2008

# MDGs at the midpoint

## ACCELERATING BUSINESS-LED GROWTH AND COLLECTIVE ACTION

BUSINESSACTION
FORAFRICA

# Foreword

Lord Stern of Brentford

**Great progress has been made in fighting world poverty. Over the last 25 years the number of people living in extreme poverty has fallen by at least 200 million, despite a rise in the developing world population of 1.5 billion. We have learnt a great deal about what works and what doesn't, but with over a billion people still living on less than $1 a day, it is time we applied these lessons with renewed urgency.**

In 2005, the Commission for Africa drew together our best assessments of what had to be done, informed by experience – both of success and failure – from across the continent. Some pioneering work since then, including by my Commission for Africa colleague, Professor Paul Collier, has reinforced our core messages. Aid is hugely important, but it is only one fraction of the solution.

Ultimately, the route to prosperity for poor people in Africa, as in other regions of the world, lies in a mutually reinforcing mix of policy actions that will both drive long term economic growth and enable poor people to participate in that growth: a fairer world trading system, so that poor countries can trade fairly in higher value products; better systems of governance, so that national governments can be effectively held to account by their citizens and deliver a safe and secure environment for people to live their lives; and, an investment climate that enables all enterprises, including small businesses and family farms, to thrive. Every day, right across the continent, poor people demonstrate their indomitable and enterprising spirit. Employment, self-employment and starting a business remain the cornerstone of most poor people's strategies for escaping poverty.

This report brings together the insights of a wide number of practitioners, who in their own way have been pioneers in helping unleash Africa's entrepreneurial energy. Many of the organisations – and hundreds of others – have joined forces under the banner of Business Action for Africa. Created in response to the work of the Commission for Africa, Business Action for Africa is a heartening example of the new spirit of collaborative action that will be needed to end poverty once and for all.

Introduction

# Fighting Poverty through Business

Zahid Torres-Rahman
Director, Business Action for Africa

**Back in the heady days of 2005, Africa was at the top of people's minds. The Commission for Africa Report , Jeffrey Sachs' "End of Poverty" and the Make Poverty History Campaign all contributed to an unprecedented level of international public awareness, policy interest and widespread expectation that we could make a real difference to the lives of Sub-Saharan Africa's more than 300 million people living in extreme poverty. But today we remain severely off-track in our progress towards halving poverty in Africa by 2015, one of the targets of the UN's "Millennium Development Goals" (MDGs).**

Since the Commission for Africa, Business Action for Africa has grown into an international network of hundreds of businesses, business organisations and partners in the international development community. The three beliefs that sparked its creation three years ago remain at its heart today.

First, while the emphasis on Africa has been welcome, the proposed solutions have tended to be only partial. In focusing on aid and debt relief, hardly any attention has been paid to the priorities of Africans themselves: the opportunity to get jobs, grow their businesses and trade in a fair world market.

Second, Africa is often portrayed as if it were one country on the brink of disaster. In fact the Africa that any business that does business in Africa will tell you about, is one of huge diversity and immense opportunity. On a wide range of economic and political indicators, strong progress has been made in many countries right across the continent.

And third, a vibrant private sector – from family farms and small scale entrepreneurs to larger national and international businesses – is the most effective and sustainable means of reducing poverty.

In this publication, we have invited a wide selection of leading thinkers, from within our network and beyond to share their views on the evolving discussion. The result is an insightful and thought-provoking assessment of the private sector's role in accelerating progress towards the MDGs in Africa and the key priorities moving forward. We are very grateful for their contributions, and in particular, I would like to thank Lord Nicholas Stern, who chaired the original Commission for Africa business group, and who continues to be an inspiration to many.

A central theme that emerges from the articles and the accompanying case studies is the importance of collective action – building new partnerships with each stakeholder harnessing their core capabilities and recognising that we are now a critical part of each other's capacity to deliver successful business and development outcomes.

## The Millennium Development Goals

189 United Nations member states have pledged to meet the following eight goals by 2015:

| | |
|---|---|
| **01** | Eradicate extreme poverty and hunger |
| **02** | Achieve universal primary education |
| **03** | Promote gender equality and empower women |
| **04** | Reduce child mortality |
| **05** | Improve maternal health |
| **06** | Combat HIV / AIDS, malaria and other diseases |
| **07** | Ensure environmental sustainability |
| **08** | Develop a global partnership for development |

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## Section 1

# Defining the Relationship between Business, Development and the MDGs

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# Business needs to show that we are part of the solution to the major issues of poverty and development

**Sir Mark Moody-Stuart**
Chairman, Anglo American

**The Millennium Development Goals were the product of a moment of optimism in history. In setting some clear targets for reducing poverty and some related measures, the UN Secretary General and participating governments were hoping to capitalise on that moment and to inject some political will into their achievement. To date, the gamble has met with limited success. Whilst the MDGs have provided a focal point for benchmarking progress, the indications are that we will not realise them by the target date of 2015.**

Some spectacular advances have been made, for example, in China but with disappointing progress in much of Africa. When the Goals were conceived the role of business in helping to achieve them was barely considered. Things began to change with the emphasis given to partnerships and to the role of enterprise at the World Summit on Sustainable Development in 2002. But development economics had hitherto been the last bastion of an essentially Statist frame of reference. Indeed some of the NGOs – although increasingly a minority - most active on development issues are still more inclined to see business as an enemy rather than ally.

Although the role of business in progressing the MDGs has long been a focus of the signatories of the UN Global Compact, the involvement of business in development issues was made more explicit by the MDG Call to Action launched last year by Gordon Brown and supported by twenty three company Chief Executives.

Most companies do not, however, benchmark their performance against the MDGs; since most of the Goals fall primarily to governments for their delivery. But the role of business is crucial in relation to those dealing with reducing poverty and hunger and the formation of partnerships for development. For individual companies, other specific goals – such as contributing to gender equality, improved education or the fight against HIV/AIDS – may also have resonance. For multinationals, the challenge is not only to contribute to poverty alleviation through running our businesses responsibly, generating jobs and paying our taxes, but also to increase our linkages back into our host economies and to maximise the impact of the capacities that we can bring to bear. This involves three key steps.

In relation to the first step, businesses are not development agencies but we can be significant development actors. However, we cannot maximise our beneficial impacts, and minimise any negative ones, if we don't understand those impacts or the actual – rather than the assumed - needs of those around us.

Thus within Anglo American we have developed a Socio-Economic Assessment Toolbox (or SEAT process) which is implemented at our established mines at least every three years to provide regular stakeholder input. The process initially involves assembling key economic and environmental data about our impacts; the second stage involves structured stakeholder identification and consultation; the third stage involves a gap analysis between our internal processes and external perceptions and the development of management responses to the issues raised; and the fourth stage involves the identification of ongoing Key Performance Indicators. The process is completed by the publication of a report which sets out commitments to be delivered over the coming three years. The crucial aspect of the process is that it concentrates on improving the development impacts of our core business rather than on social investment.

*...if we are to retain public confidence in market based economic systems, business needs to show that we are part of the solution to the major issues of poverty and development.*

The second step is for businesses to be prepared to step outside our comfort zone and to work with partners in government or civil society in tackling issues extraneous to our direct business impacts. Examples of this approach include the Extractive Industries Transparency Initiative; the Investment Climate Facility for Africa; the Global Business Coalition on HIV/AIDS; and national level partnerships directed at ends such as improving education; building healthcare capacity; or reforming customs processes.

Finally, a consistent issue in trying to ensure that multinationals can deliver better development impacts relates to our internal capacities. Experience shows that it is often difficult to deliver such partnerships and approaches in-country because we simply do not have the right skills available or because we do not incentivise management to give them priority. The fundamental fact is that for most major companies we are more likely to protect our licence to operate and to be able to do good long-term business if we find ways to contribute to solving the biggest socio-economic challenges facing our host countries.

