, fruitful and open discussions and not least a pleasant stay in the city of Bonn.

Erich Süßdorf
Chairman
11th International Business Forum

Jochen Weikert
Project Manager
InWEnt - Capacity Building International,
Germany

Section 1: Challenges and Opportunities

Section 1.1: Background and Context

"We reaffirm our commitment to address the special needs of Africa, which is the only continent not on track to meet any of the goals of the Millennium Declaration by 2015, to enable it to enter the mainstream of the world economy."

UN General Assembly, UN World Summit Outcome Document, 14-15 September 2005¹

The Millennium Development Goals and Africa

With less than ten years to go, the challenge of meeting the internationally-agreed goals for poverty reduction - the Millennium Development Goals (MDGs) - is largely a sub-Saharan African one². And it is a challenge - described as "staggering" in the latest UN review³ - that can only be met by bold action and fresh thinking.

At the heart of this, must be a clearer understanding of the role of business. What the MDGs means for business. But critically, too, what business means for the MDGs. The 11th International Business Forum, hosted by the World Bank Institute and InWEnt, in partnership with the United Nations Development Programme, the UN Global Compact and the Africa Association of German Business, focuses squarely on this issue. This document has been commissioned to look at the key conference themes from a business perspective.

In 2000, in an unprecedented show of shared vision, the world's leaders agreed to a set of 8 goals to be met by 2015 - covering poverty, health, education and the environment.⁵ A year ago, the UN General Assembly gathered again to reaffirm the importance of these MDGs as a framework for action.⁶ The 10th International Business Forum, in its message to world leaders at the time, underlined the "importance of the role of business in promot-

ing development and...the benefits for business and government to work together to promote peace and development"⁷.

Business Viewpoint

"How can business help? Well, by far the greatest contribution business can make to development is through the very act of running its business".






Graham Mackay, CEO, SABMiller plc⁴

African governments have integrated the MDGs within their development strategies⁸, and are well aware of the scale of the task ahead of them⁹. But while the challenges are real, there are also important successes that must be recognised, celebrated and learnt from. All too often, an overly pessimistic view is taken of Africa - yet the business community is well aware of its strengths and enormous potential.

Most of North Africa is on track to meet the MDGs, and even within sub-Saharan Africa there are clear signs of progress¹⁰. Growth figures have also been encouraging, with the African economy expected to grow by 5.8 % this year and 5.5 % next¹¹. Table 1 provides, for each of the MDGs and its targets, an overview of the picture across sub-Saharan Africa and lists those countries on track to meet them.

Section 1: Challenges and Opportunities

Table 1: The MDGs and Africa

GOAL 1: ERADICATE EXTREME POVERTY & HUNGER						
<p>Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 a day.</p>	<p><i>Status in sub-Saharan Africa (SSA)</i>¹²: There has been a small fall in the poverty rate, but the number of people living in extreme poverty has increased by 140 million - making it the only region in the world where numbers have risen. At current trends, the region as a whole is unlikely to meet this goal. The 2015 poverty rate is projected to be over 38% - well above the target of 22.3%.</p> <p><i>Proportion of people living on less than US\$1 a day (%):</i></p>	<p><i>Countries likely to achieve the targets:</i>¹³ Algeria, Botswana, Burkina Faso, Cameroon, Egypt, Ghana, Lesotho, Libya, Mauritius, Morocco, South Africa, Tunisia, Uganda</p>				
 <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>1990</td> <td>44.6</td> </tr> <tr> <td>2002</td> <td>44.0</td> </tr> </table>			1990	44.6	2002	44.0
1990	44.6					
2002	44.0					
<p>Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.</p>	<p><i>Status in SSA</i>: SSA has made real progress in recent years, notably in the Gambia. However, the number of people suffering from hunger across the region is rising.</p> <p><i>Proportion of people living with insufficient food (%):</i></p>	<p><i>Countries likely to achieve the targets:</i> <i>Child malnutrition</i>: Botswana, Chad, Egypt, Gambia, Mauritania, Sudan, Tunisia <i>Overall undernourishment</i>: Algeria, Angola, Egypt, Ghana, Libya, Malawi, Morocco, Tunisia</p>				
	 <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>1990-92</td> <td>33.0</td> </tr> <tr> <td>2001-2003</td> <td>31.0</td> </tr> </table>		1990-92	33.0	2001-2003	31.0
1990-92	33.0					
2001-2003	31.0					
GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION						
<p>Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.</p>	<p><i>Status in SSA</i>: Progress has been made, notably in Niger, Guinea, Ethiopia, Mozambique, Benin and Rwanda. But some countries are falling behind. In Burkina Faso, Djibouti, Eritrea, Ethiopia, Mali and Niger under half the children of primary-school age are enrolled in school.</p> <p><i>Net enrolment ratio in primary education (%):</i></p>	<p><i>Countries likely to achieve the targets:</i> Algeria, Botswana, Cape Verde, Egypt, Gabon, Mauritius, Namibia, Rwanda, Saô Tomé & Príncipe, Seychelles, South Africa, Togo, Tunisia, Zimbabwe</p>				
 <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>1990/91</td> <td>53.0</td> </tr> <tr> <td>2003/04</td> <td>64.0</td> </tr> </table>			1990/91	53.0	2003/04	64.0
1990/91	53.0					
2003/04	64.0					
						

GOAL 3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN

Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.

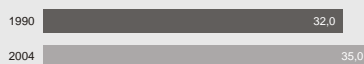
Status in SSA: The primary completion rate for girls is more than 15 per cent lower than that for boys. Only 30 per cent of girls go to secondary school. Mauritania has been one of the success stories, raising the primary enrolment ratio for girls from 39% in 1990 to 85% in 2001. The level of access to education for females in Central and West Africa is below the SSA average. Significant inequalities remain for women in the labour market in SSA.

Share of women in non-agricultural wage employment (%):

Countries likely to achieve the targets:

Primary level education: Botswana, Lesotho, Mauritius, Namibia, Rwanda, Swaziland, Zimbabwe.

Secondary level: Algeria, Botswana, Lesotho, Libya, Namibia, Tunisia, Rwanda.



GOAL 4: REDUCE CHILD MORTALITY

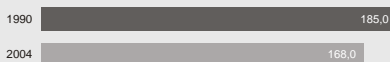
Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Status in SSA: SSA, with only 20 per cent of the world's young children, accounted for half of the total deaths in 2004. Child mortality rates have been rising in those countries impacted by conflict or HIV/AIDS - Central African Republic, Cote d'Ivoire, Rwanda, Botswana, Kenya, Lesotho, South Africa and Swaziland. Others have seen significant improvements in survival rates, partly reflecting expanded immunization coverage.

Under-five mortality rate per 1,000 live births:

Countries likely to achieve the targets:

Algeria, Cape Verde, Egypt, Libya, Mauritius, Morocco, Seychelles, Tunisia. Also Madagascar¹⁴.



GOAL 5: IMPROVE MATERNAL HEALTH

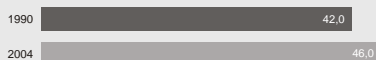
Target 6: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.

Status in SSA: There has been little improvement in this area.

Share of deliveries attended by skilled health care personnel (%):


Countries likely to achieve the targets:

Algeria, Botswana, Cape Verde, Egypt, Gambia, Libya, Mauritius, Morocco, Tunisia.



Section 1: Challenges and Opportunities

Table 1: The MDGs and Africa

GOAL 6: COMBAT HIV/AIDS, MALARIA & OTHER DISEASES								
<p>Target 7: To have halted by 2015 and begun to reverse the spread of HIV/AIDS.</p>	<p><i>Status in SSA:</i> With just over 10% of the world's people, the region accounts for 64% of HIV-positive people and 90% of children (under 15) living with the virus. 7 out of every 100 adults are living with HIV/AIDS - the rate is worse in Southern Africa. 12 million children in SSA are orphans. Around 59% of HIV-positive adults in SSA are women. HIV prevalence among people aged 15-49 appears to be levelling off, though at high levels (because nearly as many people die as get the infection). Some countries are showing signs of success, notably Zimbabwe and Botswana.</p>	<p><i>Countries likely to achieve the targets:</i> Algeria, Botswana, Egypt, Libya, Morocco, Tunisia, Uganda, Zimbabwe.</p>						
<p>Target 8: To have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.</p>	<p><i>Status in SSA:</i> The number of tuberculosis cases is growing, with the fastest increases in SSA.</p> <p><i>Number of new tuberculosis cases per 100,000 population (excluding people that are HIV-positive):</i></p>	<p><i>Countries likely to achieve the targets:</i> <i>Malaria:</i> Algeria, Benin, Cameroon, Central Africa, Comoros, Egypt, Gambia, Guinea-Bissau, Kenya, Libya, Morocco, Tunisia, Rwanda. <i>Tuberculosis:</i> Algeria, Angola, Egypt, Gabon, Gambia, Libya, Madagascar, Morocco, South Africa, Swaziland, Tunisia, Zambia.</p>						
	 <table border="1"> <thead> <tr> <th>Year</th> <th>Number of new tuberculosis cases per 100,000 population</th> </tr> </thead> <tbody> <tr> <td>1990</td> <td>148.0</td> </tr> <tr> <td>2004</td> <td>281.0</td> </tr> </tbody> </table>	Year	Number of new tuberculosis cases per 100,000 population	1990	148.0	2004	281.0	
Year	Number of new tuberculosis cases per 100,000 population							
1990	148.0							
2004	281.0							
<p>Malaria is still the biggest killer, particularly among children. In only four years (1999-2003) the distribution of insecticide-treated mosquito nets increased 10-fold in SSA.</p>								
GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY								
<p>Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.</p>	<p><i>Status in sub-Saharan Africa (SSA):</i> Rapid deforestation continues in SSA as in other regions. 60% of Africa's energy demand is met by forests.</p> <p><i>Proportion of land area covered by forests (%):</i></p>	<p><i>Countries likely to achieve the targets:</i> Algeria, Cape Verde, Egypt, Gambia, Libya, Morocco, Swaziland, Tunisia.</p>						
	 <table border="1"> <thead> <tr> <th>Year</th> <th>Proportion of land area covered by forests (%)</th> </tr> </thead> <tbody> <tr> <td>1990</td> <td>29.3</td> </tr> <tr> <td>2005</td> <td>27.1</td> </tr> </tbody> </table>	Year	Proportion of land area covered by forests (%)	1990	29.3	2005	27.1	
Year	Proportion of land area covered by forests (%)							
1990	29.3							
2005	27.1							
<p>Malaria is still the biggest killer, particularly among children. In only four years (1999-2003) the distribution of insecticide-treated mosquito nets increased 10-fold in SSA.</p>								

Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.

Status in sub-Saharan Africa (SSA): Access to sanitation has improved in SSA, as in most other developing country regions. But there is still a long way to go to reach the target of 66%.

Proportion of population using improved sanitation (%):



Countries likely to achieve the targets:

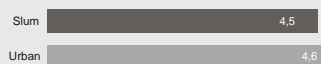
Safe drinking water (rural): Algeria, Botswana, Burundi, Egypt, Gambia, Ghana, Malawi, Mauritius, Namibia, South Africa, Tanzania.

Sanitation (urban): Algeria, Egypt, Ghana, Libya, Mauritius, Morocco, Tunisia.

Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum-dwellers.

Status in sub-Saharan Africa (SSA): SSA is the world's most rapidly urbanising region, with almost all of this growth in slums.

Annual growth of urban and slum populations (1990-2001):



GOAL 8: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT

Target 12: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system.

Target 13: Address the special needs of the least developed countries.

Target 14: Address the special needs of landlocked countries and small island developing states.

Target 15: Deal comprehensively with developing countries' debt.

Target 16: In co-operation with developing countries, develop and implement strategies for decent and productive work for youth.

Target 17: In co-operation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.

Target 18: In co-operation with the private sector, make available the benefits of new technologies, especially information and communications.



Section 1: Challenges and Opportunities

The International Policy Context

"This is a moment of opportunity for Africa".

*G8 Summit Statement on Africa, Gleneagles, July 2005*¹⁵

2005 was an ambitious, policy-packed year for Africa (Table 2). The outcome has been a series of significant commitments, including:

- the decision to double aid by 2010 - an extra US\$ 50 billion, including US\$ 25 billion for Africa¹⁶;
- a new Multilateral Debt Relief Initiative¹⁷ that will cancel around US\$ 50 billion of debt for poor countries, mostly in Africa, cutting total annual debt service payments by about US\$ 1 billion. For Uganda, it cancels 80 per cent of its debt, and for Ghana, Tanzania and Zambia, 75 per cent;
- measures to promote growth, including US\$ 100 million for an Africa Investment Climate Facility¹⁸ to tackle key constraints to doing business, as well as an Infrastructure Consortium for Africa¹⁹ facilitate co-ordinated action by donors.

Clearly, the one area that would have most benefit for Africa - international trade - saw little progress,

and in July 2006, the Doha Trade Round of talks were suspended indefinitely²⁰ - to the severe disappointment of the business community. Differences on agricultural market access and domestic support were "too wide to bridge". According to Pascal Lamy, Director-General of the WTO, "failure of this Round [is]...a blow to the development prospects of the more vulnerable Members, for whom integration in international trade represents the best hope for growth and poverty alleviation. This is why it is called 'the development round': it is intended to be a contribution to the MDGs".

Aside from reviewing progress on existing international commitments, there was little emphasis on Africa during the Russian 2006 G8 Presidency²¹. For China, however, as discussed later, 2006 has been the year of Africa. It is generally expected that next year, under its G8 Presidency, Germany will once again include a G8 focus on Africa within the broader context of the global economy.

The African Policy Context

Within Africa, the African Union (AU) has been taking a lead in promoting development across the continent. At the 5th AU Summit, in July 2005, the AU issued a declaration on the MDGs that, among other points, stated: "We resolve to...redouble our

efforts at the national, regional, continental and international levels and to strengthen interstate cooperation and joint activities toward meeting the MDGs by the target deadline" (Table 3).

Table 2: 2005 - the Year of Africa

<p>UN Millennium Project www.unmillenniumproject.org <i>January 2005</i></p>	<p>Headed by Jeffrey Sachs, the UN Millennium Project's Report "Investing in Development A practical Plan to achieve the Millennium Development Goals" includes recommendations to invest in essential public services such as health, education and infrastructure, underpinned by MDG-based national poverty reduction strategies, and scaled-up international aid contributions.</p>
<p>Commission for Africa www.commissionforafrica.org <i>March 2005</i></p>	<p>The Commission for Africa was launched in February 2004 to provide "a coherent set of policies to accelerate progress towards a strong and prosperous Africa". The Report, which informed the G8 Summit in Gleneagles, included recommendations on trade, governance, infrastructure, investment climates, enterprise, employment, peace and security, health, education, debt relief and aid.</p>
<p>G8 Summit, Gleneagles www.g8.gov.uk <i>July 2005</i></p>	<p>The 2005 G8 Summit placed Africa centre stage and set out a package of measures to accelerate progress towards the MDGs. These included extra resources for Africa's peacekeeping forces, support for governance and transparency, investment in health and education, and initiatives to boost growth, focusing on the investment climate, trade capacity and infrastructure.</p>
<p>UN World Summit www.un.org/summit2005 <i>September 2005</i></p>	<p>Following the opening of the 60th session of the UN General Assembly, Heads of State and Government met for the 2005 World Summit. A key outcome was a strong reaffirmation of the MDGs. All developing countries committed to put in place, by 2006, national plans for achieving the MDGs. The Summit also reaffirmed key Gleneagles commitments on aid, health, education and conflict.</p>

Table 3: African priorities for meeting the MDGs (5th AU Summit, 4 and 5 July, 2005)

Peace and Security	Strengthen regional and continental mechanisms to ensure they play a central role in bringing about peace, security and stability. Prioritization and allocating of more resources to conflict prevention and post-conflict reconstruction and peace-building with the aim of a conflict-free Africa by 2010.
Governance	Deepen transparency and effective participatory forms of governance and strengthen democratic institutions and processes. Urge all Member States of the Union to join, as a matter of priority, the "African Peer Review Mechanism" (APRM) as soon as possible and to strengthen the APRM process.
Trade	Mainstream trade policy into national development strategies. Call on the international community to establish a fair and equitable trading system and to facilitate Africa's access to their markets. Eliminate tariff and non-tariff barriers, and trade distorting subsidies. Increase support for trade capacity building.
Economic Development	Adopt employment-oriented, poverty reduction strategies, especially for youth. Promote the private sector, with particular emphasis on small and medium-scale enterprises, and agriculture. Enhance the competitiveness of African economies. Increase investment in infrastructure.
Human Development	Improve access to quality education, health and sanitation. Invest in health systems including access to reproductive and sexual health services. Combat HIV/AIDS, Tuberculosis, Malaria and other diseases. Design social protection programmes. Promote ICT and invest in science and technology.
Gender	Mainstream gender into national development strategies and in particular, address the persistent and high levels of poverty among women.
Environment	Prudent management of natural resources and the environment
Resources	Mobilize additional domestic resources for financing the MDGs. Call on the private sector in Africa to contribute more substantially to development on the continent and to efforts of meeting the MDGs. Urge the international community to fulfill commitments made in support of Africa.

Section 1: Challenges and Opportunities

Business and the MDGs

"It is the absence of broad-based business activity, not its presence, that condemns much of humanity to suffering. Indeed, what is utopian is the notion that poverty can be overcome without the active engagement of business".

Kofi Annan, *UN Secretary General*²²

Behind the growing consensus on the importance of business to the MDGs, is a debate about what this means in practice. In understanding the relationship, it is important to bear in mind two important points. First, for the large part, the private sector is actually made up of small-scale entrepreneurs and family farms. Nine out of ten jobs in developing countries are in the private sector²³. In short, the poor are the private sector: so eliminating poverty is inextricably linked to boosting local private sector development and entrepreneurship²⁴. A number of recent reports have focused their attention on the indigenous private sector, helpfully counterbalancing the popular focus on foreign multinationals - among them the World Bank's 2005 World Development Report²⁵ and the Reports of the UN Commission of Private Sector Development²⁶ and the Commission for Africa²⁷.

Second, in the midst of the noise of NGO campaigning and defensive corporate communications, the most important linkages between larger businesses and poverty reduction are often missed. The focus - within the framework of "corporate social responsibility" - is often either on large companies doing good (in the form of philanthropy, which in all but a few cases is unable to achieve the scale and sustainability needed²⁹) or avoiding doing bad (in the form of signing up to one or another of the myriad of international codes, which can shift the

focus and energy towards box-ticking, instead of outcomes). In fact, the most important and sustainable impact business can have is simply by doing what it does best: doing business.

Business Viewpoint

"It's fine for you guys to argue about increasing aid and wiping debts out - that will not develop Africa. That will only help ease the pain. What will develop Africa is investment, creating jobs, creating wealth. What we need is more business in Africa."

Mohamed Ibrahim
*Chairman, Celtel International*²⁸

The most important contribution, by far, that business makes to the achievement of the MDGs is through the central role it plays in generating economic growth. As the UN Economic Commission for Africa notes, achievement of the MDGs "will not happen unless there is sustained economic growth at a minimum level of 7 per cent - such growth will only come as a result of private sector efforts"³⁰.

Leaving aside the surprising fact that the MDGs make little reference to the private sector, the strategy for meeting them must be private-sector focused. Specifically, the emphasis should be on tackling the binding constraints on growth: putting

in place the right climate for business; investing in infrastructure; and facilitating international and regional trade³¹.

