AFRICA PROGRESS PANEL

Concern Universal

Doing Good Business in Africa:
How Business Can Support Development

Africa Progress Panel - Concern Universal
Policy Brief
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ABOUT THIS POLICY BRIEF

In October 2008, the Africa Progress Panel commissioned research to identify practical ideas as to how the private sector can contribute to the achievement of the Millennium Development Goals in Africa. Drawing upon the experience of a business advisory group, comprising fourteen leading African and international executives and chaired by Richard Harvey, and the organization for which he volunteers, Concern Universal, the APP drew up a detailed research report. While recognizing that Africa is highly diverse and far from homogenous, the objective was to prioritize areas in which business can add the greatest value in current circumstances, and to make practical recommendations for action. This policy brief is the summary of this detailed report and its six key recommendations. The complete research report is available at www.africaprogresspanel.org

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FOREWORD

This policy brief has emerged from a series of consultations with a unique combination of people: distinguished business leaders, policy experts, development advocates and, perhaps most importantly, African entrepreneurs, some working at a very local level in their communities, others in the growing number of dynamic African businesses across the continent.

By identifying priorities and sharing examples of what is already being done, this policy brief is intended to inspire action by business leaders already engaged, or planning to invest, in Africa. It is also intended to complement the work of the many business and policy bodies that are dedicated to encouraging responsible investment in Africa.

We commend the recommendations contained in this policy brief to you.

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SUMMARY

This report recommends that business can serve its own interests and add social and environmental value in Africa in six immediate ways:

- By strengthening agricultural value chains
- By acting to mobilize private sector investment in regional infrastructure
- By working with authorities and civil society to create a better business environment
- By increasing the availability of capital
- By supporting and promoting social business models
- By encouraging the creation of synergies among the relevant business associations

INTRODUCTION

It is obvious that there is enormous scope for business to add social value and contribute to efforts to achieve the Millennium Development Goals (MDGs). It is equally obvious that doing so is both in the short- and long-term interest of business. Contributing to human development helps to improve the enabling environment, reduces the direct costs and risks of doing business, and can help entrepreneurs harness new opportunities in Africa's vastly under-utilized markets. Beyond these widely-appreciated realities, however, there appears to be little awareness of how best to prioritize commercial opportunities that can add social value or the practical steps needed to maximize its generation.

This policy brief, which is the result and summary of a business-led process triggered by the global economic crisis, differs from previous initiatives on the role of business in development in the specificity of its recommendations as well as its clear focus on the mutually reinforcing logic of social and commercial value creation. Its underlying argument is that by seizing some of the opportunities detailed below, business can not only reap substantial short-term profits and contribute directly and indirectly to the achievement of the MDGs, but thereby can also help to lay the foundation for long-term sustainable market expansion and growth.

THE STATE OF MDG ACHIEVEMENT & MAIN HURDLES TO PROGRESS IN AFRICA

Current progress towards achievement of the MDGs (see Box 1) in Africa is slow. Even before the economic crisis caused severe set-backs in the continent's developmental prospects, only about half of the countries in sub-Saharan Africa were on course to achieve any by 2015.

Today, the most important hurdles to economic growth, social development and the achievement of the MDGs in Africa are the direct and indirect effects of the global economic crisis, severe food insecurity, the lack of sufficient and reliable communication, transport and energy infrastructure, the low quality of governance and regulatory frameworks across the continent as well as the scarcity of available domestic and international capital.

Despite initial predictions to the contrary, the world's least developed countries, and foremost among them the countries of Africa, have found themselves on the front line of the economic crisis. Sharp decreases in investment flows,

BOX 1: THE MILLENIUM DEVELOPMENT GOALS

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality & empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria & other diseases
7. Ensure environmental sustainability
8. Global partnership for development

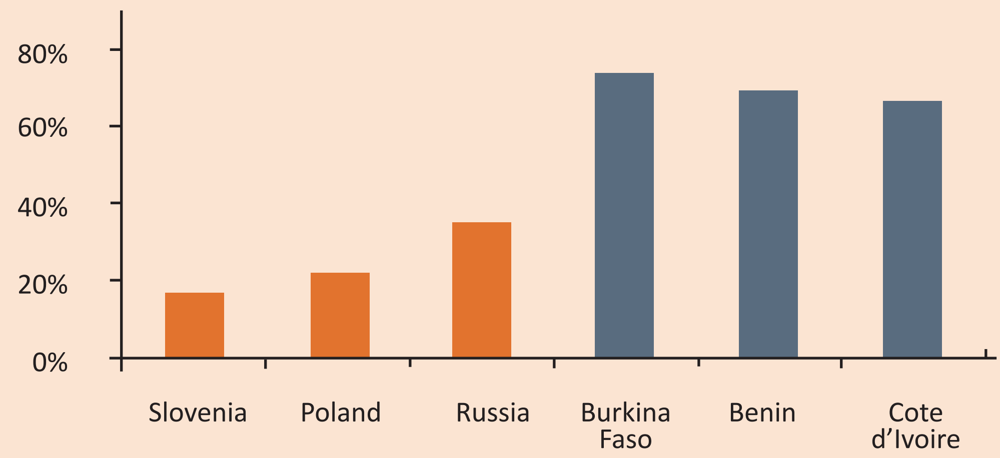
remittances, export demand, export credits and commodity prices have reduced opportunities and pushed millions of people back into poverty. While several countries, including Germany, France and Japan, already seem to be back on the road to recovery, the direct and indirect effects of the crisis are likely to be felt in Africa for quite some time, particularly so because the continent remains structurally ill-prepared to take advantage of any potential global upswing.