I certainly believe in examining the business case for an involvement in wider development objectives. We need to remain vigilant against the core accountabilities of governments being shuffled onto private sector shoulders. But if we are to retain public confidence in market based economic systems, business needs to show that we are part of the solution to the major issues of poverty and development. Contributing to making up the deficit in the achievement of the MDGs is a crucial part of this agenda.

www.angloamerican.co.uk

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# Mobilising Business Action for the MDGs

**Jane Nelson**
Senior Fellow and Director of the Corporate Social Responsibility Initiative, at the Kennedy School of Government, Harvard University

**It has become increasingly clear that the Millennium Development Goals (MDGs) cannot be achieved in the absence of a diversified and productive private sector. The economic growth and wealth creation that is essential for their achievement will come primarily from business.**

Most of the innovations in new technologies, new products, new financing mechanisms and new service delivery models necessary for tackling environmental challenges and including the poor as producers and consumers will also come from private enterprise - whether this is large multinational corporations, national companies, small and medium firms or social enterprises.

This is not to suggest that companies and markets are a panacea. Governments in both developed and developing countries clearly have a crucial role to play in creating the appropriate policy framework for such enterprises and for ensuring accountable and responsible management of public revenues and services. Yet, they cannot meet their commitments to the MDGs without effectively enabling, regulating and in certain cases partnering with private enterprise.

In a growing number of cases, business offers a variety of solutions ranging from the adaptation of individual products, processes and value chains to collective action. The business contribution will depend not only on factors such as the industry sector and the company's business model, but also on the type of development intervention needed – such as increasing access to jobs, education, health, energy, water, technology and markets or improving accountability and public capacity.

Almost all companies have the potential to make a contribution to the MDGs through the following three areas of business action:

**(i) Inclusive business models and value chains** - The greatest and most sustainable contribution that any company can make to the MDGs is through carrying out its core business activities and investments in a productive, responsible and inclusive manner. This can range from producing products and services or developing new technologies that directly address a particular MDG to transferring skills, resources and business standards along supply chains. In some situations these activities can be made commercially viable from the outset. In many cases, however, they require various forms of seed or venture funding, or ongoing public or donor support - hence the growth in public-private partnerships. At a minimum, companies can implement environmental, ethical, labour and human rights policies within their own operations.

Paul Alberts /africanpictures.net / Majority World

**(ii) Competence-led social investment, philanthropy and hybrid funding models** –Companies can also harness their core competencies and assets in non-commercial yet strategically aligned ways to support the MDGs through a variety of cause marketing, employee volunteering and community engagement activities.

*In a growing number of cases, business offers a variety of solutions ranging from the adaptation of individual products, processes and value chains to collective action*

**(iii) Public policy dialogue, advocacy and institution building** – Ultimately, improvements in public policy and institutional capacity are necessary to achieve the levels of scale needed to lift millions out of poverty and achieve the MDGs. Here business can play a role by actively participating in relevant public policy dialogues and advocacy platforms, as well as helping to build or strengthen public institutions and administrative capacity within developing countries.

Moving forward, much more work is needed on evaluating what works and what doesn't – both in terms of business models and partnerships, as well as public policy innovations.

More work is also needed to build greater awareness and capacity within business and government on the issues at stake, the business case for engagement and the tools for partnering. And above all, there is a need to engage thousands more companies, from the established multinationals to the emerging corporate leaders of Asia, Latin America, the Middle East and Africa.

www.hks.harvard.edu/m-rcbg/CSRI/

# To reach the MDGs, the primary responsibility for most African businesses must be commercial success

**William Kalema**
Uganda-based entrepreneur, corporate leader, and consultant. He was a member of the Commission for Africa

**Over recent years, I have witnessed first hand the profound shift in the relationship between government and business. This is to be welcomed, because for Africa's current economic growth to be sustained, it is increasingly clear that business needs to be more involved in economic planning and development. For example, the recent power shortages in South Africa and in Nigeria, a country abundant in oil, underline the economic consequences of an inadequately planned and managed infrastructure. Business simply cannot wait for governments to figure out how to fix the region's infrastructure deficiencies – it has to be part of the solution.**

In a more pluralistic environment, Governments are also recognising the growing political importance of nurturing strong private sector-led growth, which creates jobs, enables wealth creation and provides revenues that can be reinvested in public goods, like health and education. But for this to be sustained, a greater emphasis needs to be placed on creating a more business friendly environment, supported by an effectively regulated institutional framework and reinforced by properly functioning government institutions.

A great deal of progress has been made in Africa, but this is also the case in many other parts of the world. Many other developing regions are becoming increasingly economically competitive and business friendly. We therefore need to accelerate progress, not only to close the global competitiveness gap, but also to enable business to play a broader role in driving growth and, in the process, tackle the MDGs.

How can business best contribute to development and poverty alleviation? As this report shows, multinational companies have a crucial role to play in creating supply chain linkages, by creating jobs through their core businesses, providing training and building business capacity. Also, although not replacing the need for government action, social investment and philanthropic approaches, built around public-private partnerships, are playing an increasingly important role.

Fauzan Ijazah / Majority World

*We therefore need to accelerate progress, not only to close the global competitiveness gap, but also to enable business to play a broader role in driving growth and, in the process, tackle the MDGs.*

But the truth is, for the 95 per cent of African businesses which are small and medium sized, this type of approach is simply not an option. The reality is that most African businesses are not organised and resourced to contribute to poverty alleviation in direct ways. Rather, in a constrained and challenging business environment, their priority must be to grow, to create jobs, and become more competitive through greater efficiency and innovation. By strengthening their vertical and horizontal linkages with other firms, they will be able to serve domestic, regional, and even global markets.

So as we look at the challenge of reaching the MDGs, the primary responsibility for the majority of African businesses must be to become more successful businesses and Governments need to create the right conditions to enable this to happen.

Section 2

# Leadership Perspectives on Accelerating Business-led Growth and Collective Action

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# 2.1 The Investment Climate

## Creating an enabling business environment and attractive investment climate

**Omari Issa**
Chief Executive Officer, Investment Climate Facility

**The Investment Climate Facility for Africa (ICF) is the only pan-African body, based in Africa, explicitly and exclusively focused on improving the continent's investment climate. ICF was formally launched in 2006 on the back of increasing recognition that an improved African investment climate is fundamental for wider economic growth, job creation and improved prosperity. Thus, there is little doubt that our remit is inextricably linked to the Millennium Development Goals.**

We are not alone in the view that an improved investment climate is central to Africa's wider economic and social progress; indeed as an organisation we have received widespread support and funding from a range of private companies, development partners and governments. Likewise, we have been encouraged by the appetite for reform demonstrated by the African governments we are currently working with and are pleased to report we already have a high quality and robust project portfolio. ICF is engaged geographically in Rwanda, Liberia, Lesotho, Senegal and Tanzania, as well as in two regional projects in East and West Africa (with another planned in Southern Africa).

Africa is a continent ripe with investment potential, despite the media's focus on natural disasters, conflict and poverty. All too often 'Africa' is considered shorthand for 54 countries, with difficulties in one country assumed to cover the whole continent. Instead, it is important to remember that each country in Africa has different investment opportunities, infrastructure, resources and levels of political and economic stability. In contrast to the many stereotypes that exist about Africa as a place to do business, the continent has booming stock markets, a billion consumers, large reserves of natural resources, accelerating economic growth and real entrepreneurial talent. Certainly challenges do exist to doing business in Africa (as they do in many other regions of the world), but it is getting easier and there are immense opportunities and rewards available for those willing to invest in the continent.

It is my strong belief that the majority of new jobs and income Africa so keenly needs will come from small and medium enterprises (SMEs). They play a vital role in economic growth - not least through job creation, helping to diversify the economy and collectively making a significant contribution to trade and exports. SMEs are also key to the long-term sustainability of the private sector on the continent. It is the underexploited potential of Africa's SMEs that makes them so vital to economic transformation. Unfortunately, a weak or less conducive investment climate will hit SMEs harder than large companies. ICF aims to improve the business environment, thereby making it easier for SMEs to grow and thrive.

The challenges to doing business in Africa are clear and well documented; the solutions will depend on a collaborative approach between business, government, development partners and civilians so that the bottlenecks and barriers to running a successful, thriving business can be overcome. We recognise that improving Africa's investment climate is a significant undertaking, but as we succeed in making Africa an even better place to do business, the benefits for civil society and Africa as a whole will be enormous.

www.icfafrica.org

CASE STUDY

## Business Action for Improving Customs Administration in Africa (BAFICAA)

To build Africa's capacity to trade and boost regional integration, especially intra-country trade, significant additional resources are required to tackle infrastructure constraints such as weak customs administration and other barriers to doing business. Business Action for Improving Customs Administration in Africa (BAFICAA) is a flagship private sector-led trade facilitation and partnership programme of Business Action for Africa.