Aside from their contribution to economic growth and tax revenues, large businesses can directly contribute to poverty reduction through their core business in three important ways: by involving and supporting small enterprises in their value chains, either as suppliers or distributors of their products³², by generating quality employment opportunities³³, and by producing goods and services that meet the needs of low-income consumers at the so-called "bottom of the pyramid"³⁴.

For its part, the business community is developing a better understanding of the economic, social and environmental impacts of its core business, and there is now wide-spread recognition that core business must be responsible as well as profitable. There is a greater emphasis on sharing best practice, and increasingly, companies are working collectively with others to scale up the positive impacts of their efforts. And, importantly, the MDGs are providing a useful framework for doing this³⁵.

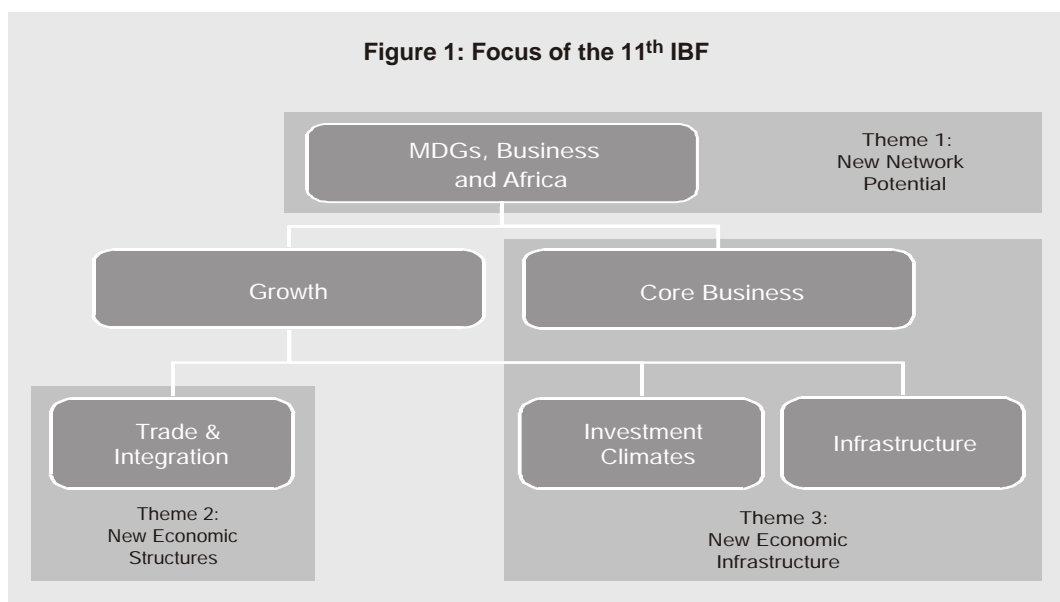
The 11th International Business Forum and this Background Paper

We have highlighted the two most important impacts that business has on the MDGs: through its contribution to economic growth, and through its core business (Figure 1). In Section 1.2, we look at these relationships from the perspective of business in the African Diaspora - the millions individuals of African origin that reside outside Africa. This is also the first of the three main themes of the 11th IBF: "New Network Potential". The conference will explore how to harness the vast potential of the Diaspora for economic growth, business development and achievement of the MDGs. Key conference questions include: *how can the framework be improved for remittances; how can the potential "brain gain" benefits of migration be facilitated, and how can the Diaspora's efforts be effectively coordinated?*

In Section 1.3, we look at one of the primary drivers of growth - international trade, with a specific focus on South-South economic relations. This is the second theme of the IBF: "New Economic Structures". The importance of South-South trade and investment has been growing remarkably in recent years. The conference assesses and shares knowledge of these trends from the perspective of the MDGs. A key conference question is: *how can business leverage the opportunities arising from South-South economic relations?*

In Section 1.4, we look at the other primary drivers of growth - the *investment climate* and *infrastructure*. The conference will explore innovative local solutions as well as multi-stakeholder infrastructure approaches. In this Section, we also take a

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closer look at the interaction of *core business and the MDGs*, highlighting a number of fascinating examples. The conference will elaborate on sustainable value chain management and bottom of the pyramid approaches that suit African markets. Together, the topics of investment climates, infrastructure and core business make up the third theme of the conference: “New Economic Infrastructure”.

Throughout, our report is informed by the views of businesses operating in Africa. In particular, we have taken the views of a set of businesses who themselves have been pioneering in applying the power of their core business to achieving the MDGs (Section 2).

Section 1.2: “New Network Potential”

“Efforts to draw on and benefit from the expertise of Africans in the Diaspora must be stepped up alongside work to improve skills, knowledge and experience at home.”

Thirty-Eighth Session of the Commission/Conference of African Ministers of Finance, Planning and Economic Development, Abuja, Nigeria, 15 May 2005.

An estimated 3.6 million Africans in the Diaspora have the potential to contribute to the achievement of the Millennium Development Goals, directly and indirectly. The African Union, in recognition of this, has designated the Diaspora as a “sixth sub-region” of Africa. This is against the background of an up-surge in interest in the opportunities presented by migration, including the UN General Assembly's decision to devote part its session in September to a High Level Dialogue on International Migration and Development³⁶.

Remittances

Remittances to the continent, through formal channels, amounted to US\$ 14 billion in 2004, with Egypt, Morocco and Nigeria being the largest recipients³⁷. In some countries remittances can be higher than international aid: in 2003, recorded remittances to Ghana - around US\$ 1 billion³⁸ - were about the same as aid flows and more than the country earned from cocoa, its largest export³⁹. And these figures vastly underestimate the total: additional large transfers are made through informal channels. In Uganda this can be as much as 80 per cent of the total amount⁴⁰. Only two thirds of African countries and in the case of Sub-Saharan Africa only one third of the countries actually report remittance data⁴¹.

Diaspora remittances and the resulting income multipliers are becoming critical resources for both the sustenance strategies of receiving households and as agents of local and national development⁴³. In a recent study in Zimbabwe, remittance flows (primarily informal) were found to act as an unofficial system of social welfare for recipients, in an environment where state support is lacking⁴⁴. The same study documents the negative impact for those in the community who do not receive remittances - not only do these people not receive the critical financial support, but the overall flow of remittances pushes up prices in local markets.

Remittances are associated with increased investment by households in education, health and entrepreneurship⁴⁵. Evidence suggests that migrants are setting up enterprises - through remittances and on their return. A survey of small firms in Mexico, found that remittances account for 20 per cent of total capital invested in urban micro-enterprises⁴⁶. Governments have begun to explore policies for increasing the flow of remittances (through formal channels) and encouraging investment in productive activities. While formal remittance flows to Africa, as a share of their GDP, are higher than other regions, in cash terms, Africa receives the least. Within the African total of US\$ 14 billion in 2004, sub-Saharan Africa only receives US\$ 6.1 billion out of a global total of US\$ 126 billion⁴⁷.

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For those countries on the receiving end of remittances, the priority should be improving the investment climate. As with all forms of investment, factors such as policy uncertainty, macro-economic infrastructure, infrastructure weaknesses, tax rates and corruption, are key constraints on investment. This is explored in Section 1.3 of this report. Related to this, overvalued exchange rates increase the cost of remittance transactions - tackling this was part of the Philippine Government's strategy. Specific regulatory burdens can also pose a problem, such as the burden of documentation for small transfers.

Business Viewpoint

"A lot of the MDGs would automatically get addressed by creating employment across the continent. The Diaspora could support the creation of agriculture-related small and medium enterprises, which would generate rural wealth".

M D Ramesh

Regional Controller, East & Southern Africa, Olam International⁴²

Some countries have also experimented with specific incentives - such as tax exemptions or help in accessing finance. The latter may include encouraging the expansion of banking networks, allowing domestic banks from origin countries to operate overseas or extending financial services to previously "unbanked" poor people. Developments in technology and electronic payments offer cheap and convenient ways to remit money. Visa International is currently looking at the opportunities for using its VisaNet system to enable people to transfer money to other individuals. Accelerating the introduction of pro-poor electronic accounts and

using mobile technology for remittances would increase the flow of remittances, especially small amounts. Mobile operators suggest a 4 per cent transaction cost for international remittances against a current cost of 12 per cent⁴⁸.

Asian countries have had significant success in attracting remittances. China has worked to attract direct investment and open trade opportunities through overseas Chinese communities. It is estimated that about half the US\$ 48 billion in FDI that flowed into China in 2002 originated with the Chinese Diaspora⁴⁹.

The Indian Diaspora's contribution towards investment flows has been well documented. India established high-level 'investor relations' offices that allows expatriates to bypass bureaucratic red tape associated with large-scale investment. In 1998, the Indian Government launched a sale of "Resurgent India Bonds", 5-year bonds guaranteed by the State Bank of India, available only to non-resident Indians (NRI). To make the bonds attractive, the interest rate was set at 2 per cent higher than US bonds, they could be redeemed in US dollars or German Marks and were exempt from Indian income and wealth taxes. In just over two weeks, NRIs purchased more than US\$ 4.3 billion worth. Another bond issue in 2000, the India Millennium Deposits, raised over US\$ 5.5 billion.

The Philippine government has also created incentives including tax breaks and privileged investment options for its Diaspora. LINKAPIL channels both financial and in-kind donations to projects that support education, healthcare, small-scale infrastructure and livelihoods. Contributions in 2003 amounted to more than US\$ 1 billion. PHILNEED

provides information on projects that need support from the Diaspora.

Mexico also provides an instructive example. In Mexico, where in 2004 remittances were approx US\$ 17 billion⁵¹, specific incentives are provided to hometown associations (HTA). These groups pool remittances to fund hometown development projects and are based on social networks from the same rural community⁵². HTA's are key to the "Tres por Uno" programme (Three for One), where each dollar from the HTA for a development project for civic improvement is matched by the local, state and federal governments.⁵³

A recent survey by the International Organisation for Migration (IOM) indicated that very few African countries offer financial packages to attract remittances from Diasporas. Less than 10 per cent offer special bonds, while less than 35 per cent provide tax exemptions. In some countries, such as Mali, tax exonerations are available to investors from Diasporas for the creation of enterprises. Pro-Diaspora policies have also led to an improvement in investments made by the Diaspora in Cape Verde. Recently, a Kenyans Abroad Investment Fund (KAIF) was announced as an initiative of the Kenyan Community Abroad (KCA). The fund aims to amalgamate remittances into a single package that will save members the 10-15 per cent that they currently pay to third parties. It also aims to provide Kenyans abroad a channel through which they can plan their retirement by investing in Kenya rather than their host countries. The Government of Mali has created facilities to transfer funds which have been identified as conducive to the Diaspora's increased involvement in development issues. Rwanda has a pro-Diaspora policy that has been

considered to be very successful⁵⁴. A number of initiatives are also emerging to create broader funds that facilitate investment, such as the UK-based *African Investment Advisory Council's* African Diaspora Fund.

Business Viewpoint

"The Diaspora was considered during the process of drafting the South African Financial Sector Charter. Enterprise development, highlighted in the Charter, requires help with seed capital, practical support through advisory services, business planning, finance and mentoring from established businesses.

"The Diaspora could help by partnering with a new venture...making them a distributor, intermediary or representative in country. The Diaspora might import products from such small firms and make them sustainable. There could be a process of sharing business skills and experience".

Adam Samie
CEO, *Lion of Africa Insurance Company*⁶⁰

In an attempt to increase the developmental impact of remittances, the Government of Ghana recently announced a policy to tax part of migrant remittances to pay for the costs of physical and social infrastructure. This has drawn criticism - not only as it represents a tax on earned income that has already been taxed, but it may encourage greater use of informal channels⁵⁵.

In those countries that are the source of remittances, key policies have included initiatives to improve transparency and reduce costs. The UK Government's "Send Money Home"⁵⁶ initiative pro-

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vides comparative information on money transfer services, to help remitters make more informed decisions based on their requirements. There are already indications that it has contributed to falling costs. Aside from transparency, competition in the remittance market can be fostered by lowering capital requirements; opening up postal, banking, and retail networks to non-exclusive partnerships with remittance agencies; and allowing the participation of microfinance institutions and credit unions in providing low-cost remittance services.

African Diaspora groups often call for tax relief from source and / or destination governments to attract individual remittances, for example the concept of 'RemitAID'⁵⁷. These are along the lines of "Gift Aid" that exists for UK tax payers who donate through registered charities. However, reluctance by governments to go down this road reflects concerns over difficulties in monitoring payments to prevent tax evasion.

The Dutch government has been a pioneer among remittance-source countries in supporting Diaspora. Their IntEnt programme has been providing private equity to help Diaspora set up small businesses in their home country for the last ten years⁵⁸. France has also provided loans and technical assistance to migrants from Mali and Senegal.

A number of interesting partnerships have also emerged to drive forward action. The *UK Remittances Task Force* was created in 2006 with the aim of reducing barriers to remittance flows from the UK to developing countries⁵⁹. This industry task force consists of 16 banks, money transfer companies and industry associations⁶⁰. The private sector members agreed to promote changes in the

UK market for migrant remittances that include: greater transparency, more competitive markets, better informed customers, greater use of formal money transfer channels, better information for government and providers and more streamlined and better coordinated regulation of money transfers. Meanwhile, the *Inter-Agency Remittances Task Force*, which emerged from the DFID- and World Bank-supported remittances conference in October 2003, works with the private sector on reducing costs and improving access and research to improve the quality of remittance data.

Skills

The other side of the coin in the Diaspora discussion is the issue of skills lost through migration - the so-called "brain drain". The United Nations Commission for Trade and Development estimates that each professional leaving Africa costs the region US\$ 184,000 or US\$ 4 billion in total a year⁵¹.

However, since the late 1990s a new line of thinking has been emerging. This recognizes that global links, in this era of globalization, may be more important than the human capital "stock" in a particular country. That is, a professional could contribute more value to the home country by living overseas than by returning permanently⁶³. The importance of "social remittances" - the transfer of ideas, ways of doing things and a sense of belonging between migrants and their home communities - has also evolved. Migration increases the speed and likelihood of the transfer of new skills, ideas, attitudes and technologies through people. The Diaspora can therefore reverse the negative effects

of migration through “brain gain”. Whether on balance this can be successful, depends to some extent on the *rate* of skills loss, with the health sector cited as an example of where high levels of migration have resulted in severe shortages of health professionals in Africa⁵⁴.

Business Viewpoint

“I knew that whatever I learned would be much more useful in Uganda than in economies that were more developed”.

Andrew Rugasira

Chairman, Rwenzori Coffee Company, which secured the first contract ever for an African coffee producer to supply direct to a British supermarket.ny⁶²

African governments are starting to adopt a more positive attitude towards the Diaspora. Two notable examples are Rwanda and Mali, which both have active programmes. Above all, the priority must be about generating growth and economic opportunities: this will, after all, deal with the root cause of why people leave in the first place.

Again, Asian countries have been at the forefront of addressing this issue. Taiwan pursued a “brain trust” model, focused on attracting human capital from the Diaspora. The Hsinchu Industrial Park attracted more than 5,000 returning scientists in 2000 alone. Overseas Chinese Professionals (OCPs) have become a special constituency of the Chinese government. There are nearly 20 specific policies in place and numerous programmes have been initiated to facilitate their return and enable them to establish contacts with their motherland. The Philippines' Brain Gain Network (BGN) has helped to create companies in the Philippines, provided consulting

services to Filipino corporations and encouraged foreign companies to set up Philippine branches. At the international level, there a number of interesting initiatives that aim to tap into the Diaspora's human capital without the need for a permanent physical relocation. The International Organisation for Migration's (IOM) programme *Migration for Development in Africa*⁶⁶ targets African professionals, experts and entrepreneurs from the African Diaspora who are willing to contribute their skills. It emphasizes the importance of temporary, periodic returns or even “virtual” returns, such via telephone, video conferencing, e-working and e-teaching. IOM has also initiated the Migration Dialogue for Southern Africa and the Migration Dialogue for West Africa to strengthen governmental capacity to manage migration.

UNDP has also been active, with its *Transfer of Knowledge Through Expatriate Networks* (TOKTEN) project. This involves facilitating temporary returns by expatriate researchers for short-term consultancies or fellowships in their home country.

International companies and civil society organisations are also taking an active interest in this issue. For both SABMiller and Diageo, professionals in the Diaspora represent an important talent pool when they are seeking to fill vacancies in Africa. One major international company that we spoke to highlighted the need for better information - such a database of qualified African professionals working across the world, developed in conjunction with global executive head hunters. Meanwhile, an interesting initiative - the African Diaspora Volunteering Initiative - has been developed by the Centre for African Policy and Peace Strategy and Africa Recruit, with support from VSO.⁶⁷

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Section 1.3: “New Economic Structures”

“If other countries are reluctant to open up their markets to Africa, let us do it for ourselves. Let neighbouring countries buy more from and sell more to each other. If our Regional Economic Communities (REC) remove their respective internal trade barriers, rationalize their operations and dismantle barriers that prevent one REC from trading with another, then they would have made a giant leap in the direction of an African Economic Community”

Abdoulie Janneh, UN Under-Secretary General and Executive Secretary of ECA⁶⁸

“This year can be called China’s Year of Africa. China released its White Paper of African Policy in January. Chinese President Hu Jintao and Premier Wen Jiabao visited some African countries in April and June respectively. In November, the Forum on China-Africa Cooperation will be held in Beijing. As a result, China’s relations with Africa attract much attention and debates. Some believe China presents a global economic opportunity not seen since the rise of US in the early 20 century while some others think Chinese manufacturing power poses a great threat to local industry.”

Press officer, Chinese Embassy in South Africa, 21 August, 2006⁶⁹

There has been a surge in interest in South-South economic relations. The suspension of the Doha trade round, and the dramatic emergence of China as a major player in the continent, have shifted the public spotlight firmly onto the issue. How Africa takes full advantage of the opportunities and manages the risks is critical to its progress on the MDGs.

The Scale of South-South Economic Relations

Capital flows among developing countries have increased rapidly in the past few years. Statistics show that South-South trade is expanding more quickly than North-South trade⁷². For Africa, nearly half of all investment in the continent is from emerging markets, demonstrated in a recent survey

of over 1200 companies operating in Africa’s non-resource sectors. Of the 15 African countries that were surveyed, 54 per cent of foreign investment was from developed countries while 45 per cent was from developing countries⁷³. South Africa has emerged as a particularly important investor in the region (Box 1).

Business Viewpoint

“[China] has emerged as this powerhouse... It has fundamentally changed the balance of demand around the world. It is now taking 20 to 30 per cent of many of the world’s mined products. So it is an enormous factor. The growth is continuing in China and looks like it is set to continue”

*Tony Trahar
CEO, Anglo American plc⁷¹*

Box 1:
South African Investors on the Continent⁸⁵

Since its political transition in 1994, South Africa has emerged as one of the five largest investment players on the continent along with France, the Netherlands, the United Kingdom and the United States. A three-year study conducted by the Business in Africa Research Programme of the South African Institute of International Affairs (SAIIA) has focused on the expansion and involvement of South African companies in the region.

The research has found that South Africans set themselves apart from other investors in their willingness to invest in areas outside the extractive sector, the sector that traditionally attracts the most investment on the continent. Instead, they have also moved aggressively into retail, telecommunications, tourism, property, franchising and finance alongside mining.

For example, 10 South African retail groups are active in the region of which Shoprite Checkers has emerged as the biggest player on the continent, with a spread of over 600 retail outlets. In contrast, South African investment in agriculture and manufacturing is still fairly low. There is also significant parastatal investment: the South African electricity giant Eskom is involved in 33 African countries, making it the largest power utility in Africa and the rail operator Transnet, has managing contracts in 20 African countries. However, despite the significant entry of South African public utilities in the region, South African investment is also uniquely different from traditional investors in that it is strongly private sector-led.