The underdeveloped agricultural sector presents one of the most serious structural limitations to growth. Severe under-investment has left crop yields virtually stagnant since the 1960s, meaning that farm productivity in Africa is currently a mere 25 percent of the global average. Moreover, climate change which is already compounding existing challenges will increasingly do so in the future. Rising global temperatures will exacerbate fertility problems, rendering many areas unsuitable for crop cultivation and increasing water scarcity across the continent.

Another structural deficiency is the lack of sufficient and reliable transport, energy and communications infrastructure. This not only reduces business efficiency, but also restricts market access and limits the volume of regional and international trade. For most countries in Africa, the negative impact of deficient infrastructure, particularly in densely populated areas, is at least as large as that associated with crime, red tape, corruption and financial market constraints. Unfortunately, the economic crisis has made it even more difficult to address the infrastructure challenge. Several large-scale projects have already been cancelled or delayed as investors decided to withdraw from the economic periphery to perceived safety in the West. Previous crises have also shown that infrastructure is among the expenditure categories cut most severely by governments under financial stress.

The deficiencies of the governance and regulatory frameworks in many African countries also constrain development. While the business

FIGURE 1: FIRMS IDENTIFYING ACCESS TO FINANCE AS MAJOR CONSTRAINT



Source: Enterprise Surveys, 2009

climate in Africa has improved substantially over the past decade, particularly when it comes to commercial law, the cost of doing business on the continent is still the highest in the world. Entrepreneurs continue to face greater regulatory and administrative burdens in Africa, and have less protection of property and investor rights than entrepreneurs in any other region. Entrenched problems of accountability also mean that the exploitation of natural resources and the development of the private sector have not been translated into equitable and sustainable growth.

Lastly, the lack of access and high cost of financial capital are significant constraints on the operation and growth of business in Africa (see Figure 1). The growth of financial services has been hindered by high transaction costs from small and widespread markets, poor physical and financial infrastructure and very low transaction volumes. Where available, credit is expensive, due to the weak protection of property rights, the difficulty of credit appraisal and monitoring, the small size of many African banks, and monetary instability in many countries contributing to inflation. The international response to the global economic crisis has further aggravated existing problems by encouraging the flight of capital from the economic periphery.

As a result of these constraints, particularly when compounded by international media coverage which emphasizes negative rather than positive stories, there remains significant skepticism in the global business community about investing in Africa. However, plentiful and compelling evidence shows that this is mostly unwarranted. In fact, the continent holds vast economic potential for those willing to engage and turn its obvious constraints into commercial opportunities. The remarkable growth of African companies like Ecobank, Dangote, MTN, Safaricom and as well as the African success stories of international companies like Barclays Bank, Coca Cola, IBM, SABMiller and Zain point the way.

ECONOMIC OPPORTUNITIES: WHY INVESTING IN AFRICA MAKES SENSE

Africa offers large, untapped markets with nearly one billion potential customers and all the benefits of emerging economies, such as comparatively high rates of return and attractive possibilities for portfolio diversification. Also, the persistence of constraints detailed above should not mask the significant structural improvements that have been made in the enabling environment over the last decade.

Before the economic crisis reached Africa, many of the continent's states had been able to record remarkably high rates of growth – average GDP growth in Sub-Saharan Africa between 2004 and 2008 was 4.8 percent. These countries have worked hard to achieve macroeconomic stability (maintaining stable and low inflation and debt sustainability), pursue sound economic policies, and reinforce their institutions. They have strived to mainstream trade into national development strategies, promote exports, enhance competitiveness and facilitate inter-regional trade through infrastructure improvements. They have increased their revenue mobilization and broadened their tax base achieving an overall current account surplus of 2.7 percent in 2007 and 2008. Most importantly, however, they have improved the business conditions on the continent by simplifying administrative processes and removing bureaucratic bottlenecks.