For governments, an improved customs regime generates higher government revenues, a more stable and robust fiscal environment, a better investment climate for business, less bribery and corruption and a more difficult environment for illicit businesses. For business, faster, more predictable and efficient customs enables better business planning, more scope for regional and global supply chain integration, lower inventories and products getting to market faster.

The BAFICAA programme is led by Unilever, British American Tobacco, Diageo, SITPRO (the UK's trade facilitation body) and in-country BAFICAA private sector taskforces.

In East Africa, SITPRO and BAFICAA is currently working with the World Customs Organisation, the East African Community Secretariat and customs administrations to develop and pilot a "trusted" or "compliant trader" scheme to enable simplified and quicker clearance of goods through the customs process.

# 2.2 Governance and Natural Resource Use

## Building robust governance standards and capacity are key to securing the MDGs

Nicky Oppenheimer
Chairman of
De Beers Group

**The recent news that Sub-Saharan Africa is likely to fall well short of achieving many of the MDGs comes at a time when the region is delivering its best period of economic growth since the 1970s. With growth, albeit uneven, expected to accelerate in 2008, many policy makers are daring to believe that a platform for sustained economic growth is finally being created that will start to close Africa's crippling poverty gap.**

Rapid growth is critical to making faster progress towards the MDGs. However, this progress can only be sustained, and long lasting regional transformation achieved, when we have successfully addressed the significant governance challenges still facing Africa. Good governance is the bedrock of economic growth and poverty reduction but if we do not match economic gains with strengthened governance standards, we run the risk of another boom and bust cycle, with the fruits of growth enjoyed by the few rather than the many.

The truth is that improving governance systems and tackling corruption are probably the single most important priorities for governments and institutions, if we are to have any realistic chance of achieving the MDGs. Much progress is being made but much more needs to be done.

Good governance is not only essential for political stability and for democracies to thrive, it is also a key requirement for the private sector, the engine room of growth, to invest with confidence for the long-term. Responsibility for improving governance standards lies with a wide range of institutions and organisations and that is why public-private partnerships have been and remain so instrumental to embedding good practice, enabling greater transparency and tackling corruption.

Business is a key stakeholder in the process and you don't have to look further than Botswana to find an example of what public-private partnerships can deliver. The equal partnership developed between the Government of Botswana and De Beers, known as Debswana, clearly shows the public good that can be achieved when economic growth is combined with strong governance. The Kimberley Process, the development of which De Beers continues to play a leading role, also provides an excellent model for what partnerships can achieve in establishing sustainable frameworks for effective governance.

The key to success is to recognise and harness each partner's core capabilities. For business, primarily this means assisting with capacity building and skills development, in addition to sharing our experiences of making governance partnerships work. For example, in Sierra Leone and Liberia, we worked

Photo: De Beers

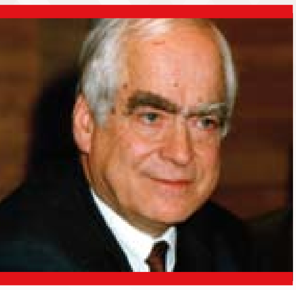
*Good governance is not only essential for political stability and for democracies to thrive, it is also a key requirement for the private sector, the engine room of growth, to invest with confidence for the long-term.*

in partnership with the UN to assist in establishing Government Diamond Offices, sharing skills and expertise that will enable those governments and their people to benefit from diamond revenues. The extractives industry is in the forefront of many capacity building initiatives and there is considerable potential for sharing these business led approaches with other business sectors.

As policy makers gather in Japan for this year's G8 summit, continued encouragement and support needs to be given to African governments and institutions to tackle governance challenges. At the same time, greater recognition needs to be given to the role that business can play in helping to build strong and workable governance systems, and more support needs to be provided to broaden and widen business-led capacity building initiatives. The Extractive Industries Transparency Initiative, Business Action Against Corruption and the World Economic Forum's Partnership Against Corruption initiatives are three important examples of business-led schemes. By making real and tangible the shared benefits that good governance combined with economic progress can bring, and by working together through partnerships based on mutual respect and trust, we have an unprecedented opportunity to ensure that Africa's economic growth is not only sustained but also shared by everyone.

www.debeersgroup.com

# EITI helps African Governments break new ground



**Peter Eigen**
Chairman of the Extractive Industries Transparency Initiative (EITI), Founder and Chair of the Advisory Council of Transparency International, and member of the Africa Progress Panel

**Africa's economy grew by 5.6 per cent in 2006. Much of this growth was due to an increase in oil production and a surge in oil prices. A similar, if somewhat less dramatic story, can be told about Africa's mineral wealth. In simple terms, Africa has plenty of natural resources and is beginning to benefit from them.**

Sadly, however, on past evidence this wealth will not be shared. Governments have been ill equipped to manage the sudden flow of resources and much of them have been squandered, fought over and, in some cases, stolen.

But some countries have escaped this resource curse. Botswana is the best African example. Although diamond mining accounts for more than one-third of GDP and for 70-80 per cent of export earnings, Botswana has maintained one of the world's highest economic growth rates since its independence. Through fiscal discipline and sound management, Botswana has transformed itself from one of the poorest countries in the world to a middle-income country with a per capita GDP of more than $11,000 in 2006.

A pattern begins to emerge – a determination to bring the resources back to the people is the only way to ensure that these resources are a blessing and not a curse. Transparent systems of managing the resource wealth are a necessary, though not sufficient, means to do this. Transparency increases the accountability of the key decision-makers, both in governments and in companies.

Global public goods, such as increased transparency, can only be achieved by collective approaches. The Extractive Industries Transparency Initiative (EITI) aims to create conditions that are more transparent. The EITI is a focused and collective effort between private companies and host governments aimed at transparency, leading to greater accountability of resource-rich governments to their citizens. It only seems fair and obvious that a country's citizens should know how and what its government earns when its natural resources are sold off. There are three key elements to this:

1. Companies publishing what they are paying to government,

2. Host governments publishing what they are receiving from the companies, and

3. Civil society in the country acting to monitor the payments to ensure full disclosure.

The Economist has called the EITI "the curious coalition", referring to its multi-stakeholder nature with governments, oil companies such as ExxonMobil and campaigning NGOs such as Global Witness sitting at the same table. The reason for this curious coalition is simple: all parties have something to gain. Resource-rich countries implementing the EITI can benefit from an improved investment climate. Companies and investors, by supporting EITI in countries where they operate, can help mitigate investment risk. Civil society can benefit from an increased amount of information in the public domain about those revenues that governments manage on behalf of citizens.

The EITI is now a global initiative. Universal principles and the content of EITI have been agreed upon. A process for quality assurance has been put in place. Some twenty-three countries are actively implementing it - in Africa, Asia, Middle East, and Latin America. Sixteen of those countries are in Africa. These countries are signing up to have their implementation independently validated once every two years and six of them have already produced fully audited reports – Cameroon, Gabon, Ghana, Guinea, Mauritania, and Nigeria. In addition, Thirty seven oil, gas and mining companies have agreed to support the initiative, plus institutional investors managing assets amounting to over $14 trillion.

Growth – and therefore the meeting of the Millennium Development Goals - in Africa depend to a significant extent on natural resource extraction. For this resource extraction to really lead to growth depends on its being managed responsibly and transparently by the governments that manage the resources, the large international companies that dominate the sector, and civil society that seeks to represent the citizens who are the resource's real owners. The EITI is, I believe, leading the way.

www.eitransparency.org

CASE STUDY

## Business Action against Corruption (BAAC)

The reduction and elimination of corruption is a high priority for business and Business Action Against Corruption (BAAC) is a flagship governance programme for Business Action for Africa. It involves action against corruption within both the public and private sectors and plays an important role in enabling good governance alongside other key government initiatives.

BAAC is founded on the view that change requires indigenous and international private sector actors to find practical ways to collaborate with governments to tackle corruption. The programme is innovative because it stresses the importance of African leadership in achieving results and assists national actors to work together by building new partnerships between government and business.

There are now programmes running in Botswana, Cameroon, Malawi, Nigeria and Zambia, with the aim of addressing priority areas including disclosure of interests (codes of conduct), the procedures governing the issuing of licences and permits, government procurement, customs, political party financing, and improving corporate governance and transparency within the private sector itself.