The research covers 9 country studies covering Botswana, Egypt, Ghana, Kenya, Mali, Mozambique, Nigeria, Senegal and Zimbabwe.

A recent paper on foreign banking in developing nations⁷⁴ found that banks from 48 developing countries have already invested in other developing countries, with 27 per cent of foreign banks in developing countries owned by banks in another developing country.

Business Viewpoint

"I am also involved in a rural electrification programme using gasification technology. I have found that western technologies tend to be too sophisticated, complex and costly to maintain. The chosen technology has been transferred from India. The equipment is really simple to run - we can even make replacement parts locally"

Charles Gibrain, *founder Bionexx*⁸⁰

South-South Foreign Direct Investment (FDI) has increased significantly, from US\$ 14 billion in 1995 to 47 billion in 2003, while South-South trade has increased from US\$ 222 billion in 1995 to US\$ 562 billion in 2004⁷⁵. From 2000 to 2004, South-South trade grew at 17.6 per cent. The main areas of investment have been in services and extractive industries. These figures are against the backdrop of a new push to redefine the political and economic arrangements of South-South relations. Such relations present Africa, as other developing countries, with an opportunity to rely less on the North as a trade and development partner⁷⁶.

These relations offer other potential benefits too. Southern investors, with their experience of investing in developing country markets, are better able to understand and manage risk⁷⁷, and better able to adapt their business models to local conditions.

Section 1: Challenges and Opportunities

While firms from the North are usually of greater financial value and size, firms from the South tend to employ more people⁷⁸. For Southern companies, this understanding of how to operate successfully in complex business climates can translate into competitive advantage compared to Northern ones⁷⁹.

It is important to bear in mind, of course, that absolute volumes of South-South trade and investment remain small⁸¹. Developing countries hold only 20 per cent of global GDP and 26 per cent of world trade, even though they house the greatest majority of the population. In addition, the majority of South-South flows are within the same region - reflecting proximity, common languages amongst other similarities⁸². Strengthening of *inter*-regional trade remains important⁸³. South-South economic relations, while topical, are still underdeveloped⁸⁴.

The Enabling Factors for Developing South-South Relations

A recent analysis⁸⁶ describes four key enabling factors for promoting South-South capital flows. These reflect the fundamentals of any good investment climate.

- Economic: South-South trade appears to grow more rapidly in periods and regions that experience faster GDP growth rates. This is because investors are seeking competitive returns (assuming the investment is market seeking, rather than resource seeking);
- Political: Political stability within and among countries is important for promoting South-South trade, as well as growth. Good political relationships have been the catalyst for some of

the institutional commitments to South-South trade, such as IBSA (see below).

- Governing structures: This refers to the frameworks that can promote South-South trade, either multilateral or regional. Many Regional Trade Agreements have demonstrated increased levels of trade, particularly in their first decade. This is not true, however, for all Regional Trade Agreements, indicating that the structure and type of agreement matters. Action is also needed on South-South tariff barriers, some of which are as high as for North-South trade⁸⁷.
- Facilitation Factors: The quantity and quality of trade-related infrastructure will determine the extent to which investment and trade is forthcoming, once the political and economic climate is in place. The lack of these facilitation factors may play a large role in hindering further South-South trade, and skewing the greatest benefits towards the larger developing countries⁸⁸.

Africa has a long way to go in addressing these fundamental structures and institutions, even with regards to *intra*-African trade. It is estimated that the welfare gains from regional integration in sub-Saharan Africa, could be around US\$ 1.2 billion⁸⁹. At present the level of intra-African trade is low compared to other regions. Intra-regional trade as a share of GDP is only 5.3 per cent in sub-Saharan Africa, compared to 26.5 per cent in East Asia and Pacific⁹⁰. In taking this agenda forward, a major challenge is presented by the large number of overlapping regional economic groupings. Most regions have now put in place common external tariff structures, and the priority should be on moving further on encouraging trade and integration. To ensure that African countries are able to take

advantage of the opportunities of growing South-South trade, it is critical that they build their trade capacity. This means enhancing the domestic investment climate so that their businesses can grow and be competitive. And it means improving trade-related infrastructure and infrastructure services.

Business Viewpoint

“To encourage intra-African investments, economic and legal barriers within the sub regional blocks need to be removed. In addition, there should be a push towards economic and legal harmonization within these blocks as well as across the entire continent. For instance, excess bank capital and liquidity as a result of the recent Nigerian bank re-capitalization exercise should be able to flow freely to finance projects, for example, in Ghana, Gambia or Senegal”.

Krishna Patel
CEO Africa, HSBC Bank plc⁹¹

The Suspension of Doha and the Rise of South-South Coalitions

The Doha *Development Agenda*⁹² - as it is referred to - held out great promise for Africa and other developing countries. Significantly, for the first time the interests of developing countries were highlighted in a multilateral round of trade talks. The World Bank estimated that “a trade pact that dealt with the concerns of developing nations could boost growth and lift as many as 144 million people out of poverty by 2015”⁹³

Now, with the Doha Round of trade talks indefinitely suspended, there is a sense that South-South

links have become even more crucial. At a recent Summit of the Southern African Development Community (SADC), African countries were encouraged by UN Under-Secretary General and Executive Secretary of the ECA, Abdoulie Janneh (cited earlier) to use the Doha Round stalemate as an opportunity to increase intra-African trade for the sustainable development of the continent.

IBSA

IBSA (India, Brazil and South Africa) has been an important creation. Initiated in 2003 by leaders of three regional goliaths, India's Vajpayee, Brazil's Lula, and South Africa's Mbeki, IBSA formed part of a new approach to South-South cooperation at the UN General Assembly Forum. This trilateral agreement was based on prioritising the entrance of developing countries into the competitive world market and loosening bonds with the US and other rich nations. It also aimed to give a voice to the developing world in the Doha Round and facilitate delivery of the MDGs.

The coalition is held together by “common challenges of poverty alleviation, economic development and social equity”. IBSA makes up a population of 1.3 billion between the three countries, and US\$ 1.26 trillion⁹⁴. Bilateral trade with India has increased by 170 per cent⁹⁵ and with South Africa 86 per cent. Despite the progress that has been made, IBSA is still in its early stages of development and has yet to clearly define its objectives.

The benefit of the IBSA agreement is that both India and South Africa tend to offer a market seeking approach to investment, looking to increase the scope, quality and quantity of goods⁹⁶, rather than

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that of China (see below) which is more resource seeking and tends to have less of a direct knock on effect on development.

Africa - China Relations

The rise of China's importance in Africa sparks emotional responses - usually strongly positive or strongly negative. The reality - which it is perhaps too early to assess - is likely to be somewhere in the middle, varying on a case-by-case, investor-by-investor basis. For Africa, the priority must be understanding how best to take advantage of the opportunities while mitigating the risks.

One thing is clear: the significant increase in China's demand for energy (Africa provides 24 per cent of China's oil needs) and metal has boosted international prices and volume, and therefore had a positive effect on the value of African exports. China has also become a major trading partner for many African countries, thus allowing them to rely less on their Western partners. The increased demand for commodities, improved terms of trade and increased prices bring benefits for African exporters of commodities.⁹⁷

According to the Chinese Embassy in South Africa, "trade between China and Africa has quadrupled since the beginning of this decade. China is currently Africa's third largest trading partner after the US and France and second largest exporter to Africa after France. In 2005, China-Africa trade volume hit US\$ 39.8 billion, with China's imports from Africa totalling US\$ 21.1 billion"⁹⁸. Although it has interests across the continent - with over 700 companies operating in 49 African countries - its focus

has been on Sudan, South Africa, Mozambique, Angola and Nigeria. In Sudan, 13 of the 15 most important foreign investors are Chinese⁹⁹, while in 2004, around 67 per cent of its exports went to China¹⁰⁰. In Mozambique, where Chinese contractors are engaged in over a third of the road construction programmes, the Government has been enthusiastic about the quality of their work and the fact that they are around 25 to 50 per cent cheaper than their competitors¹⁰¹.

The Chinese Embassy also highlights the broader aspects of this new Africa-China partnership: "China has made its best efforts to address Africa's development plight. Over the years, China has completed some 900 projects of economic and social development in Africa, provided scholarships for 18,000 students from 50 African countries to study in China and sent 16,000 medical personnel to 47 African countries, who have treated 240 million patients. And over 3000 Chinese peacekeepers have been involved in peace-keeping operations in hot-spot areas in Africa"¹⁰².

China has had a long standing relationship with Africa. In the 1960s it invested significantly in supporting an independent Africa. In the 1990s, China increased aid to Africa. In 2000, a new forum - the Forum for China-Africa Cooperation (FOCAC)¹⁰³ - was jointly proposed and established by China and a number of African countries. It was set up on the basis of "equal negotiation, enhancing understanding, increasing consensus, strengthening friendship and promoting cooperation". Its purposes are to conform to the changing international situation, meet the requirements of economic globalization and seek co-development through negotiation and

co-operation¹⁰⁴. This has led to continuous political and non-governmental interaction between China and many African countries. In November, the Forum will come together in Beijing and will be attended by over 43 African countries. To date, China has established joint economic and trade committees with 35 African countries. It has also established an Asian-African Summit and the China Africa Business Council.

But the view of China's relationship with Africa is mixed. First, Chinese investment is usually resource-seeking rather than market-seeking; looking for cheap labour and raw materials. This may have a negative effect on employment promotion and exports and is the less desirable of the two types of investment. Combined with the fact that aid is tied, non-Chinese suppliers are excluded from tendering, limiting local employment opportunities¹⁰⁵. A second challenge - though not China-specific - is the one related to managing the windfall gains of the boom in commodity prices. As the African Economic Outlook 2005 / 2006 warns, these "will need to be managed carefully with a sizeable proportion used for investment in transport and other infrastructure and in human resource development to ensure sustained economic growth once the current commodity boom has run its course"¹⁰⁶. Third, the trade links, while enhancing consumer welfare by supplying cheap goods, do have competitive impacts, in some cases squeezing out domestic manufacturers. The impact of cheap Chinese textiles has been a high-profile issue in South Africa.

And fourth, while China's policy of "non-interference in other countries' internal affairs" has been seen by some as a refreshing and positive approach,

others see it as inappropriate in the context of fragile states, allowing countries to bypass pressures to promote better governance¹⁰⁸. Angola - which is generally regarded as having a poor governance record - has attracted substantial Chinese investment since early 2005. China Eximbank has provided US\$2 billion of loans for transport infrastructure, particularly in the mineral-rich region.

This clearly creates policy challenges for African countries, including development of their manufacturing sector; diversification of economic activity; careful management of the resource sector and use of the windfall gains; promotion of transparency in resource flows - particularly in the form of compliance with the Extractive Industries Transparency Initiative; promotion of vertical and horizontal linkages with other productive sectors; the development of productive capacity to respond to the opportunities presented by Chinese trade and investment, including through an effective domestic investment climate; and maintaining pressure on fragile states to pursue good governance practices.

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Section 1.4: "New Economic Infrastructure"

Economic Growth and the Climate for Business

"We, the Heads of State and Government of the African Union...[are] concerned that at the current growth rates, Africa is at risk of not attaining the MDGs...[We are] convinced that high and sustained economic growth is a necessary but not sufficient condition to reduce poverty".

AU Extraordinary Summit on Employment and Poverty Alleviation, 2004¹⁰⁹

Africa's success or failure in achieving the MDGs rests primarily on its ability to accelerate and sustain growth¹¹⁰. Estimates are that the continent must grow annually at 7 per cent¹¹¹. While many African countries have managed to achieve impressive growth¹¹², few have been able to sustain it for long enough at the levels required¹¹³.

Business Viewpoint

"If enabled to do so, it is the private sector that will create the jobs and wealth needed to reduce poverty. There are too many barriers to trade and enterprise in Africa - barriers caused by lack of infrastructure; by bureaucracy or corruption; by bad legislation; by lack of secure property rights or by an inability to raise capital".

Sir Mark Moody-Stuart
Chairman, Anglo American plc¹¹⁴

Fortunately, there has been a great deal of work done on the policies needed. Above all, governments need to put in place the environment that supports the entrepreneurial energy of Africa's diverse private sector¹¹⁵ - from small enterprises and family farms through to large domestic and

foreign companies. In practice, this covers a wide range of factors, including for example, regulations, taxes, finance, infrastructure and corruption¹¹⁶.

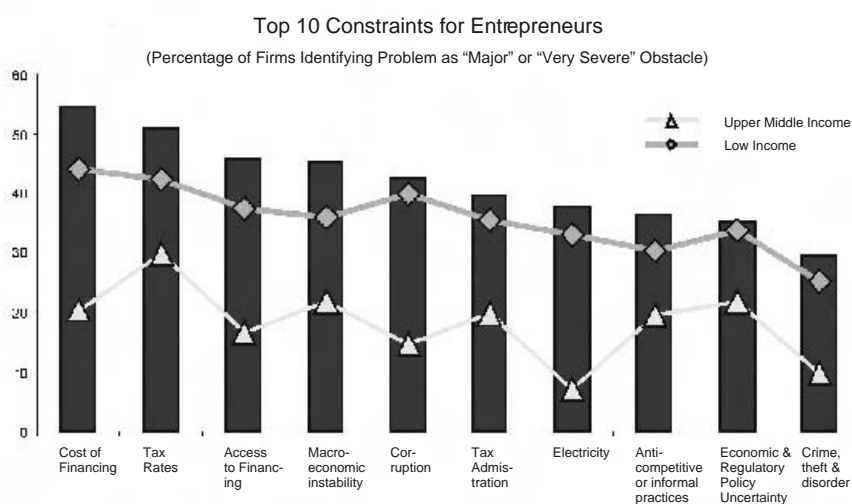
Alongside improving the investment climate, a priority must be enabling poor people to participate and benefit from growth. This means investing in health and education, rural infrastructure, micro-finance and secure property rights. The United Nations Millennium Project argues for a "big push" in public investments in health, education, rural development and other social sectors¹¹⁷. Importantly, many policies that are good for growth are also good for enabling poor people to engage, and vice versa.

The Investment Climate

An effective investment climate reduces costs, risk and uncertainty for enterprises, while ensuring broad social goals are met - such as by promoting effective competition¹¹⁸. Business perceptions of Africa's investment climate are set out in Figure 2. Overall, the 2006 World Bank *Doing Business* Report notes that "African nations impose the most regulatory obstacles on entrepreneurs"¹¹⁹. In São Tomé and Príncipe it takes 192 days to start a business, in the DRC, 155. In Zimbabwe the cost of starting a

Figure 2: Investment Climate Priorities in Africa (2002-2005)

The World Bank's enterprise surveys measure business perceptions of the investment climate. The graph presents the top 10 constraints as identified by firms in Africa benchmarked against the averages of the Low Income and the Upper Middle Income countries.



Source: Africa Regional Profile, Enterprise Analysis Unit, Financial and Private Sector Development Vice-Presidency, The World Bank. Based on data from the Enterprise Surveys for 12 countries conducted by the World Bank in 2002-2005. The benchmarks include the averages of the countries in the low income group and those in the upper middle income group.

business is equivalent to 1,443 per cent of income per capita, in Sierra Leone it is 835 per cent.

However, the World Bank's recently-published *Doing Business 2007: How to reform* demonstrates real progress: while Africa in the last two years was the slowest reforming region in the world, this year it is the third fastest, after Eastern Europe and the OECD high-income countries (see Box 2)¹²⁰. South Africa and Mauritius are among the world's top 30 places in terms of ease of doing business. There is considerable variation by country in the

quality of the investment climate - so that, for example, corruption is identified as a "severe" or "major" constraint by 73.8 per cent of senior managers in Kenya, whereas only 2.7 per cent list it in Eritrea¹²¹. In South Africa, relative few firms rated any of the constraints as "major" or "severe": the biggest issue was identified as "skills of available workers", with around 35 per cent highlighting it.¹²²

There is also considerable variation within countries¹²⁴. Businesses that source their inputs or sell

Section 1: Challenges and Opportunities

Box 2: Africa is reforming

The following abstract from the World Bank's *Doing Business 2007: How to Reform* paints a positive picture of reform in Africa.¹²³

Two-thirds of African countries made at least one reform, and Tanzania and Ghana rank among the top 10 reformers. In Côte d'Ivoire registering property took 397 days in 2005. Reforms eliminated a requirement to obtain the urban minister's consent to transfer property. Now it takes 32 days. Burkina Faso cut the procedures for starting a business from 12 to 8 and the time from 45 days to 34. Madagascar reduced the minimum capital for start-ups from 10 million francs to 2 million. Tanzania introduced electronic data interchange and risk-based inspections at customs. The time to clear imports fell by 12 days. Gambia, Nigeria and Tanzania reduced delays in the courts.

Since its start in October 2003, the *Doing Business* project has inspired or informed reform. Mozambique is reforming several aspects of its business environment, with the goal of reaching the top rank on the ease of doing business in southern Africa. Burkina Faso, Mali and Niger are competing for the top rank in West Africa...Mauritius [has] set a goal of reaching the top 10 on the ease of doing business by 2009

their products across borders are particularly concerned about customs administration and regional infrastructure. Large firms are better able to deal with unreliable electricity suppliers by bearing the costs of generators. Small firms find it harder to access finance and find corruption a particular burden. Rural enterprises face more severe infrastructure constraints. Informal enterprises do not face tax burdens, but without property rights find it difficult to access finance.

Business Viewpoint

"We are always hearing about the Asian tigers - what have we heard about Africa? African Lions? Most investors remain unaware of the past record and current opportunities because this information has not been made available to them".

Olayinka Fayomi
Editor of *FIN Magazine*¹²⁶

Perceptions of the investment climate are as important as the reality. All too often, Africa is seen as one country characterized by war and famine. A lack of in-depth knowledge results in an exaggerated view of the risks. In fact, many of the companies listed on African exchanges, more than 2,200 in 2002, generate high returns for their shareholders. In 2002, for example, the Johannesburg Stock Exchange (JSE) index showed an average return of 27.9 per cent calculated in US dollars, while the Abidjan exchange reached 27.4 per cent, Ghana 33.3 per cent and Botswana 41.4 per cent. Recent initiatives, such as UNDP / Standard & Poor's Sovereign Credit Rating Initiative for Africa and Diageo's Africa Business Reporting Awards¹²⁵, will help promote a more balanced view of the continent.

The impacts of a weak investment climate - whether real or perceived - are clear. Sub-Saharan Africa's ratio of domestic investment to GDP is the lowest in the developing world (at 18 per cent compared to an average of 24 per cent)¹²⁷. Its share of foreign direct investment (FDI) is minimal (under 2 per cent of global FDI inflows and around 6 per cent of total flows to developing countries) and has been on a downward trend for three decades¹²⁸.

FDI is also concentrated in the major oil- and mineral-producing countries: four countries - Angola, Chad, Nigeria, and Sudan - together accounted for close to half of Sub-Saharan Africa's FDI inflows in 2004¹²⁹. Around 40 per cent of African private wealth is held outside Africa¹³⁰. And the extent of the informal economy is startling - over half of GDP in some countries - reflecting the costs associated with entering the formal economy. Those operating in the informal sector - largely women - face particular difficulties in accessing credit, public services, and social protection, and as these businesses find it difficult to grow, their capacity to generate employment is limited.