BOX 2: THE TOP 10 REFORMERS IN 2008/09

Economy	Starting a business	Dealing with construction permits	Employing workers	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a business
Rwanda	●		●	●	●	●		●		●
Kyrgyz Republic	●	●	●	●	●		●	●		●
Macedonia, FYR	●	●	●	●	●	●	●			
Belarus	●	●	●	●			●	●		
United Arab Emirates	●	●						●		
Moldova	●			●			●			
Colombia	●	●		●	●	●	●	●		●
Tajikistan	●	●			●	●				●
Egypt, Arab Rep.	●	●			●				●	
Liberia	●	●						●		

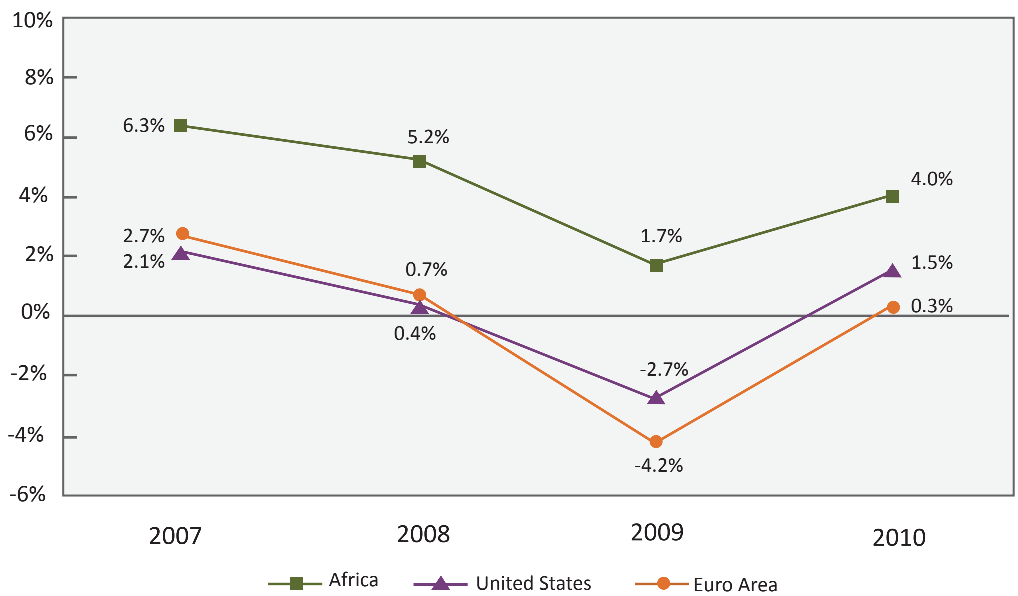
Source: World Bank Doing Business Report 2010

According to the World Bank's Doing Business Report 2010, African governments have implemented more business-friendly reforms in each of the last two years than in any previous year covered. Countries such as Egypt and Botswana have regularly featured in the top ten reformers, with Rwanda being the top global performer this year (see Box 2).

These improvements are part of the reason why the IMF is projecting that, following a dip to 1.7 percent in 2009, average economic growth in Africa will return to 4 percent in 2010, outpacing that of most other regions (see Figure 2).

Historically, challenges in the operating environment have deterred companies from

FIGURE 2: AFRICA'S REAL GDP GROWTH RATE



Source: IMF World Economic Outlook, October 2009 engaging in African markets. The combination of commercial potential and improving regulatory conditions has transformed large parts of Africa into attractive business venues for companies prepared to find new ways to overcome these challenges. By looking beyond standard business models, they can invest in promising growth sectors such as those identified by the full report (that is, agriculture, financial services, energy and mining, information and communication technology, pharmaceuticals, and tourism), gain greater market shares, and attract the loyalty of producers and consumers as incomes grow and needs expand.

SOCIAL OPPORTUNITIES: WHY ADDING SOCIAL VALUE MAKES SENSE [1]

For domestic and foreign companies operating in Africa, adding social value makes sense for three very practical reasons. First, enterprises benefit from operating in stable and secure societies. They benefit from having access to a healthy and competent workforce as well as prosperous consumers and investors. Productive and competitive companies benefit from the existence of open, rule-based, predictable and non-discriminatory trading and financial systems and a non-corrupt and well-governed economy. Failure to achieve the MDGs is likely to undermine some or all these pillars of business success – at both a national and international level.

Second, challenges such as local environmental degradation, global climate change, HIV/AIDS, ethnic conflict, and inadequate health and education systems, can add directly to the costs and risks of doing business. They can increase operating costs, raw material costs, hiring, training and other personnel costs, security costs, insurance costs and the costs of capital. Also, they can create both short-term and long-term financial risks, market risks, litigation risks and reputation risks. The companies that understand and address these challenges can improve their risk and reputation management, reduce their costs, improve their resource efficiency and enhance their productivity.