# 2.3 Jobs & Opportunity

## Addressing the injustice of extreme poverty and inequality is urgent, and business has an instrumental role to play

**Barbara Stocking**
Chief Executive,
Oxfam GB

**That companies have shown an interest in the MDGs is welcome. Addressing the injustice of extreme poverty and inequality is urgent, and business has an instrumental role to play.**

This is especially so given the onslaught of new global challenges the world is facing – including rising food prices and climate change - which combine to threaten and potentially undermine the progress already made, as well as what's still needed. Business is inextricably linked with these challenges, able either to exacerbate or to relieve them. And will also benefit from progress towards the MDGs, which will strengthen economies, stabilise the business environment, and improve the income, health and education of existing and potential customers, suppliers and employees.

One of the most obvious and important contributions that business can make to meeting the MDGs is to drive growth by creating new jobs and other income-generating opportunities. Where these jobs are provided on fair terms with decent working conditions, they can bring benefits beyond the obvious economic dimension of a wage or income. This is particularly true for women who tend to gain bargaining power within the family commensurate with the control they have over their income. There may also be indirect benefits supporting the achievement of MDG targets relating to health and education. For example, women workers tend to spend a higher proportion of their income on education and health care, enhancing the welfare and future outlook of their families.

However, business activities can also thrive upon or exacerbate poverty and inequality. Retailers seeking fast turnaround times, cheaper unit costs, and greater flexibility can be largely dependent on workers who are forced to accept low-paid, precarious jobs, characterised by short-term casual contracts with little or no labour protection. If smallholder farmers or small-scale business are integrated in a company's value-chain but the value is captured disproportionately, rather than distributed equitably, there may be a positive contribution to economic growth, but little or no positive impact on poverty reduction.

Overall, the greatest contribution to meeting the MDGs that business can make is to act responsibly and consistently throughout their entire operations. Forward-looking businesses will also support governments in implementing a business regulatory framework that ensures respect for human rights, protection of the environment – including what's needed to tackling the impacts of climate change - and poverty reduction, in order to create a level playing field and encourage good practice and innovation.

*Overall, the greatest contribution to meeting the MDGs that business can make is to act responsibly and consistently throughout their entire operations.*

Taking on the MDGs challenge is a serious commitment. Businesses that are up for that challenge have huge potential to impact on making the 2015 target a reality.

This article is based on 'Business and the Millennium Development Goals. Your Call to Action', Briefings for Business, Oxfam GB, May 2008.

www.oxfam.org.uk

# Towards full employment in Africa?

**Chukwu-Emeka Chikezie**
**Executive Director, the African Foundation for Development (AFFORD)**

**In October 2007, the UN General Assembly adopted a new target for the first Millennium Development Goal (MDG) that aims to halve the number of people living in poverty by 2015: To "achieve full and productive employment and decent work for all, including women and young people". This belated recognition of the link between employment and poverty is better late than never. In 1999, the UK's Treasury published a study, "Tackling Poverty and Extending Opportunity" which concluded that "work and access to work is the key driver in Britain today and lack of work is the primary cause of poverty." Furthermore, "work is the best route out of poverty - 8 out of 10 people who moved into work moved out of the poorest fifth."**

Given that it is business – broadly defined – that generates jobs, it follows that business has a key role as development actors in tackling poverty. But "business" or the private sector is an ecosystem that incorporates different types and sizes of business. Large multinational corporations (MNCs), and the foreign direct investment they bring, typically do not generate that many jobs directly, although the few they do generate are often at the top end of the spectrum. However, many MNCs generate many more jobs in the value chain linkages they establish with smaller enterprises. Unilever in South Africa employs 4,000 people but generates roughly 100,000 more jobs through such linkages.

However, the bulk of Africa's private sector is weak, fragmented, and operates largely informally. While a mark of the resilience of entrepreneurs to battle against the odds, the informality is a brake on growth. Significantly, though, as surveys conducted by the International Finance Corporation in post-war Liberia and Sierra Leone show, many informal enterprises are keen to formalise, perceive benefits in doing so, but have tried and failed either because the process is too costly or complex.

The onus, therefore, lies with governments to create an enabling environment for businesses to operate. In addition, specific policies to support small and medium sized enterprises are vital. Provision of targeted business development support, access to finance, and proactive efforts to build better linkages between financial inflows – whether FDI, diaspora direct investment, or remittances – are all vital steps to ensure business plays its full role in tackling poverty and advancing progress toward achievement of the MDGs.


Photo: Robert L. Jones, II / SIMBA PIX

*The challenge of job-creation in Africa is huge – estimates suggest a need to create between 8 million and 10 million jobs a year, every year*

The challenge of job-creation in Africa is huge – estimates suggest a need to create between 8 million and 10 million jobs a year, every year. But the MDGs shall remain elusive if – together – we do not tackle this scourge of massive unemployment. Indeed, it is time to assert a belief that full employment in Africa is our goal and to allocate the time and resources to achieve it in the decades ahead.

www.afford-uk.org

# 2.4 Enterprise development

## Finding new ways to help business manage risk is key to driving growth and tackling poverty

Kurt Hoffman
Director of the
Shell Foundation

**The UK Government's Business "Call to Action" event on 6th May provided powerful evidence of the extent to which private sector-led economic growth has moved to the centre of developing country policy making. This significant, albeit belated, shift in emphasis is to be welcomed, but also serves to underline the missed opportunity of not properly integrating the private sector with the MDGs from the beginning.**

Unilever's recent study of its economic impact in Indonesia helps to explain why harnessing core business activities is probably the most significant contribution that business can make to the MDGs. The study showed that although the company directly employs 5,000 people in Indonesia, a further 300,000 people are estimated to make their livelihoods from Unilever's value chain.

*Finding ways to share the burden of risk will ensure innovative business ideas have a much better chance of reaching the marketplace.*

We should not though leave unexplored other equally valuable ways that business can contribute to development and poverty reduction. Multinational companies especially have a hugely important and as yet largely untapped potential to apply business-thinking, models and disciplines to poverty challenges traditionally tackled by NGOs, governments and international institutions. I call this "business DNA".

"Business DNA" has a wide range of potential applications in the development context, from bringing much needed accountability to the delivery of the MDGs, to contributing expertise in the area of supply chain and logistics, for so long an Achilles heal for the development sector. Experienced business-minded people are likely to be much better placed to spot business-based poverty solutions. Also, international business, working with local partners, can harness their brand equity and credibility to help raise finance, open doors and encourage local participation and action.

So how do we accelerate and scale up the contribution of business to the MDGs? Clearly we need to make it easier to invest and do business

Photo: Shell Foundation

in Africa. But to really enable business to make transformational breakthroughs, new ways need to be found to help business overcome risk considerations and more easily access risk capital. Finding ways to share the burden of risk will ensure innovative business ideas have a much better chance of reaching the marketplace. The Africa Enterprise Challenge Fund is a step in the right direction but we need to do much more in this area to unlock Africa's entrepreneurial potential.

We also need to be mindful that the growing emphasis on core business activity does not result in business missing the chance to maximise social and development opportunities. Business-led action to tackle poverty needs to be capable of being scaled up beyond the geographical constraints of an operating company's jurisdiction, or the single-minded focus of a business manager. I argue for a third way, not surprisingly championed by the Shell Foundation, which combines focus on core business operations and disciplines with a constant eye to the social opportunity. Alongside greater access to risk capital, this approach enables the delivery of business value in places where business won't traditionally go.

www.shellfoundation.org

# Making markets work is key to creating inclusive growth and opportunity


**Hugh Scott**
Chief Executive of the Africa Enterprise Challenge Fund

**Helping people to escape poverty by releasing their economic and entrepreneurial potential is now central to development thinking. But to enable Africa's vibrant entrepreneurial and business base to grow and thrive, we have to find new ways to make markets work more effectively for them. In addition, we have to do more to push out market frontiers to make economic opportunity and growth as widespread and inclusive as possible.**

A key priority is to address market systems in rural areas because, for the majority of Africans, it is advances in agriculture that hold the key to poverty reduction, growth and improved employment prospects across the wider economy. Crucially, we have to look at the sector in a systemic way, understanding, nurturing and maximising the market linkages that will ultimately improve the functioning of the system as a whole.