The need for reform is recognised at the pan-African level, with the African Union stating back in May 2005 that: "in recognition that the private sector is the primary engine of growth, we resolve to work harder to create the necessary enabling environment". The most recent policy initiative in this area is the Investment Climate Facility for Africa. The Facility is unique in two ways. First, it is private sector led, with a private sector co-chair, Niall Fitzgerald, and at present the following corporate sponsors - Anglo American, Royal Dutch Shell and the Shell Foundation, Unilever and SABMiller. And

second, it has strong African ownership, with African Union, NEPAD and African Development Bank endorsement and President Mkapa as a co-chair. The Commission for Africa and 2005 G8 also lent their support to the proposal. The aim of the Facility is to make Africa "an even better place to do business" by supporting targeted interventions to streamline business registration, improve customs regulation, secure property rights and make financial markets more inclusive.

Business Viewpoint

"The message from business...[is]...clear: encouraging the entrepreneurial spirit of Africa's people is central to growth and poverty reduction. This means getting the investment climate right, particularly for small businesses".

William Kalema
*Chair, Uganda Investment Authority*¹³¹

Infrastructure¹³⁴

Infrastructure is critical to meeting the MDGs¹³⁵. First, it is a key driver of growth¹³⁶: a one per cent increase in the stock of infrastructure is associated with an estimated one per cent increase in GDP¹³⁷. And second, it enables poor people to take advantage of market opportunities and access health, education and other services.

For business, the link between infrastructure and growth is intuitively obvious from their daily experiences of operating in Africa (See Figure 3): unreliable infrastructure often represents one of their main costs¹³⁸. Transport costs add the equivalent of an 80 per cent tax on clothing exports from

Section 1: Challenges and Opportunities

Uganda¹³⁹. The cost of shipping a car from Japan to Abidjan, Côte d'Ivoire, costs US\$ 1,500, while the cost of shipping the same car from Abidjan to Addis Ababa, Ethiopia, is US\$ 5,000¹⁴⁰. Kenyan firms lose, on average, close to 10 per cent of their output as a result of power outages¹⁴¹. Unreliable electricity supply means firms have to invest in generators - equivalent to around a quarter for their total investment funds in one study of Ugandan firms¹⁴². For farmers in some regions of Africa, poor post-harvest infrastructure results in post-production losses of up to 50 per cent. Only around 4 per cent of the arable land in sub-Saharan African is irrigated - a major issue for farmers in the face of Africa's large climatic variability¹⁴⁴.

Infrastructure also has very direct impacts for the lives of poor people¹⁴⁵. In Morocco, paved rural roads not only cut by up to half the time and cost of getting products to rural markets, but also increased primary school enrolment from 28 to 68 per cent¹⁴⁶. Access to clean water has been shown to reduce the probability of child mortality by 55 per cent, while paved roads have in some cases more than doubled girls' school attendance¹⁴⁷. Small-scale infrastructure - such as rural feeder roads and irrigation - tends to have more direct benefits for poor people than large scale¹⁴⁸.

Mobile telephony is having a particularly remarkable impact. In addition to enabling farmers to get real-time market information and saving needless-travel, it is enabling rural communities to access medical advice¹⁴⁹. In Kenya, Vodafone is piloting a programme to extend basic banking services via SMS technology to previously unbanked poor people. Celtel decided to invest in rural services in

2003 and has found strong demand for mobile phone services among rural customers. Me2U, which enables mobile users to send airtime credit to other mobiles, has been important in the context of limited financial access for poor people, and has even "emerged as a substitute for cash, with people using airtime to pay for their shopping. Shopkeepers cash in their accumulated phone credits with people who make money by offering callers use of their mobile phones as a sort of public phone"¹⁵⁰.

Business Viewpoint

"Africa's infrastructure deficit is fundamental and damaging to competitiveness. We therefore welcome the renewed focus on the issue across national governments and the donor community, and look forward to this delivering tangible improvements on the ground.

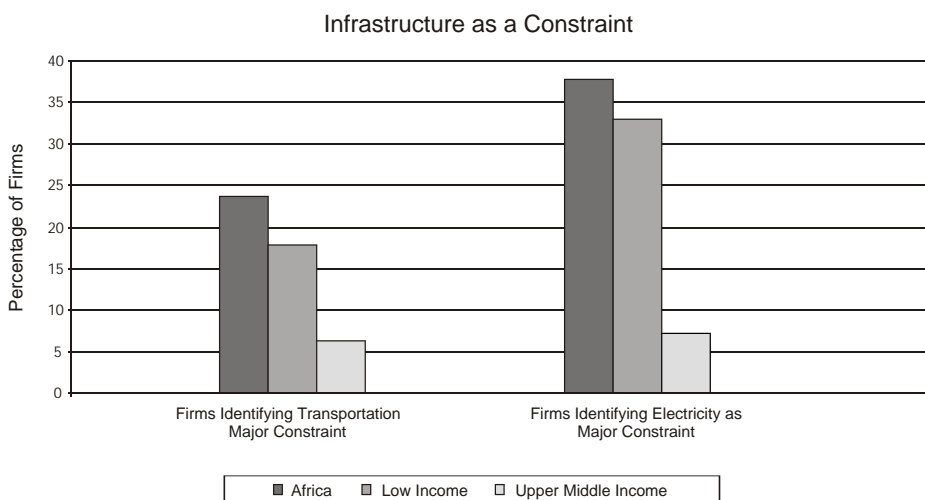
"It is particularly important that adequate attention is also paid to infrastructure services. Customs, where delays are notorious, is a key example and one which needs addressing if African countries and their regional trade-blocs are to start moving up the global rankings in comparative lists such as the World Bank's *Doing Business* survey"

Richard Morgan
*Corporate Affairs Advisor, Africa and Middle East, Unilever*¹⁵³
Chair, Business Action for Africa

Despite the importance of infrastructure, investment in it has been woefully inadequate. In fact, spending by national governments and donors fell over the 1990s¹⁵¹, leaving a shortfall so large that World Bank researchers estimate "that to meet the

Figure 3: Business Perceptions of Infrastructure in Africa (2002-2005)

Based on the World Bank's enterprise surveys, the graph illustrates firms' perceptions of how inadequate transportation and electricity problems impact on costs, production, and revenue.



Source: Africa Regional Profile, Enterprise Analysis Unit, Financial and Private Sector Development Vice-Presidency, The World Bank. Based on data from the Enterprise Surveys for 12 countries conducted by the World Bank in 2002-2005. The benchmarks include the averages of the countries in the low income group and those in the upper middle income group.

Millennium Development Goals, the average annual infrastructure expenditures in Africa (the sum of investment and maintenance expenditures) need to be around 9 per cent of GDP between 2005 and 2015...This is much more than twice what Africa has spent on the sector over the last 40 years or so¹⁵². This is equivalent to around an extra US\$ 20 billion a year, including US\$ 10 billion a year in extra external financing.

Fortunately, the tide is turning. The World Bank's *World Development Report 2005*, the Commission

for Africa, the UN World Summit 2005 and the OECD African Economic Outlook Africa 2005/6 all placed a high priority on infrastructure. And, significantly, the 2005 G8 led to the creation of the Infrastructure Consortium for Africa¹⁵⁴. Launched in October 2005, this brings together representatives from the G8, African Union / New Partnership for Africa's Development (NEPAD), African Development Bank, Economic Community of West African States (ECOWAS), World Bank and European Commission. The Consortium - which aims to enhance donor coordination, promote infrastructure in

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national policy planning, mobilize additional funds and tackle issues such as project preparation capacity - has already achieved some important successes. At its second meeting, in June this year, it exceeded its own target to identify and secure funding for 5 priority NEPAD projects. The meeting confirmed funding decisions on 10 regional projects worth around US\$ 700 million, plus 13 studies worth around US\$ 8 million and 34 country level projects worth nearly US\$ 1.8 billion.

Part of the reason for the fall in public spending on infrastructure was the belief that private finance would more than fill the gap. As it turned out, this never happened. Since the mid-1980s, the private sector has contributed only 10 to 15 per cent a year of total infrastructure spending¹⁵⁵. And this contribution has been heavily concentrated in telecommunications: 73 per cent of the total between 1990 and 2004, with over half of this going to mobile telephony¹⁵⁶. Electricity attracted 20 per cent, while transport and water and sanitation failed to attract any significant private sector interest¹⁵⁷. This pattern reflects the relatively fast returns from investments in telecommunications and energy.

In addition, the bulk of this flow of private finance has gone to a small number of countries - South Africa absorbed half and Nigeria 14 per cent¹⁵⁸. Africa attracts the lowest share of total investment (private and public) for infrastructure projects with private participation: a total of US\$ 39.4 billion between 1990 and 2004 - around 5 per cent of the amount to low- and middle-income countries¹⁵⁹.

Historically, then, the flow of private finance into infrastructure in Africa - while not insignificant -

is far from what is needed to meet the MDGs. The public sector will continue to play the major role in Africa for the foreseeable future. In this context, it is important to ensure that public spending learns the lessons of the past: far more attention must be paid to operation and maintenance costs; to infrastructure services - such as customs administration; to governance, transparency and accountability; to working more effectively with the private sector and other civil society stakeholders in defining priorities; and to using good practice social and environmental impact analysis.

At the same time, there is plenty that can be done to attract private participation in infrastructure provision (Table 4).

Table 4: Encouraging Private Participation in Infrastructure Provision

Investment Climate	A priority is improving the investment climate for investors - including a stable and predictable political, economic and legal framework, key for investments with longer returns. The Public-Private Infrastructure Advisory Facility, launched in 1999, is a multi-donor facility designed to do exactly this.
Project Preparation	Donors are supporting project preparation - the development of commercially viable projects. An example is NEPAD's Infrastructure Project Preparation Facility at the African Development Bank.
Funding	Direct funding can be used to provide long-term debt finance and guarantees to cover the risks of local currency financing. The Private Infrastructure Development Group, a group donors, is involved in this and other areas, with the objective of tackling the high up-front costs and risks.
Non-OECD Investors	While the focus tends to be OECD investors, there have been some significant trends in terms of South-South investment, such as by China in Mozambique and Angola. South Africa already accounts for close to 40 per cent of all infrastructure investment into the rest of Africa.
Small-Scale Private Sector	While the large scale private sector has failed to invest in a significant way, the small-scale (often informal) sector has been very active, for example in water supply and mobile telephony. Involving them in public-private partnerships can expand choice and coverage for poor people.
Appropriate partnership model	<p>Of the various options for involving the private sector - as operator or as owner <i>and</i> operator - the most appropriate varies by country legal context, sector and the private sector's appetite for risk. Increasingly, management contracts and franchising have been a popular model as they are seen by the private sector as being less risky than for options that involve private sector ownership.</p> <p>Greenfield contacts (brand new builds) are most common in the telecommunications and electricity sectors. Management contracts and concessions have also been popular in the electricity sector. Management contracts have been the most common approach in the water sector, while in the transport sector, concessions have been the preferred option.</p> <p>For all public private partnerships, success depends critically on the government's capacity to negotiate and monitor robust outcome-based contracts that ensure appropriate risk transfer to the private sector.</p> <p>Government's have a key role in ensuring poor people are able to access services which suggests the need for an effective regulatory framework. A recent innovation - "Output Based Aid" - involves providing subsidies to attract investors and ensure a specified level of service to poor people.</p>

Section 1: Challenges and Opportunities

Core Business and the MDGs

“It is now widely accepted that business should play a part in tackling extreme poverty. The critical issue is how companies can achieve this through competitive and responsible business practices in their workplaces, marketplaces and communities, rather than simply through philanthropy”.

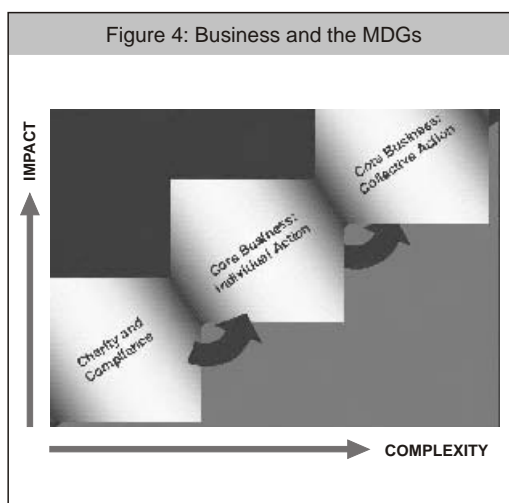
Robert Davies, CEO, Prince of Wales International Business Leaders Forum¹⁶⁷

While their main contribution to the MDGs is through their role in generating growth, the way businesses do business matters too¹⁶⁸. Businesses increasingly recognise this and are starting to understand better the potentially powerful impact they can have on the MDGs through their core business operations.

This is set against a general shift away from a focus on philanthropy, towards a more fundamental look at core business - in recognition of the fact that the impacts are usually much higher, and certainly more sustainable and scalable¹⁶⁹. Explaining his company's approach, Edward Bickham, Executive Vice President of External Affairs at Anglo American, says the priority should be “understanding the impact of the 99 per cent of the business, rather than just the 1 per cent”. Anglo American's Socio-Economic Assessment Toolbox (SEAT) has been developed to enable any Anglo operation do this, and is profiled in Section 2 of this report.

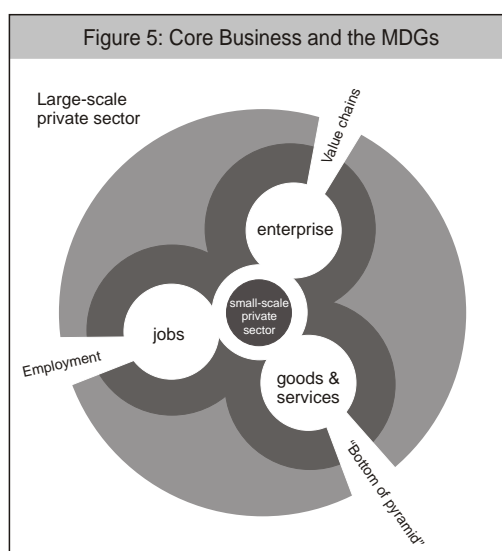
Increasingly, businesses are working collectively - with each other, governments and non-government organisations - and are achieving impacts on an unprecedented scale. As business move along the continuum illustrated in Figure 4, the scale of impact increases, but so too does complexity. Understanding and influencing the impacts of core

business operations is far more complex than signing a cheque. And when this is done in partnership with other organisations, the challenges are of a different order again. The challenges of working in partnership were explored at a conference in April hosted by the World Bank Institute, InWEnt and others¹⁷⁰. Initiatives that offer practical support include the UN's Growing Sustainable Business initiative¹⁷¹ and IBLF's Partnering Initiative¹⁷².



There are three primary ways in which firms, particularly large ones, can impact on the MDGs through their core business: by involving and supporting on

small enterprises in their value chains, by generating employment opportunities, and by producing goods and services that meet the needs of low-income consumers (Figure 5). Case studies profiled in Section 2 are highlighted in bold in the text below.



Engaging small enterprises

One of the most important impacts a business can have is by involving small enterprises in its value chain, either as suppliers or distributors of their products¹⁷³. Long-term relationships of this sort can mean reduced costs through local sourcing, more reliable supply chains, and new market opportunities¹⁷⁴. For poor people, it gives them a credible market and a basis on which to grow their own enterprise and generate income.

In the case of Eagle Lager, profiled in Section 2, the inclusion of small-scale farmers in the supply chain

has provided the farmers with a new market. Given the centrality of agriculture to the livelihoods of most poor people in Africa¹⁷⁵, any initiative that enables family farms to grow clearly has very direct impacts on the MDGs. Also in the agriculture sector is the joint project by Olam International and TechnoServe aimed at creating a viable and thriving cashew processing industry in Africa. By processing the raw nuts in Africa, there is significant scope for local value addition.

Business Viewpoint

“As major corporations, we can do more to build efficient corporations in Africa, especially SMEs. Even the smallholder farmer is a businessman and we can help pass on that understanding. Africa is behind on the understanding that the SME sector is fundamental in the achievement of the MDGs”.

Dr Harrie Hendrickx
Project Leader, Unilever¹⁷⁶

Often companies offer specific support to enterprises in their value chain, such as access to finance and capacity building in key business skills. By combining business development with access to its supply chain, the Mozal project in Mozambique has increased local procurement from US\$ 2 m to US\$ 9 m per month. Meanwhile, Eskom has developed tools and training to help new Black Economic Empowerment businesses in South Africa to effectively compete against more established market players as they move higher up the supply chain. It also facilitates access to specialist financing, a crucial element of capacity building.

Section 1: Challenges and Opportunities

Generating employment

A very direct impact business has is through generating quality employment opportunities. Observing core labour standards and emphasising local hiring and training can enhance the contribution to poverty reduction¹⁷⁷.

A number of studies of have demonstrated the powerful multiplier effects companies can have. In a study of Unilever Indonesia, it was found that while the company employs around 3,000 people, its economic activities support around 300,000 jobs and livelihoods¹⁷⁹.

Business Viewpoint

"We have found that we have been able to enhance our impacts on employment by deliberately using a labour intensive, but nevertheless profitable, business model".

John Houghton
Chief Executive, TEDCOR¹⁷⁸

The Entrepreneurial Development Corporation (TEDCOR), which trains and develops entrepreneurs from historically disadvantaged backgrounds to provide waste management services in South Africa, has created significant employment.

Also of great benefit have been workplace HIV/AIDS programmes, providing education, prevention, treatment and care. For Anglo American, which has played a leadership role in the private sector response to HIV/AIDS in Africa, HIV/AIDS is a core business issue: 23 per cent of Anglo American's workforce in Southern Africa is HIV+. As a result of the Group's HIV/AIDS policy, nearly 3,800 Anglo

American employees are receiving antiretroviral therapy. A further 6,000 in the earlier stages of infection are on 'wellness' programmes involving health monitoring and lifestyle and nutritional support. 94 per cent of those on treatment are completely well and are able to carry out their normal work and to continue to support their family¹⁸⁰.

Supply goods and services

In his now-famous book, *Fortune at the Bottom of the Pyramid*, C.K. Prahalad argues that "If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up".¹⁸¹ The fact is that most poor people face a limited choice of overpriced and poor quality goods and services. Providing greater choice, and affordable, better quality products that meet their needs as consumers is not only potentially commercially viable, but of great benefit to poor people themselves.

The beneficial impact is perhaps most obvious in the case of companies that produce products and services directly linked to strengthening the physical, human and financial capital of poor people: such as, banks, pharmaceutical companies, infrastructure companies. In fact, interest in this idea has ignited across a range of sectors.

Base of the Pyramid (BoP) Learning Laboratory™ - a consortium - of companies, NGOs, multilateral organisations, entrepreneurs, and academics has been established to identify "opportunities that address some of the needs of the world's poorest people and communities, while opening vast opportunities for business growth"¹⁸².

The Mzansi bank account and Sekulula electronic payment card, both supported by Visa International, provide interesting examples. The Mzansi bank account challenges banks to test whether they could profit from large numbers of small, low-fee accounts. Meanwhile the Sekulula electronic payment card offers convenience and safety.

Eagle Lager was developed to attract low-income customers, for whom the only alcoholic beverage available was an illicit and unrefined local brew, usually produced through unhygienic processes with weak quality control. Less than five years since in launch, Eagle Lager is a top-selling product with market shares of 50 and 15 per cent in Uganda and Zambia, respectively.

Collective Action

Nearly all of the case study examples referred to above involve a significant degree of partnership - with governments and with non-government organisations. Increasingly companies are realising that to achieve scale, and to tackle some major economic and social issues - such as HIV/AIDS, governance or investment climate reform - requires the pooling of effort and a long term perspective.

A number of companies and organisations are taking collective action to a new level. The innovative partnership, Merck spearheaded with the Government of Botswana and the Bill & Melinda Gates Foundation, known as the African Comprehensive HIV/AIDS Partnerships (ACHAP) has delivered impressive results in the fight against the HIV/AIDS.

Together with The World Conservation Union, Netherlands Development Organisation (SNV) and

The World Agroforestry Centre (ICRAF), Unilever is helping local communities and small businesses to cultivate *Allanblackia* seeds, which are rich in an oil with unique properties that can be used to produce food products and soap.

Business Viewpoint

"It is tempting and sounds efficient to try to go it alone. But Merck's experience of a multisectoral approach coordinated by government and mobilizing community groups and other sectors of civil society to help in the fight against HIV/AIDS - has ensured local ownership and effective use of complementary resources and expertise, making success more likely".

Dr. Jeffrey L. Sturchio
*Vice President, External Affairs, Europe, Middle East, Africa & Canada, Merck & Co., Inc.*¹⁸³

Marks and Spencer has teamed up with the Shell Foundation to support small enterprises at the African end of the supply chains for three Marks and Spencer products. £1 million from Shell Foundation, plus expertise from both, will be used to develop business skills.

Other significant examples of collective action include: Business Action for Africa¹⁸⁴, a grouping of 120 businesses and business organisations set up during the 2005 G8; the Global Business Coalition on HIV/AIDS¹⁸⁵, a business alliance of over 200 international companies to fight against HIV/AIDS; the Global Alliance for Improved Nutrition (GAIN)¹⁸⁶ Business Alliance set up to mobilize private sector support for improved nutrition for Africa's poorest people; the Global Initiative for

Section 1: Challenges and Opportunities

Public-Private Partnerships in Handwashing¹⁸⁷, a global initiative to promote handwashing with soap to reduce diarrhoea, a major cause of child mortality in many countries today.

There is no shortage of energy and innovation within the business community when it comes to finding new ways of working that are good for business and good for the societies in which it operates. Twenty examples are set out in the next Section, including some of those referred to above. These represent a small selection of what is a groundswell of business action - action that demonstrates the power of business to do good, by doing good business. They are shaping the debate and challenging the old divides that have prevented the private sector, government and NGOs working together on a common agenda.

And if we are to achieve the scale of impact needed, the debate must move on urgently - from whether these groups should work together to how. From questioning the relevance of the private sector to poverty reduction, to having a shared understanding that the poor people we are seeking to support *are* the private sector. From recognising that businesses - large and small - so often criticised as being part of the problem, in fact represent the central part of the solution. The cases we discuss here bring into sharp relief the flaws in these old ways of thinking. Importantly, they also show us some promising ways forward.

Section 2: Case Studies

In this section we profile a selection of companies that - through their core business operations - are having important impacts on the MDGs (Table 5). Other interesting case studies can be found on the WBI / InWEnt website: www.businessandmdgs.net

Table 7: Business case studies and the MDGs

Case Study	1	2	3	4	5	6	7	8
SEAT - making an impact and measuring it								
Mozal - enabling business by doing business								
Siwa - reviving old traditions to build new business								
BEE - empowering new entrepreneurs in South Africa								
ACHAP - the African Comprehensive HIV/AIDS Partnerships								
Cashew Alliance - collaborating to develop a pan-African industry								
Eagle Larger - creating new markets for sorghum farmers								
Waste Management - an opportunity for SME development								
Allanblackia - scaling up a new non-timber forest product								
Shrimp Aquaculture - integrating social considerations								
Sekulula & Mzansi - financial access at the bottom of the pyramid								
ATMs - cash machines in non-traditional areas								
Artemisia - fighting malaria with local inputs								
Dairy Farmers - an opportunity to double their revenues								
Pan-African Travel - connecting the continent								
Modular Construction - housing the nations								
Digital Pipeline - responsible IT recycling								
Palabora - business linkage centre								
Fairtrade Tea - economic security for farmers								
Health Infrastructure - an innovative business led solution								

Section 2: Case Studies

SEAT - making an impact and measuring it

Anglo American

Improving the management of both the social and economic impacts of significant mining and industrial operations has become an increasingly important public policy issue in recent years. But, in many high-impact industries there are operations which have never implemented a full Social Impact Assessment or where such studies have gone out of date. Until recently, for example, there remained many long-life operations within the Anglo American Group that lacked a holistic understanding of the socio-economic impacts they have on the communities associated with their operations.

Now, SEAT, a Socio-Economic Assessment Toolbox, provides a snapshot of the social and economic issues associated with any Anglo operation. Developed to help increase this understanding it also helps Anglo American to build trust, be a more effective development partner and can be an instrument for local accountability. It is a critical element in their sustainable development agenda.

Anglo American works in the natural resources business, with potentially high local impacts and long investment horizons. It also recognises the need to ensure its business is compatible with sustainable development. Anglo believes it can do this if this depletion of one resource is offset by increases in others, whether human, social or physical. SEAT begins to create the metrics and framework to focus on this.

Tony Trahar, Chief Executive, comments: "When we open a new operation, or carry out a major expansion,

we routinely assess our social and environment impacts. But many of our operations have anticipated lives of 30 years or more and some pre-date such social assessments becoming routine. This is where the SEAT process comes in. It provides a common framework to equip an operation better to understand the dynamics of our business impacts and, having measured them, to manage them creatively."

Launched in October 2003, Anglo completed its first SEAT study in November the following year. Since then, of more than 50 studies complete or ongoing, over a third have been conducted in Africa and enable Anglo American to be more responsive, measured and consistent in their social performance.

SEAT does this by equipping managers with a framework to understand the totality of their economic and social impacts, a key part of their risk management activities. - It helps these local managers take a strategic view of interactions with communities in areas such as local employment, reducing the exclusion of disadvantaged groups, training, procurement, and social investment.

Using a series of 22 practical tools, SEAT places emphasis on the identification of stakeholder groups and appropriate means for engaging each of them. It then guides managers to understand the dynamics of a community and engage appropriately with local people. To complete the SEAT process, local management responds to the community

engagement by developing plans that address their concerns. These Action Plans will often help promote local business development, assess and improve human capital, improve the quality of the company's social investment, seek to form partnerships and begin to help all plan for the social dimension of mine closure.

Anglo operations are encouraged to undertake SEAT assessments on a three-year timescale, supported by ongoing dialogue with local communities. The success of their Community Engagement Plans is reviewed each year and tracked corporately. For Hippo Valley Estates (HVE), one of two major cane growing estates in the south east corner of Zimbabwe, SEAT provided some structure to social investment plans despite the company's existing financial and technical contributions to various social investment projects in the surrounding Chiredzi district. The subsequent process illustrated how stakeholders felt HVE had contributed to the growth and sustainable development of the town but also highlighted areas of improvement that could then be addressed through implementing the resultant Community Engagement Plan.

Integrating the SEAT process with the mainstream business operations was critical and admittedly has been a challenge. It was important that the process was linked to the core business to move local communities from any dependence on philanthropy that was so peripheral to the company's business. Also important was providing feedback and follow-up to communities and managing expectations. Better communication, or involving the community in, for example, environmental monitoring, has helped address misperceptions and lack of trust.

A good example of the benefits of a greater understanding of the needs and dynamics of communities comes from Mondi Forests in KwaZulu-Natal, South Africa. Here, against a background of tension between the company and local communities following a significant amount of contracting out of functions, 17 employees were trained in social development facilitation techniques. As a result of this and the outcomes of a pilot SEAT study, waste wood from the plantation is now made available as firewood and for use by crafts people, who also receive help to market their wares; local people can access plantations to gather honey and mushrooms; areas have been earmarked for grazing and a number of charcoal-manufacturing businesses have been established, generating over 400 jobs to date.

Consistent themes emerging from SEAT processes include the importance of building greater trust on environmental and health issues, transport and road safety, employment expectations, transparency around recruitment policies and the need to create greater supply chain opportunities for local companies. SEAT also identifies the need to manage rivalries between stakeholder groups such as traditional and democratic leaders, different communities or different generations and to be aware of both direct and indirect impacts.

SiyaQhubeka Forests (Pty) Ltd, a commercial forestry enterprise on the Zululand coastal part of KwaZulu-Natal that was the first black empowerment company (other than community trusts) to acquire shares in a significant forestry enterprise in South Africa, undertook the assessment in 2004. Amongst the learnings for the company were the positive

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impact of the plantation on the tourism sector and the range of non-timber products that benefit the local community but SEAT also committed company management to respond on issues such as the need for contractors to employ only local labour.

It is too soon after the launch of this tool to really see the impact it is likely to have but SEAT, and in particular the example of NGOs partnerships during implementation in Namibia, is already attracting considerable interest. Anglo American therefore has plans to publish the methodology on their website for others to use, and are learning lessons from completed assessments to refine and improve the

approach, recognising the SEAT process will best serve its purpose going forward if subject to on-going scrutiny and improvement.

“Our businesses are more likely to prosper in stable and peaceful societies and to be commercial partners and employers of choice if we are seen as dealing fairly and to make a sustainable contribution to the social development of the areas where we work. This simply makes good business sense,” adds Edward Bickham, Executive Vice President of External Affairs at Anglo American.

Mozal - enabling business by doing business

BHP Billiton

It would be difficult to overstate the importance of the Mozal project's accomplishments in Mozambique, a country still recovering from two decades of civil war. The opening of the Mozal smelter near Maputo created a buzz in political and business circles around the continent. Not only was it Mozambique's biggest industrial investment, it was also one of Africa's biggest direct investments, completed ahead of schedule and under budget. And this after having had to cope with delays caused by lack of public infrastructure, poor geotechnical conditions and torrential flooding in February of 2000.

BHP Billiton established the Mozal aluminium smelter in Mozambique in 2000, integrating it into the full social, institutional and economic transformation of Mozambique. The smelter investment was

seen as a catalyst for development within the country. But a lot of challenges had to be overcome for this to happen. At the outset, issues such as fragile institutional structures, poorly developed infrastructure, bureaucratic and inefficient public services and few skilled people risked hampering progress. Additionally, the prevalence of HIV/AIDS and widespread malaria was debilitating the local community, Mozal's prospective workforce.

As a result of the investment, some 740 permanent jobs were created. Vocational training means that 93 per cent of permanent staff now are Mozambican - and the number of indirect jobs created from the project is expected to reach 2,500. Over 5,500 Mozambicans were trained in the construction, and issued certificates to help them obtain construction work on future projects.

But with job creation and poverty relief as primary goals, Mozal had to do more. The Mozal Community Development Trust (MCDT) was established to link the smelter with its local community and enable projects to improve the quality of life of surrounding communities. 200 projects have been initiated so far, with expenditure exceeding US\$ 10 million. A few of these are outlined here.



This is an area where malaria is endemic, but the community does not have adequate resources to develop infrastructure and facilities to deal with the problem. Andre van der Bergh, of BHP Billiton SA, commented, "How do you operate successfully knowing the debilitating impact that malaria has on your community, as well as on your business? With particular challenges in the community, when you consider what success looks like, it is much more than simply a question of financial success."

A practical plan was therefore put in place to tackle malaria infection. By June 2001, with a programme using controlled public health spraying techniques, average malaria infection rates had been reduced by 40-50 per cent in treated areas. Before the programme commenced, baseline sur-

veys showed malaria infection rates in children of up to 90 per cent locally. The effectiveness of the malaria control programme over the next five years will be assessed by the incidence of malaria and its effect on job creation, risk perceptions and other sectors such as tourism. Upgrading local clinics also provided better healthcare in the region. A team of 50 health workers was trained in the fight against HIV/AIDS and provided with bicycles to assist in their work as community health advisers.

Despite good salaries, many employees experienced difficulty buying homes, a factor that affected the stability of the workforce. Under a Land Use Management Plan, a residential site was selected nearby and houses built on it. This was followed by support to construct a new primary and the first local secondary school using local labour and recycling materials from the Mozal smelter operation, as well as, critically, the training of teachers.

However, the real development potential lies not in Mozal's spending on social projects but in small business development and the business it offers local suppliers. So, developing a business skills training programme for local traders helps local SMEs compete successfully for work and execute contracts. From a position where almost all procurement was sourced from South Africa, local procurement is slowly shifting the balance from a level of US\$ 2m to now US\$ 9m monthly.

Mozal's sustainability required significant infrastructure development. To meet the project's supply needs, the transport infrastructure in the area had to be improved and increased. Roads and bridges, potable water supplies, electricity supplies, tele-

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phone services, sewage treatment works, housing units and general amenities buildings have all been developed and so attract new business into the area.

This commitment to ensure the sustainability of the business and its host community has delivered significant achievements, economically and socially for the local community. Prior to Mozal coming on stream, Mozambique's annual export earnings were about US\$ 220 m. The first phase of Mozal tripled that value and subsequent expansion raised the number to US\$ 1 bn.

All these social investments will be tracked over time, to measure the business return on investment for BHP Billiton.

At the opening of the plant in 2001, Prime Minister of Mozambique, Dr. Pascoal Mocumbi, told partners involved that, "your presence here encourages us to continue our ongoing efforts to improve the quality of life of our people." Five years later, Andre van der Bergh adds: " This is in no way a trade off; to be successful as a business, we need to play a role in partnering with all relevant stakeholders to ensure economic growth in the developing countries in which we operate and thus enhance the benefits for both business and the community."

The positive impact the project has had on the region might be regarded as remarkable. Quality of life has been improved on virtually every level, and in such a way that the advantages can be sustained over time.

Siwa - reviving old traditions to build new business

EQI

Siwa's Sustainable Development Initiative in Egypt directs private investment into commercial ventures for sustainable development. It started by building a niche tourism sector, and in so doing revived dormant craft skills and techniques in the local community. Now, together with more recent activities, it reflects an integrated plan that aims to establish a sustainable private sector led development model, which is socially and environmentally responsible.

The centrepiece of the initiative is an ecolodge, Adrère Amellal, a low-impact structure causing minimal impact on the natural landscape. This was key in gaining recognition for the initiative as a

whole, enabling a connection to the international market. Built from rock salt and mud, it engaged master builders who use local materials and revived the traditional techniques applied in the oasis some 2,500 years ago. Development of this and Shali Lodge in the village itself has benefited around 600 families through permanent jobs and the creation of income-generating opportunities in the supply of raw materials, production of furniture and handicrafts, transportation and tour operation.

EQI, the original financier and catalyst in this, has partnered with the local community and local authorities over the last 10 years, learning from their knowledge of the environment and cultural heri-

tage as well as building political support. Dr Mounir Neamatalla, President of EQI, considers Siwa was the perfect place for them to show how sustainability could be the driving force of a local economy. EQI brought technical expertise whilst ensuring economic development has respected the rich natural assets of Siwa, an oasis in Egypt's remote Western Desert and revitalised its unique cultural heritage.

EQI last year embarked on a new stage of development expanding its activities with the Siwan community through a partnership with the IFC, a combined investment of over US\$ 1.9 million, as more investors and players move into the area in other sectors such as health and the environment.

As a result, work is nearly complete for example on the perimeter of the Fortress of Shali, where another village lodge is being built using dilapidated houses that have been restored and extended to open October 2006. This next phase provides employment for an additional 22 community members, bringing the total employed to around 200. More than 45 families are employed in construction, earning income whilst acquiring traditional construction skills and techniques. 85 per cent of the development's employees are Siwan, including the vast majority of the managerial positions, and despite external influences, the local language is thriving.

One key success though has been the resurrection of a now thriving cottage artisan industry engaging women in the community and revitalising Siwa's traditional embroidery techniques. EQI reached a stage when despite employing large numbers of Siwan locals, none were women, due to their mar-

ginalized position in this society. To redress this imbalance, they looked for a new direction and found a business opportunity in reviving traditional Siwan embroidery for designer clothing and related lines for export. The initiative has provided income-generating opportunities to women by enhancing their skills and marketing the products as high value quality items. Over 300 women have already been trained and are able to earn an income. The latest expansion with new designers coming on board will create up to 300 more jobs for the women in the next 2 years. The result? - Siwan women can now have a steady income comparable to the average earnings of men, and a more visible presence in their community.

Also, at an earlier stage of development but evolving, are the plans to brand Siwa as a unique organic environment for sustainable agriculture. Agriculture here is mostly chemical free, which offers an excellent opportunity to grow organic products for international markets. As Siwans are essentially farmers, this is expected to have far reaching effect, benefiting 300-450 farmers and 50 off-farm workers. Instead of depleting the scarce natural water resource, farmers are being encouraged to improve the quality of what the natural springs can irrigate and conserve the resource. EQI is to provide capacity building for the farmers. The agriculture plans will change an existing situation where lack of attention to harvesting, recent use of chemical fertilisers and poor packaging has led to produce being sold at low prices to unappreciative consumers. Instead EQI will serve as a linkage to international markets.

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Of course there have been negative issues as a result of this success too, as the presence of EQI and its development attracted the eyes of the wider world. Major land reclamation companies began to move in and damaged precious deep aquifers before the government intervened. As the local economy prospered, so consumers began to use more energy and the government rushed to keep up with demand, expanding supply in ways that may not have been conducive to the evolution of power supply in an oasis. But the new stronger civil society is now beginning to rethink all these approaches to enable Siwa to continue to thrive.

But EQI as a partner reached a turning point in 2005 when they took the decision to be less engaged in advocacy and more in setting examples of

sustainable development. "It reached the point that it was ineffective for us as a private entity to be the principle advocates of community interests a role more efficiently rendered by civil society. Our role is to realise our business and social objectives and hope to inspire other businesses to do the same, in their own way."

Dr Neamatalla of EQI concludes: "The whole idea is for Siwa to be perceived in the minds of consumers as a place that can provide goods and services that share a common high quality, the label of this community will reflect quality products, the importance of heritage in a pristine place. Siwa is a web of enterprise developing links to consumers and markets moving its community from abject poverty to a cycle of prosperity."

BEE - empowering new entrepreneurs in South Africa

Eskom

The challenge

To drive business opportunities for Previously Disadvantaged Individuals in South Africa.

The business contribution

The South African utility Eskom supplies around 95 per cent of the country's electricity.

Under current South African Government policy, Previously Disadvantaged Individuals are given preference in the allocation of government and large-scale contracts. This policy, known as Black Economic Empowerment (BEE), endeavors to repair the inequities of South Africa's past apartheid regime. BEE charters are now being applied across many

sectors of the local economy and large companies now have prescribed target quotas for procurement from black-owned businesses.

Back in 1994, Eskom set up its own highly successful BEE project. This multifaceted initiative creates new opportunities for Previously Disadvantaged Individuals and communities to participate in South Africa's mainstream economy. The initiative is also successfully transforming Eskom's supplier base to better reflect the country's demographics.

The innovation

Eskom's policy is to maximize purchases from BEE firms of all sizes and a spread of industries. It also

works to foster businesses owned by BEE women across all sectors of the economy. Beyond this, the company concentrates its developmental efforts on black suppliers in the manufacturing, construction and mining/extraction sectors and providers of professional consulting services. Eskom has set its own criteria reflecting different levels of black ownership in these companies to decide the procurement spend allocated to each category.

Moving higher up the supply chain, it becomes progressively more difficult for new BEE businesses to compete against more established market players. Therefore Eskom has developed tools to help these smaller companies meet the demanding requirements of large corporations. Together with major electrical component suppliers, it conducts joint training country-wide to develop basic technical skills. The company works directly with BEEs advising them on best practice, efficient production processes and enabling them to successfully grow their businesses. It also facilitates access to specialist financing, a crucial element of capacity building.