Africa also needs to think about addressing its development challenges in new ways and more needs to be done to encourage innovative solutions and enable "disruptive" innovation (innovation that creates a systemic change in the way a particular market operates for the benefit of the poor) to emerge. For this to happen, we need to invest in and incentivise the private sector to support innovations that enable small holders, for example, to better connect with local, regional and international markets, in addition to enabling greater access to finance and other important infrastructure support mechanisms.

In response to these challenges, the Africa Enterprise Challenge Fund (AECF), a multi-donor challenge fund, has been established to catalyse private sector entrepreneurs in Africa to innovate and find profitable ways to improve market access and functioning for the poor, particularly in rural areas.

The fund will support innovative projects that demonstrate the commercial viability of new business models and technologies in agribusiness and financial services that can benefit millions. By encouraging pro-poor, innovative, commercially sustainable projects, the AECF will ultimately boost employment, livelihood opportunities and incomes and reduce poverty.

*Crucially, we have to look at the sector in a systemic way, understanding, nurturing and maximising the market linkages that will ultimately improve the functioning of the system as a whole.*

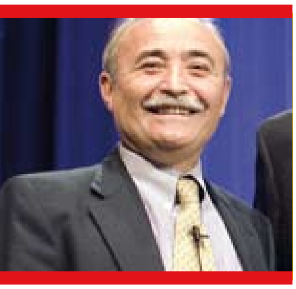
We are seeking business ideas that have the greatest impact on the largest number of people living in rural areas and we are particularly interested in ideas that also have the potential to impact on the "investment climate" by influencing government policies.

The fund is structured and governed along private sector principles with strong and sustained business engagement to ensure a flexible, responsive, results-orientated approach that the private sector can understand. It is able to support cross-border, regional and pan-continental projects, as well as national ones.

I would ask that the development community spreads the word about the AECF, encourages participation and, in the process, help to make innovative and transformational ideas happen.

www.aecfafrica.org

# Can the private sector help reach the MDGs and so transform the lives of the poor?



**Djordjija Petkoski**
Head of Business, Competitiveness & Development, World Bank Institute

**Can the private sector help reach the Millennium Development Goals (MDGs) and so transform the lives of the poor? Can poor producers and consumers, in turn, transform business models and shape new opportunities for companies?**

There is no doubt that the private sector needs to be and is a key partner in achieving the MDGs. The World Bank Institute and German capacity building agency, InWEnt, have hosted several forums in recent years that have documented many innovative business contributions to meet the goals, ranging from combating HIV/AIDS and other communicable diseases, through to addressing hunger and malnutrition, environmental concerns and education. Private sector action is not simply altruistic, but reflects a growing overlap in interests as development challenges are increasingly impacting the ability of firms to operate effectively.

As I outlined, jointly with my co-editors, in the June 2008 issue of the World Bank Institute's Development Outreach magazine, business involvement in poverty alleviation is best addressed in the broader context of development. Poverty, with its economic, social, cultural, political, and moral dimensions should be approached in an integrated manner. Nestlé's Milk District Model is a good illustration of this. By providing the opportunity for training, education and a steady income to poor rural farmers in exchange for a consistent milk supply, Nestlé effectively integrates poverty alleviation into its business model, for mutual benefit: the company increases its supply of fresh milk; poor communities benefit from job security, improved nutrition and an improved standard of living.

Broader business culture needs to change though, and this process can be long and difficult, especially for older, more established companies. Internal, structural change, such as strengthening – or redefining – organizational values and cultures, is needed, as is buy-in from top management. As companies incorporate poverty alleviation issues into corporate strategy, a clearer understanding of the complementarities between philanthropy, corporate social responsibility, and service to the poor is essential. The role of local companies should not be over-looked or underestimated either as new business models take into consideration both access to local knowledge and issues of trust. These are areas where local companies have a comparative advantage - incentivizing contributions to development along the full value chain is crucial for sustained impact.

The challenge remains to build on successful models and take them to the scale necessary to uproot pervasive poverty. This will require capacity building not just within the private sector to strengthen relevant competencies and skills, but also within governments and the international development community to recognize and facilitate private sector contributions. Partnerships are essential, but building successful partnerships requires addressing many nuanced and difficult questions - Who is in a position to change the rules of engagement with the poor? How can we best orchestrate various initiatives,

*The challenge remains to build on successful models and take them to the scale necessary to uproot pervasive poverty.*

provide incentives, and complement existing initiatives? We need to share examples, pinpoint what is working and what is not. We can learn as much from the many failures as from the successes. Last, but certainly not least, the primary initiative needs to come from within developing countries where progress towards the MDGs is most essential.

www.developmentandbusiness.org

CASE STUDY

## Anglo American: A strong local enterprise base creates thriving communities

Helping local businesses to grow and succeed is central to Anglo American's commitment to supporting local communities in the places where it operates. A strong local business base not only generates employment and enables communities to thrive, it also provides important services that enable the smooth running of core business operations. Support and resources are focused on establishing and growing local small and medium size businesses in the supply chain. The model relies upon Anglo's enterprise development unit taking a 20-30 per cent equity stake, making loans available on commercial terms, providing mentoring, ensuring adherence to core standards and facilitating competitive access to supply chain tenders. The unit aims to exit each investment after about three years.


Photo: Vismedia

Anglo Zimele, the hub for Anglo American's enterprise development and capacity building programme in South Africa, invests across a wide range of industries related to mining. This includes companies involved in the manufacture and repair of mining equipment, transportation, water bottling and the beneficiation of platinum for jewellery and dental alloys. As a result of its track record, Anglo Zimele now also manages the South African Government's business development programme for smaller scale miners, the Anglo Khula Mining Fund.

To date, Anglo Zimele has helped to establish well over 120 local companies and in 2007, the collective turnover by the 42 companies in Anglo's South African enterprise development initiatives, Anglo Zimele and the Anglo Khula Mining Fund, amounted to R1 billion ($142m).

To ensure that procurement from local businesses continues to grow, Anglo American has also established innovative programmes that involve investing in and mentoring local start-up businesses. In 2007, the Small Business Start-up Fund was created to assist entrepreneurs in local communities. The fund provided more than 24 loans to local entrepreneurs in 2007, and plans to approve up to 300 in 2008. Small Business Hubs will be established in at least 12 communities to deliver the programme. They will help local entrepreneurs to develop their business plans and access business support services. The model is now being applied by the International Finance Corporation and by Anglo operations in other parts of the world.

# 2.5 Pro Poor Products and Services

## Business innovation and development know-how are combining to become powerful drivers of growth and development

**Gavin Neath**
Senior Vice-President, Global Communications, Unilever

**Meeting the needs of consumers at the “bottom of the pyramid” with affordable products and services is one of the most direct and tangible ways that business can contribute to poverty alleviation and the MDGs.**

For business, this is not about philanthropy. Rather it’s about finding new ways to harness our core business capabilities to deliver both economic growth and social impact. But the truth is that developing new business models in this segment remains a challenging and complex task. That is why public-private partnerships with local and international institutions, the donor community and NGOs are becoming increasingly important in shaping our commercial approach in developing countries.

Through these partnerships, which combine credible economic, social and environmental objectives, we increasingly see the potential for creating new business models and integrated value chains, which enable business to achieve scale and profit and our partners to deliver social impact and development objectives.

The recognition that we each possess insights, capabilities and infrastructure that the other needs has enabled us to see the extent to which we have now become a critical part of each other’s capacity to deliver value and successful outcomes. As we focus on our core competencies of product development, pricing, distribution and logistics, project management and scaling techniques, our partners, amongst other things, contribute the deep local cultural understanding, insights in to consumption habits, and local distribution networks and know-how.

This approach is enabling business to make a much more effective contribution to social and economic development – not just by making quality products affordable, but also through the supply chain by encouraging micro-enterprises and local bottom of the pyramid entrepreneurs, and through community education programmes.

For example, simple hygiene habits like washing hands with soap could halve the number of childhood deaths from diarrhoea. Making soap affordable and widely available is part of the solution. As part of Unilever’s involvement with the World Bank’s Global Public–Private Partnership for Handwashing, we help public sector organisations in Africa to promote hand washing with soap.