Eskom has built up a BEE supplier database of black-owned and controlled companies. Any company that applies for listing on the supplier database is assessed to ensure it complies with all criteria set out in Eskom's BEE policy. This database currently encompasses some 14,000 BEE businesses of all sizes. Eskom generally utilises around 30 per cent of its registered BEE suppliers at any one time, depending on the nature of the services required and those available. The vast majority are small contractors supplying good or services to local power stations or Eskom offices. However there are

also some larger companies, such as suppliers of coal and engineering, construction or professional services. A number of overseas companies have also sold equity stakes to local BEEs to comply with these listing criteria.

Eskom's database enables a buyer to search using a number of parameters, including product lines and BEE status. The company sets aside some contracts for the development of black suppliers; also a portion of other contracts allowing BEEs to match the price of traditional suppliers. It also prescribes a percentage of work to be subcontracted to BEE firms on other contracts.

The benefits

The BEE initiative is a strong example of concerted effort to invest in a vibrant SME sector. The benefits of the scheme are manifold. A large number of Black owned and controlled small, medium and micro enterprises have become competitive suppliers to Eskom. These new business opportunities are creating sustainable jobs, and Previously Disadvantaged Individuals and communities are acquiring the necessary business and technical skills for their businesses to thrive. Eskom has consistently exceeded its BEE procurement targets; since 1998 it has exceeded its targeted BEE spending, achieving in the last eight years a combined total BEE procurement spend of approximately US\$ 6,295 million.

Preferential procurement for black women entrepreneurs has also exceeded company targets, with a total procurement spend of approximately US\$ 470 million since 2002.

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Eskom's BEE programme has further resulted in the following:

- A large number of Black owned and controlled small, medium and micro enterprises have become competitive suppliers to Eskom.
- Previously disadvantaged individuals are participating in the mainstream economy.
- The business opportunities created have also created and sustained jobs.
- Previously disadvantaged individuals and communities are acquiring the necessary business and technical skills for survival.

Way forward

BEE procurement targets will remain a future priority for Eskom. The company will also look to integrate more large BEE businesses into its supply chain, where small firms currently predominate.

Other core focus areas will be the development and procurement of services from Black Women-owned Enterprises and broad-based empowerment.

In addition, Eskom will also strengthen its training provision for black entrepreneurs in business management skills, with an emphasis on tax code and legal compliance. Eskom is also seeking to align its internal processes more closely with the latest South African government BEE legislation. Eskom will also continue to concentrate its developmental efforts on Black Suppliers in the manufacturing, construction and mining/extraction sectors of the economy and providers of professional consulting services.

ACHAP - the African Comprehensive HIV/AIDS Partnerships

Merck & Co

Botswana has been one of the fastest growing countries in the region for the last four decades¹⁸⁹. AIDS threatens to undo all this progress. The country now has one of the world's highest rates of HIV infection (with close to 40 per cent among people aged 15 to 49)¹⁹⁰. The disease is hitting every segment of the economy and society - from rural farmers to teachers and civic leaders. Employers are struggling to cope with frequent absenteeism, rising health-care costs, and the loss of skilled workers¹⁹¹.

The Merck Company Foundation and the Bill & Melinda Gates Foundation each have committed more than US\$ 50 million to the partnership. Merck & Co., Inc., Whitehouse Station, NJ¹⁹², in addition, is also donating its antiretroviral (ARV) medicines to Botswana's national ARV treatment programme for the duration of the partnership, which has been extended to 2009. Merck's long experience in global health and nearly two decades of research work on HIV/AIDS made it clear to the Company early on that the enormity of the HIV/

AIDS pandemic required an urgent and coordinated response - particularly in sub-Saharan Africa, where government, the private sector and civil society all faced major challenges in the fight against HIV/AIDS.



ACHAP's mission is to support the Government of Botswana's national response to HIV/AIDS. The partners focused primarily on programmes that would help to strengthen health care capacity and infrastructure, particularly in the areas of prevention and treatment, and sought to create or expand community-based initiatives to provide HIV/AIDS education and support for those living with the disease.

Today, Botswana's national ARV treatment program, Masa, is one of the largest national HIV/AIDS treatment programme in Africa, with 32 sites across the country. Nearly 60,000 people in Botswana are enrolled in Masa, 52,000 of whom are

already on treatment. Botswana is one of only three countries in Africa to have achieved the World Health Organisation's "3 x 5" ARV treatment goals, and at 85 per cent leads all countries in Africa in the proportion of people receiving treatment¹⁹³. Also the incidence of the disease appears to be declining in 15-49 year olds¹⁹⁴.

ACHAP has helped to foster this effort by:

- Supporting establishment of a national network of 32 treatment centres, with plans to expand ARV services to 128 satellite clinics.
- Strengthening health care infrastructure and transferring technical skills to build capacity.
- Supporting the development of laboratory capacity to test and monitor patient response to treatment, thereby helping to reduce turnaround time for HIV test results from eight weeks to two days.
- Supporting the development of information technology systems to track patient adherence.
- Providing hands-on, clinic-based training for more than 3,200 health care workers through the partnership's preceptorship program.
- Supporting prevention and disease awareness efforts including a two-pronged blood safety and youth prevention program, outreach to school teachers and students, public education programs, condom distribution and other initiatives.
- Partnering with Botswana's National AIDS Coordinating Agency (NACA) to provide training in behaviour change interventions to professionals in government, civil society and development organisations, especially those working at the district level.

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The strength of the Botswana/Gates/Merck partnership lies in its full integration with government strategy and its ability to harness private-sector expertise in support of national efforts to address HIV/AIDS.

The key PPP lessons learnt are summarised below¹⁹⁵:

1. High-level political commitment and engagement are critical. The countries that have made significant progress - Botswana, Brazil, Senegal, Thailand, Uganda - could count on the unequivocal commitment of senior political leaders.
2. Partnerships have a key role to play in marshalling the necessary resources and expertise. Merck's experience of a multisectoral approach coordinated by the government has mobilized community groups and other sectors of civil society to help in the fight against HIV/AIDS and has ensured local ownership and complementary expertise, making success more likely.
3. Programmes must be country-led to succeed for the long term. Merck's collaboration in Botswana, for example, is fully integrated with the government's HIV/AIDS strategy. Success is based on common objectives, mutual respect, clear shared targets and agreed metrics to monitor progress, with transparency for all stakeholders involved. Working in this way builds trust and confidence.
4. Building local capacity is also a critical element. When Merck began some of their partnerships, they thought that the major challenges would relate to money and access to medicines. But in fact, public officials were more concerned with investing in human resource capacity (e.g. training physicians and nurses) and health infrastructure (e.g., treatment centres and diagnostic facilities).
5. A comprehensive approach is needed to make real headway against HIV/AIDS. A range of interventions and programmes are needed along the spectrum of prevention, care, treatment and support. Without the availability of treatment, people are reluctant to go for testing. And there also is concern with stigma and discrimination against HIV-positive people.
6. Persistence pays off. In establishing the government's ARV treatment programme in Botswana, there was a relatively long period of uptake as the treatment centres were built and patients began to enrol in the program. But by the end of 2005, Botswana had the highest coverage rate on the continent.

Taken together, these six elements provide a proven prescription for success in global health programs. Progress is possible, with the right level of political commitment, the right policies, and the right partners - including the private sector.

As lessons are documented¹⁹⁶, it is hoped that the partnership's process and content will inform and guide others similarly committed.

The programme won the Second World Business Awards in support of the MDGs, presented by IBLF, UNDP and the International Chamber of Commerce¹⁹⁷.

Cashew Alliance - collaborating to develop a pan-African industry

Olam/TechnoServe

Processed cashew nuts are a high-value food ingredient with strong demand in the key consumer markets of the U.S. and Europe. Africa currently produces one-third of the world's raw cashew nuts, which provide an important source of cash income for millions of small-scale farm families, most of whom live in very rural areas that have limited natural resources, low agricultural potential, and high poverty levels. Today, however, over 80 per cent of Africa's production is exported in raw nut form to India or Vietnam, for further processing, leaving these small-scale African producers with only a restricted export market, and very limited scope for any increased realization for their produce.

By processing the raw nuts in Africa, there is significant scope for local value addition, which can bring in additional employment and foreign exchange earnings to these countries. However, the creation of a local processing industry has significant challenges including investments in processing infrastructure, transfer of technology and learning on best practices in cashew processing, capability building through training and skill development of workers, all of which needs significant resources and policy support from the local governments.

Olam International (Olam) and TechnoServe Inc. (TNS) are combining their resources and efforts to become a catalyst for creating a viable and thriving cashew processing industry in Africa. Common strategic goals, organisational capabilities and opera-

tional footprints between Olam and TechnoServe created the potential for a global and innovative private-development partnership. Both TechnoServe and Olam share the goal of creating viable and sustainable businesses. The community development impact of a successful business and industry is central to the TechnoServe mission and important to Olam as a socially responsible global business.

The partnership began in 2004 as a pilot activity in Tanzania, with the objective of the development of the cashew nut industry. Cashew nut across Africa provides a critical source of cash income for over five million smallholder farming families and is a major export earnings contributor for 10 African countries. Early partnership success in the form of an implemented public-private-partnership in Tanzania has led to a multi-stakeholder pan-African cashew industry initiative - the Cashew Industry Alliance. A core activity of the production component of the Alliance activity has the potential to establish greater gender equality. The formation of Farmer Business Groups represents an opportunity to promote gender equality through the proactive encouragement of women to become members and to assume leadership positions. Based on the successful collaboration in cashews, discussions are underway about work in the other industries such as rice and cocoa with potential geographic expansion to Ghana, Uganda and Madagascar. The work that Olam and TechnoServe have embarked upon demonstrates the potential for global Corporate Social Responsibility in its true sense - harnessing

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private sector activity that positively contributes to communities while having explicit bottom-line impact.

Private-development partnership success factors / learnings

- Make sure you understand your partner

The personnel of each partner share a lot in common - a blend of global strategic thinking with relentless ability to execute in highly challenging environments. Olam draws MBA graduates from the best Indian schools and teams them up with operational experts from origin countries. TechnoServe has a long standing partnership with the strategy consultancy McKinsey & Company, and a 'Volunteer Consultant' programme that sources top tier consulting and investment banking personnel to supply latest techniques in firm-level and industry analysis. These techniques are used by staff, attracted from the best educational institutions in-country, to shape strategy and drive implementation. The result is that Olam and TechnoServe can understand and debate the strategic direction of an industry, as well as determine the path to successful implementation.

- Recognize the synergy from effective private-development partnership

Without full private sector engagement, public sector and development resources are normally insufficient to effect industry-wide, sustainable improvements to value chain competitiveness. The role that TechnoServe performed in facilitating the public-private-partnership in Tanzania demonstrates the benefit from private-development partnership. They worked closely with Olam and the public sec-

tor to create a policy factbase for the industry that all parties could agree upon as a point of departure for negotiations. The result is the implemented public-private-partnership that reformed cashew industry fiscal policy with impact in its first year including the creation of over 1,500 jobs, US\$ 5.5 million in export earnings and raising US\$ 2.7 million for cashew industry development activities.



- Define a clear but flexible partnership scope

Being honest and open about areas which make sense for collaboration, versus areas that represent no overlapping interest, increases the likelihood of actions being driven to success. In contrast, extracting statements of commitment from the private sector for activities that offer no bottom-line impact is unlikely to motivate commitment. This means clearly distinguishing between activities which are more philanthropic in nature versus activities that represent true corporate social responsibility - the latter carrying some strategic value to the private sector organisation in question. Olam

and TechnoServe formalized an agreement early, and revisit this scope periodically. An example of a set of clearly defined activities that contribute both to community development and bottom-line impact is a smallholder outgrowing programme started in Tanzania in 2005 with relevance across the continent. Olam has already contributed US\$ 20,000 to these multi-stakeholder activities that deliver technical and financial assistance to farmers on a sustainable basis via well organized, producer economic groups. Olam is willing to extend credit and offer a premium price in return for cashew farmers supplying a reliable, high quality, dried and bulked raw cashew nut.

- Scale-up the partnership

Initially, Olam and TechnoServe collaborated in the area of policy reform in the Tanzanian cashew industry in 2004. The success of this seed activity led to the signing of a formal agreement and the rapid scale-up of the relationship to include activities

along the cashew industry value chain throughout Africa and, more recently, a variety of other industries. A working partnership quickly attracts the attention of other leading global organisations. In the case of the African cashew industry, IFAD (UN) and USAID are pooling resources to drive truly industry-wide transformation with Olam and TechnoServe. For this coordinated stakeholder effort in the African cashew industry, it is now possible to define a 10-year 'vision of success' in terms of the following incremental impact: US\$ 100 million in yearly farmer revenue; Providing 2.9 million farmers with a local market; Creating 130,000 direct jobs (over 50 per cent being for female workers) and 29,000 indirect jobs together paying over US\$ 90 million in annual wages; US\$ 200 million in annual export earnings.

Both organisations share the vision of working together in at least 3 more industries globally during the next two years

Eagle Lager - creating new markets for sorghum farmers

SABMiller

In 2000, the spark of an idea was born that would result, less than five years later, in an innovative, top-selling product with market shares of 50 and 15 per cent in Uganda and Zambia, respectively, and with direct financial benefits for over 10,000 farming families. Launched in Uganda in 2002 and Zambia in 2005, the award-winning Eagle Lager is now set to expand to other African countries, and potentially to other regions.

Importantly, the idea was driven by a business imperative, not philanthropy. Ian Mackintosh, the then Technical Director at Nile Breweries (the Ugandan subsidiary of SABMiller), had set himself the challenge of bringing down the cost of beer. With 60 per cent of Ugandans living on less than US\$ 1 a day, quality commercial lager beer had been out of reach for most consumers. As Ian notes, "The imperative for growth and profitability drove Nile

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Breweries to seek mechanisms for lowering the financial barriers to entry into the clear beer market, thereby attracting new consumers to the category”.

One factor behind the relatively high price of beer in Africa is its reliance on imported inputs. Yet this accounts for only around 15 per cent of the final retail price. By far the larger factor is taxation: reducing the price meant finding a way of reducing the level of excise and passing the savings on to the consumer. The solution lay in an innovative approach to manufacturing and sourcing. By switching to an indigenous raw material - sorghum - and using small-scale farmers to supply it, the brewery was able to simultaneously replace expensive imported ingredients, and convince the Ugandan and Zambian Governments to cut excise duties by at least half. While sorghum lager is slightly more expensive to produce than other beers, its retail price is still around a third less than the price of lagers that use imported barley, thanks to the favourable excise structure.

For a product less than 4 years old in Uganda, and only 1 in Zambia, the benefits of Eagle Lager have been striking: for the business, for the farmers in the value chain, for consumers and for the national economies of the two countries.

The business

Simply put, the project has met its primary objective - to reduce the costs and price of beer and thereby attract new consumers and grow market share. Strong market shares have translated into significant bottom-line results for the business. In

Uganda, where Eagle Lager is Nile Breweries' top-selling Ugandan brand, the company has already recouped its initial investment. Beyond the financial benefits, the business has also received positive coverage in the national media and enhanced relationships with government.

Perhaps most importantly, Eagle has challenged the existing business paradigm. Ian Mackintosh, Technical Director at Zambia Breweries, sees it as a model for the future development of the brewing industry in the developing world: “We can and indeed must think outside the box to find opportunities for use of locally derived ingredients”.

The farmers

The messages from the farmers in Zambia's Mumbwa District are clear and consistent. Most striking is the fact that Eagle Lager has single-handedly created a new and credible, long-term market for sorghum as a cash crop. Purchase agreements are signed in advance that guarantee prices at levels considerably above market rates. Sorghum, itself, also has particular attractions for farmers: compared to other crops: it is more drought- and flood-resistant, higher yielding with more stable prices, and easier, cheaper and so more profitable to manage. As adviser to CARE International, Belmar Bayombong, puts it, “Eagle has ignited the enthusiasm of farmers”.

In total, Eagle lager has brought 8,000 small-scale farmers in Uganda and 2,500 in Zambia into its supply chain. Assuming an average of 6 dependants per household, this translates into benefits for 63,000 people. Notably, a large proportion of farm

households are headed by women around 40 per cent in the southern province of Zambia. In each Uganda and Zambia, the company is spending US\$ 1.4 million on the purchase of sorghum, of which approximately 75 per cent goes direct to the farmers (the balance goes to post harvest handling by third parties).

Behind these numbers are stories of people improving their quality of life. A study by charity CARE International, suggests that farmers in southern Zambia could expect to see incomes rise by 50 per cent, with similar benefits reported by farmers in Uganda. A recent evaluation of the Eagle Lager project in the Soroti District in Uganda, conducted with the local government, reports a range of benefits identified by farmers. This includes the fact that an assured income allows farmers to plan for their futures, and has enabled them to send their children to school, buy more land and oxen for ploughing, eat better, afford improved health care, and employ other people to help them with planting. Care International has observed similar impacts in southern Zambia.

Importantly, the project has contributed to the development and strengthening of the small-scale private sector - the family farms that represent by far the largest share of the private sector in most African countries. As Chris Hawke, director of the commodity brokers for Zambia Breweries, puts it: "farmers don't want handouts. Our aim is to develop them into commercially viable entities - into our equal partners".

The consumers

Over 60 per cent of Ugandans and Zambians have incomes of less than one US Dollar a day. For most low-income communities, the only alcoholic beverage available is an illicit and unrefined local brew, usually produced through unhygienic processes with weak quality control. Eagle Lager has given people a healthy and affordable alcoholic alternative.



The economy

Growth in agriculture is central to growth in the rest of the economy; agriculture accounts for around 32 per cent of GDP in Uganda and 23 per cent in Zambia. And significantly, most people work in the agriculture sector - 79 per cent in Uganda and 68 per cent in Zambia. So by targeting the small-scale agriculture sector, Eagle Lager is contributing in an important way to the countries' efforts to accelerate growth and poverty reduction.

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Waste Management - a model for generating entrepreneurs

TEDCOR

The Entrepreneurial Development Corporation (TEDCOR) trains and develops entrepreneurs from historically disadvantaged backgrounds to provide cost-effective, sustainable waste management services in South Africa's disadvantaged and under-served areas.

Working in joint venture partnership with municipalities, local communities and the private sector, TEDCOR's unique business model provides employment for local communities and trains local people to become business operators. This approach encourages community participation while building a cleaner, healthier environment.

In common with most municipalities the world over, particularly in the developing world, South African municipalities face a daunting challenge for service delivery. Refuse left uncollected in municipal areas can have severe negative consequences for the living standards of the population, and for investment. The South African government has acknowledged that it needs private sector help to meet its promise of delivering services to people where it affects them most directly - in the areas where they live.

In South Africa, five million homes are without waste collection services. After housing, water, sanitation and electricity, waste management is fifth in the order of critical service priorities requiring government funding. The shortage of funds for these services is partly a result of low levels of fee collec-

tions from residents who are either unable to pay or refuse to pay for inadequate services - "brought-in" from outside the community. The solution was found in the communities themselves providing the service. And therefore a different approach was needed - one in which the entire community would benefit and the local authority could achieve its service delivery goal.

TEDCOR's unique business model allows municipalities to achieve their service delivery goals by providing efficient, sustainable waste management services while at the same time answering to the wider need for government and the private sector to promote Black Economic Empowerment, create jobs, transfer skills and uplift communities. Waste collection is an ideal industry within which to create employment. It can be adapted to be labour intensive, instead of capital-intensive as is the case in many developed countries.

At the start of a project, TEDCOR and the local municipal councillors and community leaders identify suitable community contractors within a designated municipal area. These are generally unemployed individuals, men and women, who show entrepreneurial and leadership qualities, are literate and have valid driver's licenses. Importantly, they are individuals who are accepted by the community.

A contract is entered into between the municipality and TEDCOR in which TEDCOR agrees to sub-con-

tract the collection service to community contractors, who are members of the community being serviced. The contractors commit to providing services to a defined standard; and TEDCOR agrees to train and assist the contractors set up and run their small businesses. TEDCOR arranges bank loans for the contractors to buy their vehicles and equipment, which they own from the first day of operating their businesses and also assists the contractors with all facets of establishing their businesses, from finding premises, to recruiting staff, from the legal aspects to financial and administrative systems.

The contractors are put through a five-year training programme in the management of small businesses, which has been accredited by the University of South Africa. TEDCOR remains involved throughout the entire contract period, which is usually five years. This is a key element of its success, since most new enterprises fail because the owners can perform the technical work but have no administrative experience. Ongoing service provision includes financial management support, quality control and community liaison.

The waste collection skills needed are easily taught and can be supplemented in a way that allows the new waste management entrepreneurs to remain in control of their own businesses. Jobs are created within the community for formerly unemployed and unemployable men and women, helping people in these communities prosper. Their environment is also far cleaner and healthier. As a result, they are more able and willing to contribute a small monthly payment for waste removal services. Typically, each contractor employs 12 to 16 people from

within the local community to service 5000 collection points, and the programme endeavours to spend at least 70 per cent of the contract revenue within the community by way of salaries and wages, diesel purchases and consumables.

TEDCOR started its community-based refuse removal system in 1992. Today, using TEDCOR's model, over 80 trained entrepreneurs operate their own small businesses in 16 local authorities. They provide employment to more than 1,000 historically disadvantaged people and supply waste removal services to around 400,000 households.

Absence of funds is the biggest impediment to scale up TEDCOR's business model. Great initiatives have been made possible with assistance from external funders, but more is needed. For example, an environmental and waste management project launched in 1997 and still continuing in the Bojanala Platinum District Municipality was made possible with funding assistance from Finland and the European Union. TEDCOR-appointed team leaders were trained in environmental issues. The team leaders then spread awareness of the benefits of a clean environment in the community through group meetings, posters, group meetings and touring theatre groups. Increased environmental awareness then paved the way to successfully introduce efficient waste removal services, and for municipalities to collect service rates.

In Moses Kotane and Moretele municipalities in the North West Province, provincial funding is paid every year into a special account to be spent on waste collecting using the TEDCOR system. Costs and fees for the service are negotiated in a way in

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that allows any savings on costs to be shared on a 50/50 basis with the municipality. With these savings, TEDCOR has built a Hospice for children in the community and continues to fund it on a month-to-month basis. Proper auditing allows for transparency and ensures that costs are accurately and appropriately allocated. Funders can therefore be satisfied that their money and resources are not squandered and that surplus profits are charitably applied to social development and good citizenship causes.

TEDCOR has recently completed a feasibility study in Maputo, Mozambique where the municipal equipment is at the end of its useful life and there

are no funds available for replacement. Meanwhile the city gets dirtier and dirtier as the amount of waste increases by the day. The solution requires setting up 50 SMEs each employing a crew of fifteen bringing employment to nearly 900 unskilled people, at an average cost of two dollars per household per month.

An even larger opportunity lies in providing a service to the 5 million houses South African currently without waste removal. Using TEDCOR's model this would create 1,250 new SME and create 21,000 new jobs.

Allanblackia - scaling up a new non-timber forest product

Unilever

Launched in Ghana, the 'Novella Africa' initiative seeks to extract oil from the Allanblackia tree on a commercial scale in a way that benefits the local population. This tree grows in the wet tropical forests of sub-Saharan Africa, producing pineapple-sized fruits with many seeds rich in an oil with unique properties that can be used to produce food products and soap. Local communities already use the oil but, until now, it has never been used on a commercial scale.

Together with The World Conservation Union, Netherlands Development Organisation (SNV) and The World Agroforestry Centre (ICRAF), Unilever is helping local communities and small businesses to

cultivate the seeds. By creating this opportunity for rural, often remote, communities, this growing partnership will provide an additional and sustainable source of income, thus contributing to the fight against poverty.

The overall aim of the project is to contribute to the sustainable development and trade of a new forest-based commodity that can help economic development by diversifying income sources, improving livelihoods of poor rural communities and fostering sustainable tropical forest management. Specifically, the project provides mechanisms to ensure sustainable harvesting of Allanblackia and equitable sharing of benefits among stakeholders.

The initiative now operates in three countries and its impact is steadily increasing, helping to create sustainable livelihoods wherever the *Allanblackia* tree is indigenous. Setting up an efficient and effective rural supply chain is the core activity and challenge of the initiative. This public-private partnership was formed to do this and grow the volume.

Harrie Hendrickx of Unilever R&D, Vlaardingen commented "Normally, we want to be at the end, not the beginning, of the supply chain, but here was very good potential for a new raw material which would be of value to us and other manufacturers. To get it into a supply chain, someone had to step up to the mark to make things happen. Unilever played that catalytic role. It was an opportunity to launch things so that our African partners could develop it into a real opportunity for the continent."

By working in partnership, the quality and reliability of the supply chain can be secured. Local NGO partners ensure that the partnership operates in a participatory, transparent and equitable manner and that the rural communities receive the majority of the financial benefits and support for community development. Women, in particular, have been encouraged to participate at all levels and children encouraged to go to schools.

The project's target group include poor rural communities. As primary collectors and sellers of *Allanblackia* seeds, they are at the centre of the supply-chain model needed for the production and trade of the oil and the target beneficiaries of the project. Local small-scale private sector companies, haulage

contractors, nurserymen, input suppliers and millers will also see benefits. The project is unusual in the way it was set up with local communities and small businesses, in cooperation with non-profit development partners and local governments, to provide an additional and sustainable source of income for rural communities.



Unilever's most important objectives in this project are obtaining a new raw material from a sustainable source, ensuring the quality of the oil and making the business profitable to all involved, especially the rural partners. Apart from taking the original initiative for the project, Unilever is providing a market for the finished products, to be used in the manufacture of consumer products, guaranteeing long-term demand and fair prices.

Through the development of this product, the importance of biodiversity conservation for sustainable livelihoods in this area will be demonstrated, promoting environmentally friendly behaviour as a priority for local development. The project will help to achieve greater sustainability in the region by

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using *Allanblackia* trees where previously “slash and burn” methods have been practised. Cutting of trees will be discouraged. Communities are encouraged to harvest the wild seeds while planting new trees to create a sustainable supply of seeds and planting of other trees will be stimulated. To that end, local nurseries will be supported to raise trees.

Aware of the effects that large-scale monoculture (palm oil) plantations can have on the local biodiversity, this project has the potential to contribute to the global public good by enhancing the overall well being of the tropical forest belt in Africa.



Unilever is also looking at sustainability by ensuring the project has strong local ownership. “ We are actively looking at where the partnership needs Unilever and where it can start to become more independent. You can't do that in a day and so we are helping grow the partnership to that stage of development.”

At a national level, developing a new export commodity like this will add value to a country's national

resources and have a significant relevance for furthering pan-African economic development through expected south-south markets, poverty reduction and sustainable forest management.

Many technical lessons have been learned as a result of this as a simple research and - supply chain development project, but the most important learnings have been over and above this around cross-sector partnership working: the need to spend time building the team at the outset, recognising the balance of skills and competencies that different partners bring to the table, the ability to help each other grow as equal partners and the importance of a set of guiding principles to avoid difficulties. As Harrie Hendrickx recollects: “ Partnerships are complex and it is a fine line between using as few partners as possible, but as many as is necessary to work well. None of this is rocket science, but you just have to be sure you do it.”

Apart from the core-team, more than forty organisations: NGOs, small African businesses, government organisations and rural African leaders, support the initiative as partners in different countries, as a result of the work conducted in Ghana.

This partnership project will fight the loss of tropical forests, create jobs and develop local communities by initiating a sustainable and profitable supply chain for a novel non-timber forest product.

Shrimp Aquaculture - integrating social considerations

With revenues of € 80 million and 4000 employees, UNIMA is the largest agro-food industry employer in Madagascar. The group comprises shrimp aquaculture (Aqualma), shrimp fishing, cashew nuts (Verama) and IT services. UNIMA Aqualma has 2300 employees. UNIMA sees involvement in the fight against poverty as essential for the company to be truly profitable, high-performing and sustainable.

Aqualma places great emphasis on the integration of social considerations into its business. It impacts positively its own employees through salary and benefits programmes. The company's operations required them to improve local infrastructure (roads, electricity, water). Furthermore Aqualma pursues projects in order to promote local development, with 1 per cent of annual revenues devoted to community development. Aqualma believes this is necessary for Aqualma to continue to be high performing and sustainable in the long term.

Social programmes include:

- Promotion of employee development
- Salary: Policy of paying above national minimum salary, with further performance bonuses
- Free rice: Provision of free rice to employees and their families
- Health Care: Provision of heavily subsidized health care to employees (and families) (1500 Ar each year). Aid prevention program
- Training: Focus on strong training programmes for employees
- Loans: Provision of loans / social fund for employees for investing in their homes, or meet family needs

Provision of infrastructure

- Electricity: Priced at 1000Ar/KWh, provided by Electricité de Madagascar (EDM) and co-founded by Unima
- Water: Treated-water fountains - monthly charge of 200 Ar per adult to cover running costs.
- Access: Roads maintained, water transport available for Besalampy
- Communications: Television and radio aerial installed in Besalampy. Phone facilities are forecasted in the short term

Community development programs

- Health centre: 3 doctors, HIV awareness program, child/ mother nutrition, free emergency evacuation to Majunga
- School: Managed by Catholic Mission, 400 primary, 150 middle school pupils, paying 50,000 Ar per year except for 170 pupils for whom it is free (from the poorest households, as defined by the local authorities)

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- Library: Available to public after 5pm and during school vacations
- Revenue enhancement: Villagers trained in vegetable-growing, some supply Aqualma; women's group funded for raffia artisan work
- "Opération Propriété": Programme to assure land titles for village inhabitants, motivating them to do improvements
- Police station: Installed in Besakoa and Besalampy
- Price-regulation of basic subsistence products: Aqualma provides free transport to/from town of Majunga for merchants of such products, which can therefore be provided at reasonable prices
- Construction of public market and abattoir - Enables local farmers to trade produce, plus hygienic meat treatment

Some of key challenges that Aqualma is facing includes recruiting skilled workers, building sustainable relationships with the local community and ensuring the long-term sustainability of the community programs.

Aqualma has started to look at how to make the health centre independent. For example, looking for other development agencies to work with the centre, in providing future investments for required expansions.

One of the key lessons learnt to date is the importance of the engagement of the local community. As one of the fundamental axioms of UNIMA's

operations, it believes it is not only right but also necessary to fully engage and support the local community. Local recruitment, building infrastructure, contributing to community development programs, purchasing from local suppliers - are all actions that help to ensure the mutual development of the community and the business. Another lesson is that investing in regions that are both isolated and underdeveloped is a difficult, painstaking and risky task; therefore, starting slowly, with feasibility studies and pilots before building up to full scale is essential to mitigate some of the risks. And finally, from early partnerships with International Financial Institutions, to recent partnerships with NGOs that run community development programmes and a partnership with EDM, UNIMA Aqualma has benefited from continuing to seek and work with partners that can help to further its mission.

The Unima group is writing a Sustainable Development policy which will include indicators, targets, will be independently audited and reported.

Sekulula & Mzansi - financial access at the bottom of the pyramid

Visa

Africa has the world's lowest savings rate, with little capital for banks to lend to grow productive enterprise. But concerted efforts by South Africa's major banks is now providing access for a growing number of South Africans, regardless of the remoteness of their location, through the development of the Mzansi card, the Sekulula card and various other satellite technologies for accessing payment systems in rural locations. Poor infrastructure had been the main reason for banking sector's low penetration in many African countries. The unreliability of electricity and the high cost of telecommunication limited the ability to deploy cost-cutting computer technology. Now in South Africa, legislation, a Financial Sector Charter, political pressure, new technology and real commitment from the banks have combined to stir up innovation in low-cost banking.

Sekulula means 'it's easier'. In South Africa, the distribution of pension, disability and child benefits payments is a major undertaking towards the goal of eradicating extreme poverty and hunger. Switching from a cash-based to an easier electronic payment system offers savings, safety and access to basic banking services for thousands of South Africans. Hence, the Sekulula card is used in four South African provinces to distribute benefit payments electronically so recipients can access funds without receiving it as cash. As governments in Africa begin to turn to electronic solutions for the distribution of public benefits, a partnership between government and Absa, a leading financial institu-

tion in South Africa and Visa member bank, in 2003 produced a debit card to do just that, using Visa Electron.

Absa (a member of the Barclays group) worked with the South African government's Department of Social Development to create an efficient electronic payment system. Accounts are automatically credited monthly with benefit funds. The cardholder customers can then top up the funds with cash or electronic transfers. Recognising the importance of efficient social grants payments, the South African government appointed a dedicated agency to administer these payments in April 2006, called the South African Social Security Agency (SASSA). This agency is tasked with delivering approximately 8 million payment transactions per month, where R4,7 billion is paid out to about 10 million South Africans. More than seven million of these beneficiaries are children.

Sekulula shows how social grant beneficiaries benefit from the use of Visa's payment system to receive payments in a safer, more efficient way, whilst offering substantial benefits for all stakeholders. The value of convenience and safety for recipients is immeasurable. The elderly, parents and people with disabilities no longer have to wait in long queues for cash or worry about keeping payments safe from theft.

From a broader economic perspective, electronic payments have increased GDP, increased trans-

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action transparency, reduced grey economies and increased tax revenue. Cashless payments systems also save up to 1 per cent of GDP, from the significant expense of transporting, securing and dispensing cash, and minimise the cost of time-consuming, paper-based administration of equivalent cash-based systems.



Importantly for the economic growth of the continent, the programme has a further key socio-economic benefit: opening up banking to many thousands of people who have never before experienced the benefits of modern financial management. 'Banking the unbanked', slowly but surely increases bank reserves and makes money available with a multiplier effect to be re-invested in the growing economy.

Mzansi', South Africa's low-cost national bank account launched in 2005, extended banking to low-income earners and those living beyond the reach of banking services. Mzansi - a South African expression meaning 'south' - is a basic, standardised, debit card-based transactional and savings account. It has already proved to be a hit. The pro-

gramme was the result of pressure on the big banks sector by both government and communities to meet the needs of some 17 million of South Africa's unbanked (2003 estimate). Instead of passing legislation, which would force companies to change, South Africa opted for a voluntary system in which industry was encouraged to negotiate a charter under which they agreed to meet certain social transformation goals. These goals were expressed in the Financial Sector Charter, launched in October 2003. In terms of the Charter, effective access to financial services means, among other things:

- being within a distance of 20 km to the nearest service point at which first-order retail financial services can be undertaken, and includes ATM and other origination points;
- being within a distance of 20 km to the nearest accessible device at which an electronic (other than ATM) service can be undertaken;
- appropriate and affordably priced products and services for effective take up - by LSM 1-5; and
- structuring and describing financial products and services in a simple and easy to understand manner.

South Africa's 'big four' retail banks - Absa, First National, Nedbank, Standard Bank - and Postbank, launched this low-cost facility aimed at the poor, individuals entering the formal banking sector for the first time. Mzansi has shown how Visa could support member banks in fulfilling their social commitments by bringing over 3 million people into the banking system in South Africa. The racial breakdown shows account holders reflective of the country's population demographics and is consistent with banked and unbanked populations.

Visa has contributed to this development of economic infrastructure in Africa by making its payment system available to ease access to financial services. Of the branded Mzansi cards in circulation, approximately 60 per cent are Visa cards. But physical access to financial services means nothing if these new customers do not understand how to use this services. Hence, Visa initiated financial literacy programmes - Designed to keep the customs of the South African people in mind, Visa chose to educate using the same type of storytelling tradition that has allowed knowledge to be passed from generation to generation. Using theatre, Visa is able to drive financial literacy education directly into the community to promote financial empowerment and help people reap the benefits of bank accounts and payment cards. The 35-minute performances combine education with entertainment, while de-

livering the messages in a way that the audience can both understand and remember. To date, the South African roadshow has reached more than 8,000 people in the Gauteng, North West and Free State provinces and is currently being rolled out across the rest of the country. South Africa's Deputy Finance Minister, Jabu Moleketi, commented in June 2006: "In a tangible sign of how sound partnerships can contribute towards transformation, Mzansi continues from strength to strength. Already it has taken significant strides in the challenge of improving access to banking services for all."

Mzansi's success is seen in how it has evolved into the establishment of an umbrella brand synonymous with access to affordable financial products and services.

ATMs - stand-alone cash machines in non-traditional areas

ATM Solutions

ATM Solutions received an investment of US\$ 1.7 million from a fund managed by Horizon Equity Partners, to which CDC committed US\$ 4.1 million. Johannesburg-based ATM solutions grew from a belief that the deployment of stand-alone cash machines in non-traditional areas could prove as successful in South Africa as it had in the USA. Since 2000 the company has installed more than 3,000 cash machines in locations traditionally avoided by the banks, such as petrol stations, convenience stores, smaller shopping centres, supermarkets, and hospitals, as well as corporate sites,

such as the Johannesburg Stock Exchange, representing a 40 per cent share of the 'off-premise' cash machine market.

ATM Solutions provides retailers with in-store cash dispensers and manages the deployment and maintenance of the machines under rental contracts. The retailer receives a share of the transaction revenue and can either choose to fill the machine itself, thereby avoiding bank deposit fees, or rely on ATM Solutions to manage the cash. ATM Solutions also helps other banks develop their own ATM net-

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works. For example, installing and managing all the cash machines at branches of KwaZulu-Natal-based bank, Ithala. It has helped to bring financial services to rural communities previously neglected by the established banking infrastructure- around 60 per cent of the group's cash machines are outside metropolitan areas.

Local access to cash is helping to stimulate the local economy including in several rural locations,

such as Qumbu, Tsolo, Black Rock and Kuruman. ATM solutions is expanding rapidly and recently entered the point-of-sale machine 'POS' market where it is making significant inroads. The Company is also in the process of developing other financial services, such as a card system for distance payments activated by a unique transaction pin code at cash points, for customers traditionally under serviced by banks.

Artemisia - fighting malaria with local inputs

Bionexx

Malaria is claiming many lives on the African continent. Artemisia Annua is a medicinal plant that has been used in traditional Chinese medicine for the last 2000 years. The World Health Organisation are recommending Artemisia Annua in Africa because Malaria has developed some resistance to existing treatments. However, it is estimated that 185 million doses would have been needed in 2005 alone, but supply can only satisfy half this demand. Pharmaceutical laboratories are keen to scale-up production so costs can come down and thus be more affordable to lower-income population.

Bionexx vision is to provide these laboratories with the active ingredient - artemisinin - by getting the local population to take part in the cultivation of Artemisia and thus contribute to Madagascar's rural development.

The idea for the project was born in 2004 during a meeting between Charles Giblain, the founder of

Bionexx, and Dr. Yusuf Hamied, the owner of the Indian pharmaceutical generic manufacturer CIPLA who was looking for an alternative supply of artemisinin. In the long term, Bionexx plans to produce enough Artemisia to produce 30 million treatments to fight against Malaria.

Much of Bionexx's success so far has been thanks to its ability to mobilise both local and international stakeholders into action. Locally it has managed to get NGOs on board to persuade farmers to enter the supply chain and internationally it has managed to secure funding to research and refine the Artemisia cultivation techniques.