Memo Garcia / Drik / Majority World

*Through these partnerships, which combine credible economic, social and environmental objectives, we increasingly see the potential for creating new business models and integrated value chains*

In Tanzania, Ghana and Nigeria we are working with a range of partners to establish a locally owned supply chain for Allanblackia oil, a new type of oil that can be used to make margarines and spreads. Our goal is to assist local farmers, communities and small businesses to cultivate the crop commercially. To date there are 300 villages involved in the project, providing an additional income to about 10,000 farmers.

By 2050, it is estimated that 85 per cent of the world’s population of some 9 billion will be in developing countries. Partnerships, grounded in shared objectives and know-how, are showing us the way to unlocking this significant commercial and development opportunity.

www.unilever.com

CASE STUDY

## Business Alliance Against Chronic Hunger – creating new business models to help the rural poor

The Business Alliance Against Chronic Hunger (BAACH) is a partnership-based programme, comprising business, governments, NGOs, international agencies and communities, working to reduce hunger in Kenya. Sub-Saharan Africa is the only region in the world where the problem of chronic hunger is getting worse and where it is estimated that 35 per cent of children under five suffer for stunted growth due to malnutrition.

Through BAACH, businesses leverage their expertise and capabilities to improve value chains – from production, processing and packaging to retailing and marketing – to increase food supplies, nutrition and incomes in poor regions.

BAACH is focusing its work in Siaya, the poorest district in Kenya, undertaking pilot projects on the ground to test and develop specific business models. Unilever, one of a number of companies involved in the programme, is working to create stronger linkages between what farmers grow and what the local business needs to source for its local food production facility in Nairobi. The company is working with local farmers to grow cash crops of chilli and coriander that can be used in its stock cubes, which are made in Nairobi. Once a scalable and commercially viable model has been established, the aim is to apply it in other regions.

# When Business Means Business

**Chris Gabriel**
Chief Executive Officer, Zain in Africa (Celtel)

**It was billed as a decisive moment in the global fight against poverty in Africa. Amid unprecedented scrutiny, G8 leaders met at Gleneagles in 2005 to review progress against the Millennium Development Goals (MDGs). Chief among the new commitments made at Gleneagles was a $25 billion pledge to double aid to Africa by 2010.**

But while debate rages about whether G8 governments are honouring their commitments, the contribution of Africa's leading businesses goes largely unnoticed.

While aid and charity undoubtedly have their place, business has an absolutely vital role to play in ensuring Africa is able to fulfil its economic potential - not just in terms of providing investment and employment, but also in terms of acting as a force for change on the continent. Since 2005, Zain, operating as Celtel in Africa, alone has invested $10 billion in Africa (through purchases and spending on infrastructure), significantly more than the G8 economies have delivered since Gleneagles.

The telecoms industry is a key example of how business can facilitate progress. By making available low-cost handsets and increasing network coverage, Zain is very proud of its role as a key catalyst for social progress on the continent. Independent research shows that, in developing countries, increasing access and provision of mobile phones increases GDP per capita growth by 0.6 per cent per annum. More broadly, mobile phones also promote entrepreneurship and economic activity by widening access to markets and compensating for poor or non-existent transport infrastructure. And the contribution the telecoms industry is making in terms of employment is significant. Zain employs more than 10,000 employees across Africa, and 97% of them are African. However, many thousands more people are indirectly employed by Africa's mobile providers, earning their living reselling prepaid airtime.

The role of business isn't limited to job and wealth creation; companies can play a significant role in facilitating and driving technological advancement. Zain's One Network service, which achieved a global first by connecting 28 million customers across 12 African markets, has conclusively demonstrated that Africa can lead the way when it comes to innovation, thereby helping to break down stereotypes of Africa as a place to do business. The world's first borderless network, One Network is accessible to half of Africa's 420 million people and allows travellers - and crucially traders - to move across borders without incurring roaming call surcharges.

*Independent research shows that, in developing countries, increasing access and provision of mobile phones increases GDP per capita growth by 0.6 per cent per annum.*

Business also has an important role to play in terms of delivering CSR and social programmes, partnering with governments and NGOs to drive through social improvement programmes and adding their private sector expertise and resources to help promote sustainable and timely change. On Lake Victoria, Zain is working to reduce the 5,000 deaths caused each year by drowning, increasing mobile coverage to take in 90% of the most populated fishing grounds. And our Build Our Nation programme, which we began in 2005, has seen us partner with governments to help them to meet the MDGs through the provision of education initiatives, programmes and supplies.

Business is undoubtedly the way forwards for Africa, with the mobile telecoms industry providing compelling evidence of the role leading private sector companies can and must continue to play if the MDGs are to be successfully met by 2015.

www.zain.com

# 2.6 Infrastructure Development

## Managing risk and innovation to increase investment in infrastructure

**Petter Matthews**
Executive Director,
Engineers Against
Poverty

**Sub-Saharan Africa requires more than $20 billion additional annual investment in infrastructure if it is to accelerate growth and progress towards the Millennium Development Goals (MDGs). But conventional financing and delivery systems are failing to mobilise investment on the scale needed. Innovative solutions are needed to increase the rate of investment and maximise its developmental impact. But from a corporate perspective, Africa is often seen as a high risk environment and aversion to risk tends to inhibit the development of innovative business solutions.**

Risk management tends to focus on the mitigation of financial risk through various debt guarantee and insurance products. But infrastructure provision relies on a wide range of technologies and institutional arrangements that create additional non-financial risks. The use of public private partnerships for example, means that investors are increasingly involved in building, operating and maintaining infrastructure. They work in close proximity to project effected communities and face challenging social risks. The management of social risk is critical, not only because it helps ensure project success, but because the measures used to mitigate it can also deliver pro-poor outcomes. Work by Engineers Against Poverty (EAP) on procurement and supply chain development helps demonstrate this.

Many companies still see procurement as an administrative function and consider financial cost to be the most important performance criteria. But when procurement is used to maximise local job creation and enterprise development, it also performs important social risk functions. Local people secure a stake in the company and its operations, they are more likely to value its presence and less likely to threaten its assets. Any cost premium has to be measured against the returns, but it often delivers additional cost efficiencies.

If companies are to adopt these kinds of strategies, they need practical ways to mitigate the risk inherent in innovation. Useful starting points include:

• Selecting the right opportunities: Focus on opportunities that leverage existing capabilities and strengthen corporate competitiveness. The more closely aligned the opportunity is with a company's core business, the easier it is to mobilise resources and combine commercial and societal benefits.

Photo: Michael@Salmondesign.com

*The use of public private partnerships for example, means that investors are increasingly involved in building, operating and maintaining infrastructure*

• Experimenting: Avoid the 'big bang' approach to innovation through experimenting on a small scale. New approaches can be tested on individual projects and rolled out across the business if they prove successful.

• Working through cross-sectoral partnerships: Working with partners, particularly non-traditional partners such as NGOs, helps to spread the risk and increases the chances of developing innovative solutions.

• Measuring the impact: It can be difficult to isolate and measure the impact of a particular innovation, but this should not be used to avoid the need to start the process of developing metrics and quantifying the outcomes.

Many companies are waiting for the African business environment to improve before they invest. But the presence of world class companies is a necessary part of the process of securing those improvements. Managing the tension between risk and innovation more effectively can help companies secure a foothold in growing African markets and increase the likelihood of African countries meeting the MDGs.

www.engineersagainstpoverty.org

# Closing Africa's infrastructure gap is essential for reaching the MDGs

**Lynette Chen**
Chief Executive, of NEPAD Business Foundation in South Africa.

**The chances of Africa reaching the MDGs in the most part will be determined by the region's ability to tackle critical infrastructure challenges. Basic infrastructure, whether transport, energy, or water and sanitation, are amongst the most fundamental conditions required to support social development and sustained economic growth.**

Energy and transportation remain the main bottlenecks in Africa. To put in perspective the scale of the challenge in sub-Saharan Africa, over 500 million people have no modern energy services and as low as only 8 per cent of those living in rural areas have access to any electricity. Costs and delays in transportation and electricity shortages can raise overall costs of doing business by 20-30 per cent. Accelerating migration from rural to urban areas is leading to an increase in disease and infant mortality due to a lack of clean water and basic sewerage services.

For Africa to achieve the MDGs, it is estimated that the region's infrastructure needs are close to a total of $40 billion per annum over the next 10 years, with nearly two-thirds of the investment needed in the energy sector. Concerted action needs to be taken now to meet the costs of the infrastructure gap.

Alongside increased investment in regional, national, urban and rural infrastructure, a key requirement is the establishment of a coherent strategic framework to define, implement and monitor infrastructure development across the region, in addition to partnerships that promote economic integration and support the development of intra-African trade. It is here that Africa can learn some important lessons from the success of China's special economic zone model, and it is significant that China is currently contributing to the development of five economic zones in Africa, based on this approach.

The economic benefits of a more integrated cross-border approach to infrastructure development are becoming increasingly clear. Infrastructure development corridors, linked cross-border rail, road, air and sea networks, not only have the potential to facilitate higher levels of cross-border trade, they also provide a strong platform from which to plan and develop economic hubs and drive industrial development around a growing and


improving infrastructure network. The South Africa – Mozambique Maputo corridor provides a model for the planned Spatial Development Corridors, plotted across Africa, of which twelve are in an advanced stage of development.

*Basic infrastructure, whether transport, energy, water and sanitation are amongst the most fundamental conditions required to support social development and sustained economic growth*

Business has a key role to play here. Public-private partnerships remain fundamentally important to meeting Africa's infrastructure goals. Beyond the provision of finance and expertise, the commercial opportunities being generated as a result of successful infrastructure projects are creating jobs and providing opportunities for local businesses through the value chain.

Poor infrastructure is a critical barrier to accelerating growth and alleviating poverty. A properly developed infrastructure will reduce the costs of doing business, enable access to markets and advances in agriculture, facilitate trade and regional and global economic integration and assist human development, and in the process, give the region a fighting chance of reaching the MDGs.

www.nepadbusinessfoundation.org

# 2.7 Transforming Agriculture

## Business has a major role to play in releasing Africa's agricultural potential

**Dr John Purchase**
CEO, Agriculture Business Chamber and Chairman, NEPAD Business Foundation Agriculture Sector

**Growing concerns over rising food prices brings in to sharper focus both the threat and the opportunity facing Africa. Against this backdrop, the key question is how can Africa ensure food security for the poor, whilst capitalising on this significant opportunity to stimulate and strengthen the agricultural sector?**

Accelerating growth in agriculture is critical not only to making progress towards MDG 1, but also to sustained growth and industrial diversification in the wider African economy. It is estimated that agriculture accounts for around 75 per cent of employment, 40 per cent of exports and 35 per cent of GDP across the continent and it is clear that there is significant potential for the sector to compete more effectively at a global level. At the same time, in both rural and urban areas, poor people, particularly women, depend directly on agriculture for their livelihoods and food security.

Policy makers are currently wrestling with the many complex issues associated with developing Africa's agricultural sector. A wide range of well documented obstacles and bottlenecks – climatic problems, huge agro diversity, lack of irrigation, decline in rural infrastructure, poor links between local markets to the global economy, coupled to an unfair global trading regime - all conspire to repress Africa's agricultural potential.

What is not disputed is that Africa's agriculture sector needs to become more competitive and efficient. The message I want to send is that the private sector has an important role to play in revitalising Africa's agricultural base. By delivering sustainable solutions and contributing core business skills and expertise, business can contribute in four key areas:

First, business can play an important role in helping to strengthen the agricultural infrastructure. In addition to improving the physical infrastructure, key priorities must include "softer" constraints like improving customs regimes to facilitate greater cross-border trade.

Second, business can contribute knowledge and know-how to enable the agricultural sector to

operate more efficiently by introducing core business disciplines to make markets work more effectively.

Third, innovation is the life blood of business and we need to introduce greater levels of innovation in to the sector to enable our farmers to be more competitive. We welcome the Africa Enterprise Challenge Fund as an important step forward in this area.

Finally, we can provide the capital investment required to transform Africa's agricultural sector. However, in many parts of the continent, an overly complex regulatory environment and insecurity of land tenure continue to discourage investment and undermine livelihoods. We need to create an enabling investment climate for agriculture and the Investment Climate Facility is doing important work here to facilitate this.

The truth is that everyone has a role to play to release Africa's agricultural potential. Business is ready, willing and able to play its part.

www.nepadbusinessfoundation.org

# 2.8 Human Development

## Business, working with partners, can make a significant contribution to fighting Africa's HIV pandemic

**Jeffrey L. Sturchio**
Vice President, Corporate Responsibility, Merck & Co., Inc., and President, The Merck Company Foundation

**When we look at progress towards MDG 6 (halting and starting to reverse the spread of HIV and AIDS by 2015), the picture is mixed. On the plus side, encouraging progress has been made on treatment and the global community is mobilising and scaling up resources to tackle this devastating pandemic. But the truth is that we have a steep hill to climb to 2015. In sub-Saharan Africa alone, an estimated 1.7 million people were newly infected with HIV in 2007, bringing to 22.5 million the total number of people living with the virus . Africa has only 10 percent of the world's population, yet it bears nearly 70 percent of the global HIV burden –- and unless we can improve prevention efforts, the disease will continue to outpace our ability to treat those infected.**

The HIV epidemic is not just a humanitarian and social issue: it also presents one of the most significant threats to Africa's on-going economic growth and development. The pandemic tends to affect people in the prime of their economically active lives, weakening families, reinforcing poverty and depressing economic growth rates. HIV and AIDS affect business and enterprise at every level, from increased absenteeism, reduced productivity through to the loss of knowledge and essential skills.

HIV is everyone's business. That's why public-private partnerships have become so central to mounting an effective response to the disease. Not least for the business community, because an estimated two-thirds of people living with HIV infection work in either the formal or informal economy in Africa. This makes the epidemic a priority business issue for many companies and the workplace a key environment to tackle it. By leveraging core business activities, expertise and other resources to complement public sector activities, business is making a significant contribution to existing prevention and treatment programmes through partnerships with governments, civil society and the donor community at the national and local levels.

What more can business do? In addition to more companies adopting effective workplace programs for prevention, care, treatment and support, business can play an important role by sharing best practice and building capacity inside and outside its direct sphere of influence with customers, local communities and throughout the supply chain. For instance, Merck Sharp & Dohme, working with a

Photo: Robert L. Jones, II / SIMBA PIX

team of African experts, has created a free toolkit and resource for business, "The Blueprint for Business Action on HIV / AIDS" (http://www.hiv-msd.info/Blueprint/ ), which explains how to plan and establish a workplace programme. Small and medium-sized enterprises also need to be encouraged to develop and implement workplace schemes, and this resource can help.

*HIV is everyone's business. That's why public-private partnerships have become so central to mounting an effective response to the disease.*

For the international community, looking to scale up efforts to achieve MDG 6, greater recognition should be given to the potential role that business can play in helping to achieve the goal. More needs to be done to bring the public and private sectors together to determine strategies to combine their unique skills and resources in a way that most efficiently addresses their common objective: reducing the impact of HIV. G8 countries should also find ways to encourage this kind of collaboration with companies operating in high prevalence areas; organizations like Business Action for Africa and the U. S. Corporate Council on Africa can play an important role here. The global community has the tools and the know-how to tackle the HIV epidemic effectively – we just need the will to make it happen.

www.merck.com/cr

CASE STUDY

# The ACHAP Partnership case study: a model for public-private collaboration in fighting HIV and AIDS

The African Comprehensive HIV / AIDS Partnerships (ACHAP) was established in 2000 by the Government of Botswana, The Merck Company Foundation / Merck & Co.,Inc. and the Bill and Melinda Gates Foundation. The partnership supports and enhances Botswana's response to HIV and AIDS through a comprehensive approach to prevention, care, treatment and support.

ACHAP is fully integrated with government strategy to build institutional and management capacity, strengthen Botswana's health care system, promote behaviour change and support grassroots efforts to address HIV and AIDS. Supporting the development and implementation of Botswana's national ARV treatment programme Masa ("Dawn") has been one of the partnership's key areas of support and accomplishments.

The programme started treating patients in 2002. Five years later, more than 97,000 patients are on anti-retroviral therapy (ART). This represents 87 per cent of those who should be on treatment - one of the highest ART coverage rates in the developing world. When the ART program started, fewer than 5 per cent of the eligible population were receiving ARV treatment. Adherence rates are approximately 90 per cent, comparable to or higher than compliance rates in Western countries. Botswana was the first country to implement routine testing (with opt out provisions) which has been a key success factor in increasing treatment rates, lowering HIV transmission (particularly among HIV positive women to their unborn children), and reducing the stigma and discrimination associated with HIV and AIDS.