Bionexx will provide farmers income security by guaranteeing a fixed price at the beginning of the season. Access to a new market will boost the local economy, whilst still allowing them to combine Artemisia with subsistence agriculture.

Dairy Farmers - an opportunity to double their revenues

Brookside Dairy

Brookside Dairy's fund of US\$ 19.7 million is managed by Aureos Capital, US\$ 5 million of which represents CDC's commitment. Brookside is a private company founded in 1993 following the deregulation of the dairy sector in the early 1990s. Based in Ruiru, about 20 kilometres from Nairobi, Brookside produces superior quality milk, has a 40 per cent share of the Kenyan dairy market, sourced from 80,000 suppliers. 7 per cent of these are commercial farmers and the remainder are small scale producers.

The widespread lack of refrigeration facilities means that timely delivery is essential. Brookside employs an army of delivery personnel, including more than 1,000 'bicycle boys' in the Nairobi area alone. Its sales depots now stretch from Mombasa on the East coast to Kisumu on the shores of Lake Victoria in the West. As demand outstrips supply it plans to introduce both morning and evening milk collections, potentially doubling smallholder income, and increase the number of collection centres.

Brookside-sponsored training field days are attended by up to 6,000 local farmers at a time to help spread best-practice in livestock management and provide networking opportunities for smallholders, many of whom are geographically isolated. The expanding business provides linkages between rural and urban economies and a sustainable route out of poverty for many. Additional benefits to local communities are health education programmes and funding for school, church and road building projects.



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Pan-African Travel - connecting the continent

Ethiopian Airlines, also known as Ethiopian, has over 4,700 employees and provides a service from and to 28 African cities and 19 others in Europe, Asia and the US. The core business of Ethiopian is air transport of passengers, cargo and mail. Major front line activities include marketing and sales, reservations, airport handling, and flight operations. To support the business it also maintains its aircraft, engines and components, trains its crew, technicians, finance and marketing staff, and develops, supports and maintains its ICT services. Ethiopian also generates additional revenue from sale of excess capacities in these support activities.



Because the nature of these activities requires great vigilance in the way Ethiopian conducts its business, measures are in place to ensure full compliance with the rules of free competition, and

Ethiopian Airlines

the relations with its suppliers are governed by ethical principles and practices as is its commitment to meeting its corporate social responsibility. These commitments are formally expressed in their operations manuals and based on support for and application of universal rules.

Besides adhering to ethical management practices and financially supporting a wide range of African-based social causes, Ethiopian's close partnerships with local vendors in day-to-day business operations also contribute to the achievement of the MDGs. The Company contributes technical assistance, staff and equipment resources. Furthermore Ethiopian invests heavily in training its staff. It currently operates one of the largest wide-ranging aviation training centres on the continent.

Its routes dramatically reduce travel time around the region. An individual who has had to set aside at least 15 hours flights from Ndjamena to Nairobi via Europe, can now complete the journey in less than four hours. Ethiopian is bringing Africa closer together.

Modular Construction - housing the nations

Moladi



With the intended purpose of "housing the nations", Moladi embarked on an endeavour to develop a system to construct durable structures of quality in the shortest possible time. This system has developed into a construction technology that addresses four key challenges embodied in the low cost housing shortages facing developing countries namely: lack of resources, insufficient funds, shortage of skills, time constraints.

The Technology is a patented modular system, specifically designed to speed construction, improve quality, and lower the construction cost of residential housing. Moladi creates an affordable, steel-reinforced concrete structure that has the strength to withstand hurricanes and earthquakes, while providing thermal insulation and moisture resistance.

One of the benefits of this technology is that local labour is trained in the Moladi construction method, allowing the basic structure of a house to be built in one day. The technology has been successfully used in South Africa, Kenya and Botswana. The Moladi technology is promising because it provides for affordable housing and makes use of local unskilled labour, thereby increasing employment.

The "Moladi technology," originally developed in South Africa, uses on-site plastic molds to efficiently build residences, schools, warehouses and office buildings. Hennie Botes, Moladi inventor in South Africa, has won several prestigious awards for his innovative approach to building systems and has just recently exported the technology to Mexico. The Moladi technology will be used for the first time in Mexico to construct homes in Celaya, a growing industrial area north of Mexico City.

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Digital Pipeline - responsible IT recycling

RDC



Based in the UK, RDC are the largest provider of IT disposal services in Europe, operating from both the UK & Germany and processing up to 50,000 items every month. As an extension to this, RDC, along with Digital Links International, are one of the founding partners of the Digital Pipeline, the Microsoft-sponsored charitable programme for providing affordable IT equipment to developing communities. To help bridge the digital divide, RDC has used its experience and knowledge to provide procedures, tools and training to set up PC Service Centres in a number of African countries. Digital Links have been involved in shipping processed equipment - ensuring that distribution & support processes are in place for receiving the donated equipment.

The Digital Pipeline is unique in that it not only provides the basis for developing IT-literacy, but it is based on a truly sustainable model to minimise the impact on the environment at the end of the equipment's life. Although the programme itself is still at an early stage, the results so far are very encouraging. The main focus has been on "education", with the vast majority of donated equipment being distributed to schools. As an example, it is estimated that over 10,000 African students have been able to access a computer for the first time as the direct result of the Digital Pipeline.

More than this, however, is that there are already the beginnings of localised business communities, based on providing additional support and training services. Companies like ITD (PTY) in Windhoek, Namibia are now able to offer complete packages, comprising hardware, software and training to meet the needs of the local area and promote the success of the Digital Pipeline locally.

Palabora - business linkage centre

Rio Tinto

Palabora, one of the world's largest copper mines located in South Africa, works in partnerships with communities within a 50 kilometre radius. One of its key initiatives has been the Business Linkage Centre programme to enhance Black Economic Empowerment opportunities in the greater Ba-Phalaborwa region.

The programme was a partnership involving three major Phalaborwa companies (Palabora, Foskor Limited and Sasol Nitro) and Ntsika, a government enterprise in the Department of Trade and Industry. The programme aimed to provide working opportunities for local Black Economic Empowerment companies to supply goods and services to the three companies who sponsor the programme.

It did so in four ways. First, it assisted empowerment companies by identifying and developing their ability to provide the three participating businesses with goods and services in a manner that is sustainable, independent and competitive. Second, the programme facilitated collaboration between the three sponsoring businesses to increase their spend with empowerment companies. Third, the programme identified potential business opportunities and assisted businesses to exploit them. Finally, the programme assisted the companies to adhere to the provisions of the mining charter applicable to procurement.

The Business Linkage Centre has been a highly successful project. Between January to October 2004, there were over 250 businesses registered on the database. One third of Palabora's total procurement expenditure during this time was with Black Economic Empowerment companies. There were approximately 50 to 60 of them which directly benefited from the programme by supplying goods and services. Many of the other companies on the database benefited from the other services that the Business Linkage Centre provided, such as training, developing business plans, accessing finance and expanding business opportunities.

For Palabora the benefits of the programme have been an improved relationship with the local community, access to more goods and services from local suppliers and the process by which to meet government targets for the advancement of Black Economic Empowerment businesses required under minerals legislation in South Africa.

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Fairtrade Tea - economic security for farmers

Tatepa/CDC

CDC has had a long relationship with Tanzania Tea Packers (Tatepa). It first helped found the company along with the Tanzanian Venture Capital Fund in 1995, and was instrumental in bringing Tatepa to market on the Dar es Salaam Stock Exchange in 1999, the first private company to be listed. In January 2006 CDC's US\$ 3 million holding in the company was transferred to the new US\$ 100 million Actis Africa Agribusiness Fund.

Despite this the economy has been enjoying growth rates of close to 7 per cent in recent years and Tatepa itself has been growing steadily, winning Fairtrade accreditation and an agreement with Café Direct to supply black tea from the estates for their Teadirect brand. Obtaining Fairtrade status benefited local communities by giving some degree of economic stability in a volatile commodities market.



The Fairtrade premium of US\$ 0.50 for every kilogram of Teadirect tea sold has gone towards the Teadirect Premium Fund which has helped finance local projects, such as new schools, text books, and health centres. Tatepa runs an extensive HIV/AIDS education and training programme throughout local communities.

Tatepa's Chai Bora tea is Tanzania's biggest-selling brand and the company now controls around 55 per cent of the country's tea market and provides employment to 27,000 people (including out-growers). As one of Africa's poorest nations, prone to drought and with more than a third of its population living below the poverty line, Tanzania presents a particularly challenging trading environment for business.

Health Infrastructure - an innovative business-led solution¹⁹⁸

VidaGas

VillageReach's inception in Mozambique dates back to the flood of 2000, when its founder helped coordinate the flood relief. During this interaction, he saw a definite need the creation and maintenance of infrastructure for delivery of medical and relief supplies to isolated areas.

VillageReach's principal partner in Mozambique is the Foundation for Community Development ("FDC"). Together they set up in 2002 a pilot project based on an agreement between VillageReach, FDC and the Mozambique Ministry of Health to take over the delivery of supplies to clinics in the country's northern-most province of Cabo Delgado.

After the launch of the VillageReach/FDC's demonstration programme in Cabo Delgado, it became clear that additional income would be needed to sustain the project long-term. VillageReach and FDC decided that the best plan would be to create a for-profit business whose profits could be used to support the pilot project and whose product would be something that would aid them in their mission. To this end, VidaGas was established.

VidaGas sells propane to, amongst other clients, the Ministry of Health, and they in turn use the propane as an energy source for the modern refrigerators used for vaccine storage at their immunization clinics. The refrigerators are provided by VillageReach and FDC as part of the replacement of the cold chain system for vaccine storage.



VidaGas is poised to become a profitable venture, and this profit will be reinvested into the health care programme in Mozambique. This way, VillageReach and FDC are provided with both funding and a reliable source of fuel for their medicine refrigeration equipment, thus minimizing the loss of valuable medicines. VidaGas also sells to local people and businesses, providing them with a clean alternative to traditional fuels like wood and charcoal. To help the local people afford the new fuel, VidaGas offers micro-lending options that allow the purchase of gas and equipment at very little up front cost.

About the International Business Forum Organisers

InWEnt - Internationale Weiterbildung und Entwicklung gGmbH Capacity Building International, Germany

www.inwent.org

InWEnt stands for the development of human resources and organisations within the framework of international cooperation. InWEnt's range of services caters to skilled and managerial staff as well as decision makers from businesses, politics, administrations and civil societies worldwide. Each year, some 55,000 persons participate in our measures.

Programmes and measures at InWEnt aim at promoting change competencies on three levels: They strengthen the individual's executive competencies, increase the performance of companies, organisations and administrations, and at the political level improve decision-making skills and the capacity to act. The methodological tools comprise modules and can be adapted to meet changing requirements in order to provide solutions. Apart from face-to-face situations in measures offering training, exchange of experience and dialog, emphasis is on e-learning-assisted networking. InWEnt cooperates equally with partners from developing, transition and industrialised countries.

InWEnt's shareholders comprise the Federal Republic of Germany, represented by the Federal Ministry for Economic Cooperation and Development (BMZ), the Carl Duisberg Gesellschaft that represents the business community, and the German Foundation for International Development that represents the Länder (German federal states).

InWEnt was established in 2002 through the merger of Carl Duisberg Gesellschaft (CDG) and the German Foundation for International Development (DSE).

The World Bank Institute (WBI)

www.worldbank.org/wbi

WBI is the Learning, Knowledge and Capacity Building arm of the World Bank Group. It trains leaders, decision makers, and others to develop and implement policies on poverty reduction, trade, corporate governance and corporate responsibility, environment, AIDS, corruption, education, health, and more. WBI networks connect decision makers around the globe, allowing them to share information and compare experiences. WBI programmes are offered in more than 150 countries. Clients include government officials and policymakers, staff from nongovernmental organisations, business representatives, journalists, academics, teachers and children, and World Bank staff.

The UN Global Compact

www.unglobalcompact.org

The UN Global Compact is the largest corporate citizenship initiative in the world. As of January 2006, over 2,300 companies from over 80 countries, as well as international labour and civil society organisations, are participants of the Secretary-General's voluntary initiative advancing responsible corporate citizenship. There has been strong and growing participation of companies from developing economies, including Brazil, China, Egypt, India and South Africa. The Global Compact seeks to integrate its ten principles into business activities through a range of activities.

UNDP

www.undp.org

The United Nations Development Programme (UNDP) is the UN's global development network, an organisation advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. UNDP is on the ground in 166 countries, working with them on their own solutions to global and national development challenges. World leaders have pledged to achieve the Millennium Development Goals, including the overarching goal of cutting poverty in half by 2015. UNDP's network links and coordinates global and national efforts to reach these Goals. Its focus is helping countries build and share solutions to the challenges of democratic governance, poverty reduction, crisis prevention and recovery, energy and environment, and HIV/AIDS.

Africa Association of German Business (Afrika-Verein)

www.afrikaverein.de/e/

Afrika-Verein is the German business association for German companies and institutions with business interests in African countries. For almost 100 years the association has assisted its members by providing up to date business information, creating business links and representing the interests of its members in Germany, Europe and Africa. The 500 members include the major German multinationals as well as many medium sized companies with trade links with or investments in African countries. Afrika-Verein has well established links with African Governments, African industry leaders and Chambers of Commerce. It is also a founder member of BCEAM - the Business Council for Europe, Africa and Mediterranean, based in Brussels.

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- 8) ECA, 2005a
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- 12) Status information from UN (2006a), ECA (2005a) and World Bank (2006a).
- 13) Estimates of countries likely to achieve targets taken from ECA (2005).
- 14) World Bank, 2006a
- 15) G8, 2005
- 16) Even with a number of donors announcing timetables to achieve the target aid levels needed to meet the MDGs (0.7% of national income, a target set at the Monterrey Financing for Development Conference in 2002) - including, for example, the UK (by 2013), Spain (2012) and Finland (2010) - the likelihood of overall global aid levels reaching this level are low. The OECD predicts that 2010 aid levels will be only 0.36%, with the US at only 0.19%.
- 17) This initiative will cancel, for all eligible countries, all debts owed to the International Monetary Fund, the concessional lending arm of the World Bank (the International Development Association) and the concessional lending arm of the African Development Bank (the African Development Fund). Currently, this includes the following 15 African countries: Benin, Burkina Faso, Cameroon, Ethiopia, Ghana, Madagascar, Mauritania, Mali, Mozambique, Niger, Rwanda, Senegal, Tanzania, Uganda, Zambia. Campaigners argue that the Initiative does not go far enough in terms of the number countries or scale of debt relief.
- 18) www.investmentclimatefacility.org
- 19) www.icafrica.org
- 20) The WTO's highest decision-making body, the General Council, supported (at their 27-28 July meeting) the recommendation of Director-General, Pascal Lamy, to suspend the talks. However, the negotiations were not *formally* suspended, which means that a formal decision by Members is not needed to restart them (avoiding the prospect of any Member blocking their future resumption).
- 21) The focus has been on tracking existing G8 commitments. The Africa Partnership Forum - that tracks progress - is scheduled to meet at the end of October. In September, President Vladimir Putin, made an historic visit to South Africa, where he pledged to boost business ties.
- 22) Global Compact Conference "The Business Contribution to the Millennium Development Goals", Paris, 14 June 2005
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- 25) World Bank, 2004a
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- 28) IBF, 2005. Photo: Celtel.
- 29) Swift and Zadek, 2002. The exceptions include the Gates Foundation (www.gatesfoundation.org), which now has US\$30 billion in assets, excluding the recent donation of US\$37bn from Warren Buffett; and the Millennium Promise campaign (www.millenniumpromise.org) which provides a comprehensive framework for harnessing corporate philanthropy to tackle rural poverty on a village-by-village basis. Currently covering 75 villages in ten different countries, the aim is to reach 100,000.
- 30) ECA, 2005b
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- 32) UNIDO, 2002
- 33) DFID, 2004b
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- 35) Frannie Léautier, Vice President, World Bank Institute, IBF, 2005; IBLF, 2003
- 36) www.un.org/esa/population/hldmigration/. Earlier this year a report on the issue was presented to the UN Secretary General (UN, 2006b). In addition, this year's *Global Economic Prospects* produced by the World Bank

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focuses on the economic implications of migration and remittances (World Bank, 2006c); last year, the Global Commission on International Migration, the body launched by UN Secretary-General and a number of governments in 2003, published a major report (Global Commission on International Migration, 2005); and the year before, it was addressed at the Sea Island G8 Summit (<http://www.whitehouse.gov/news/releases/2004/06/20040609-35.html>).

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- 38) DFID, 2006
- 39) Interview for this report with Dr Banjoko, Africa Recruit.
- 40) IOM, 2005
- 41) DFID, 2004a
- 42) Interview for this Report. Photo: Olam International.
- 43) World Bank, 2006c
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- 48) The Impact of Mobile Phones in Africa - Prepared for the Commission for Africa, November 2004
- 49) Newland and Patrick, 2004
- 50) Interview for this Report; Photo: Lion of Africa Insurance Company
- 51) World Bank 2005b
- 52) There is a network of more than 600 HTAs throughout the US
- 53) However, HTA's don't always raise the money pledged since state and local governments don't always make their expected matches.
- 54) IOM, 2005
- 55) World Bank, 2006c
- 56) <http://sendmoneyhome.org>
- 57) This will provide a parity between charitable donations and the remittances that are spent on international development
- 58) www.intentbds.nl/
- 59) It will report in 2007
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- 62) Interview in *The Observer*, November 13, 2005; Photo: Rwenzori Coffee Company.
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- 64) Interview for this Report with Dr Banjoko, Africa Recruit; CAPPs, 2006
- 65) Interview for this Report; Photo: Environmental Quality International.
- 66) This replaced IOM's Return of Qualified African Nationals programme successfully attracted more than 2,000 highly skilled persons back to 41 African countries from 1974 to 1990, and the programme was later expanded to the Migration for Development in Africa programme (MIDA).
- 67) CAPPs, 2006
- 68) ECA, 2006
- 69) www.chinese-embassy.org.za/eng/zt/ask/t268435.htm
- 70) The South has long been the term used to describe developing nations which predominantly lie in the South, with most of the developed nations lying in the Northern Hemisphere (excluding Australia and New Zealand) (Mathat and Rumney, 2006).
- 71) Interview with Bloomberg, 4th August 2006; Photo: Anglo American plc.
- 72) World Bank, 2006e
- 73) IFC, 2006.
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- 98) www.chinese-embassy.org.za/eng/zt/ask/t268435.htm
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- 107) Kaplinski, *et al*, 2006
- 108) Kaplinski, *et al*, 2006; Hoffmeister, 2006
- 109) African Union, 2004
- 110) World Bank, 2000
- 111) World Bank, 2005a
- 112) Between 1993 and 2002, 16 sub-Saharan Africa countries had average growth rates above four per cent, including ten with rates above five per cent and three with rates above seven per cent (World Bank, 2004b; Commission for Africa, 2005).
- 113) Fafchamps, *et al*, 2001
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- 115) Stern, *et al*, 2005; World Bank, 2004a
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- 117) United Nations Millennium Project, 2005
- 118) World Bank, 2004a
- 119) World Bank and IFC, 2006
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- 123) World Bank, 2006e: pp.2-4
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- 129) World Bank, 2006b
- 130) Collier, Hoeffler and Patillo, 2001
- 131) Statement while Commissioner at Commission for Africa. Photo: William Kalema.
- 132) African Union, 2005b
- 133) For more information, visit www.investmentclimatefacility.org
- 134) We focus here on "economic infrastructure" - energy, telecommunications, transport, water and irrigation. We do not include "social infrastructure", such as schools and health clinics.
- 135) ECA, 2005c
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