Recent studies suggest that prevention efforts of earlier years are beginning to have an impact. HIV prevalence rates have shown a downward trend in most age groups since 2001. There was a 28 per cent reduction in HIV prevalence (from 25 per cent to 18 per cent) in the 15 – 19 age group between 2003 and 2006. The percentage of HIV-positive infants born to HIV-positive mothers declined from 40 per cent to 4 per cent over the same period.

In addition to providing a successful model for addressing the HIV and AIDS pandemic, ACHAP is beginning to produce lessons of what has worked and what has not in terms of treatment and prevention – lessons that are already providing guidance to other countries. While each country faces a unique set of challenges in addressing its HIV and AIDS crisis, we believe that lessons from Botswana can be adapted to different settings.

www.achap.org

Section 3

# Looking forward to 2015

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# Building a better understanding of business impacts in developing countries to improve the quality of collective action

**Graham Mackay**
Chief Executive,
SABMiller

**There is now a broad consensus across the development community that business has an essential role in generating growth and reducing poverty in developing countries, through the jobs and wealth we create, the opportunities we provide for suppliers, the investment capital we contribute, the taxes we pay, the infrastructure improvements we make and the workers we train and develop.**

Moving forward, business needs to find ways of enhancing these positive impacts and strengthening the links between large multinationals and small businesses. In this way, we can reinforce the contribution we make to growth and development, continue to manage negative impacts, where they may exist, and improve the multipliers flowing from our core businesses.

An important first step is to properly measure the economic, social and environmental impact of our business activities. By making robust data on business impacts publicly available, it is easier for business to work more effectively with policy makers on poverty alleviation strategies.

For an African-originated multinational such as SABMiller, the correlative relationship between national development and business growth is increasingly well understood. However, we have also learned through our extensive footprint in developing countries that foreign direct investment does not automatically lead to an improvement in economic performance. What really counts is the quality of that investment and, in particular, the economic value that is generated through local supply chains.

In South Africa, SABMiller's birthplace, we recently put this proposition to the test by commissioning an independent audit with the Bureau for Economic Research, which analysed the contribution that the South African Breweries Limited makes to the South African economy. In the financial year to March 2007, their findings showed that 378,000 full-time jobs can be directly or indirectly traced back to the production and sale of SAB's products. That represents 3 per cent of total employment in South Africa.

Taxes based directly on the production and sale of our products and from the indirect and induced impacts of our operations on other businesses

Photo: Phil Meech/OneRedEye.com | SABMiller

amounted to 5 per cent of total government tax revenue in 2006. SAB's contribution to economic value added amounted to 3.3 per cent of South Africa's GDP in 2006.

*What really counts is the quality of that investment and, in particular, the economic value that is generated through local supply chains.*

Deeper analysis and understanding of business impacts in developing countries will improve the power and potential of public-private partnerships. By contributing new insights for our development partners, we can enhance the quality of our on-going dialogue and identify ways to achieve more effective collective action in pursuit of growth and development goals.

Better measurement of business impact will also support the private sector's licence to operate, help business to better manage risk and develop strategies that deliver even greater positive outcomes for our businesses, shareholders and the societies in which we operate.

www.sabmiller.com

# Globalisation needs more winners

**Björn Stigson**
President, World Business Council for Sustainable Development

**The Millennium Development Goals (MDGs) present a formidable challenge. While many developing countries have posted sustained levels of economic growth rates in excess of 5 per cent per annum, the gap between rich and poor is growing almost everywhere and the MDGs remain elusive. Business is the prime driver of economic growth but what can it contribute to address the growing inequities and endemic poverty? This question is particularly relevant for large multi-national companies who operate across national boundaries – can they act to make economic growth more inclusive, such that the benefits of globalisation are shared more widely?**

Some argue that business has no role to play in solving poverty and indeed many multi-national companies choose not to engage. This is a risky strategy. Firstly governments and civil society are paying much closer attention to the benefits accruing (or not) to their countries from foreign direct investment. If nationalist and protectionist agendas take over, the losers will be multi-national firms. Secondly and perhaps more importantly, there is lost opportunity as these companies may fail to realize new revenue streams in an increasingly competitive and resource constrained world.

The World Business Council for Sustainable Development (WBCSD) has long advocated for market-based approaches to poverty reduction (MDG 1) and environmental sustainability (MDG 7). Many member companies are working to include the low-income segment into their value chain as part of their core business activities. There are many ways to do this, for example as employees, suppliers, distributors, retailers, service providers, and/or customers. Both sides are intended to win from these relationships: large companies gain access to local knowledge and innovation, reliable and often lower cost suppliers, as well as access to new markets and customers; the low-income segment can increase their income, improve their skills and knowledge base, and gain access to mainstream financial as well as other services.

The WBCSD has identified four golden rules for successful delivery of this type of business: build on the core competencies of the firm; partner with others; localize value creation; and innovate along the value chain. An example of a successful partnership is the Alliance for Inclusive Business, between the WBCSD and the Netherlands Development Organization, SNV. This alliance, with the help of national business associations, has brokered over 40 inclusive business opportunities between larger companies and the low-income segment in 7 countries in Latin America. The WBCSD-SNV Alliance is planning to expand these activities to other Latin American countries, Sub-Saharan Africa and Asia.

Photo: Robert L. Jones, II / SIMBA PIX

*Many member companies are working to include the low-income segment into their value chain as part of their core business activities.*

Business is also increasingly being asked to demonstrate its impact beyond the inflows of private capital. The new WBCSD tool for Measuring Impact is designed to help companies do just this.

Business cannot act in isolation, and there is an urgent need for collaborative action. Governments, business, and other actors need to work together to create the right incentives for this type of inclusive business to be replicated and achieve scale. The main priorities for WBCSD member companies include:

- A fair and competitive global market that is non-discriminatory
- Effective legal and regulatory frameworks
- Support of SMEs, including better provision of financial services
- Investments in core infrastructure

It is only by working together that we can achieve the MDGs.

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# Partnerships help us to think in new ways about development challenges

**Graham Baxter**
Director,
Responsible
Business Solutions,
International
Business Leaders
Forum

**For so long at the margins of the development debate, it is striking to observe the extent to which business-led growth has moved to the centre of developing country policy making, since the MDGs were originally framed in 2000.**

Whilst the role of business is increasingly recognised, the truth is that we are only starting to properly understand how business drives development and directly impacts poverty alleviation. This is why the work of companies like Unilever, Anglo American and SABMiller, and organisations like WBCSD and IBLF, on economic and business impact assessments is so important. Better understanding and measurement of the contribution of business to economic and broader development goals will inform ways to enhance and better target business-led action.

At the same time, this report clearly demonstrates the increasingly important role that public-private partnerships are playing in development. These partnerships demonstrate how it is possible to successfully bring together business, social and environmental objectives and the extent to which we have now become a critical part of each other's capacity to deliver value, scale and impact.

As we look forward to 2015, I believe we will continuously find new ways to unlock the potential that business can bring to partnership-led action. Our understanding of how to apply creative business thinking, performance management and problem solving to development challenges, whether at a strategic or operational level, is really only in its infancy. We have so much more to learn, contribute and achieve.

Significant strides have already been made in understanding how to make partnerships work effectively. At IBLF, we have learnt that successful partnerships are built on equity, transparency and the fundamental principal of mutual advantage. We have learnt that partnerships are often complex and take time, energy and commitment to yield results. And we do know, illustrated through the case studies in this report, that they can deliver extraordinary results.

*These partnerships demonstrate how it is possible to successfully bring together business, social and environmental objectives and the extent to which we have now become a critical part of each other's capacity to deliver value, scale and impact.*

At the same time, we need to recognise that development partnerships are a relatively new tool and process and more work is required by all actors to build organisational and management capacity to make them work effectively. For business, with the emphasis on keeping partnership activities close to the core business, new management skills and know-how are required. Also, we need to pay greater attention to governance systems to ensure partnership are able to deliver on their promises.

As we move towards 2015, perhaps the most important task in front of us is to learn to think in new ways about addressing development challenges. Partnerships offer us a powerful means of doing this.

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