Third, some of the world's most successful and innovative companies are developing new products, services, and technologies, and in some cases are even transforming their entire business model, to address social and environmental challenges. They recognize that many developing countries, especially those with large populations and natural resources, offer long-term business opportunities. To these companies, helping to achieve the MDGs is not only a matter of corporate social responsibility, embedded in compliance, risk management and philanthropy, but also a matter of corporate social opportunity embedded in innovation, value creation and competitiveness.

[1] This and the following section are based on the report "Business and the Millennium Development Goals: A Framework for Action" prepared by Jane Nelson and Dave Prescott for the UN Development Programme and the International Business Leaders Forum, 2003.

HOW BUSINESS CAN ADD SOCIAL VALUE

There are numerous ways in which business can add social value and contribute to the achievement of the MDGs while also generating commercial value. The most obvious way is by ensuring that core business activities in the workplace, marketplace and along the supply chain minimize negative social and environmental impacts and create positive value for host countries and communities (see Box 3).

A second way to add social value is through social investment and philanthropic activities such as supporting education, training, youth development, environmental, and health and nutrition projects in local communities, building capacity of community leaders, social entrepreneurs and civil society groups and media organizations, and establishing and supporting micro-credit programmes and small business support.

The third way is through policy dialogue and advocacy activities. Business can take individual and collective action to influence the enabling environment and support systemic change at a local, national and international level by working with governments to improve social infrastructure, addressing environmental regulatory and fiscal policies with governments and civil society, engaging in global dialogue on issues such as climate change and biodiversity, supporting local and national governments to achieve the elimination of bribery and corruption, and helping to increase government's ability to attract and retain foreign and domestic investment.

BOX 3: WAYS TO ADD SOCIAL VALUE THROUGH BUSINESS PRACTICES

- Producing safe and affordable products and services;
- Generating income and investment through paying local wages, taxes, dividends and royalties;
- Creating jobs through local recruiting;
- Developing human resources through investment in training and skills development;
- Building local businesses through supplier and distribution networks;
- Spreading responsible international business standards;
- Supporting technology development and transfer through investment in local research and the introduction of new technologies and processes;
- Establishing physical and institutional infrastructure.

Source: Jane Nelson, Economic Multipliers: Revisiting the core responsibility and contribution of business to development, International Business Leaders Forum, 2003

RECOMMENDATIONS & THE WAY FORWARD

There is ample proof that, with the necessary creativity, agility and innovation, one can do good business in Africa while simultaneously facilitating achievement of MDGs in a sustainable manner. Africa, though, is vastly diverse, and no 'one-size-fits-all' approach applies, but for the purposes of this brief, it is possible to make a number recommendations that have wide applicability. The research conducted for this project has shown that, given current challenges in the financial sector and food markets, business can make the biggest difference in Africa, and tap into some of the continent's most profitable opportunities, through six very specific actions (see Box 4).

BOX 4: KEY RECOMMENDATIONS FOR BUSINESS

- Strengthen agricultural value chains;
- Mobilize private sector investment in regional infrastructure;
- Help to create a better business environment;
- Ensure wider availability of credit and capital;
- Promote social/inclusive business models;
- Push for the harmonization of and creation of synergies among Africa-related business associations.

1. STRENGTHENING AGRICULTURAL VALUE CHAINS

The agricultural value chain is key to the development of Africa and the achievement of the MDGs. Firstly, agriculture represents the continent's main source of food and income for the 70 percent of African citizens living in rural areas, the majority of whom are subsistence farmers consuming most of what they produce. Secondly, commercial agriculture is a significant source of income, representing as much as 20 percent of GDP. Thirdly, agriculture is a catalyst for long-term growth and the development of essential infrastructure. As a result, GDP growth from agriculture raises the incomes of the poor 2-4 times more than GDP growth from other sectors.

There is wide agreement that the development of the agricultural sector depends upon the three pillars of adequate finance, infrastructure and regulatory/legislative environment. Existing recommendations suggest interventions at all stages of the agricultural value chain, from production through to storage, trading, processing and retailing. These need to be implemented across the whole sector, taking in subsistence farmers, small-scale commercial enterprises and large-scale agricultural businesses.

Given that only 20 percent of Africa's potential cultivable land is currently in use, according to some estimates, one clear pathway forward is to get more land into sustainable production while continuing to increase the productivity of existing farmland. Both will require a focus on improved access to fertilizers and seeds as well as better use of scarce water resources. The promotion of agricultural growth corridors (see Box 5) is one way for business to help improve the accessibility of inputs.

BOX 5: AGRICULTURAL GROWTH CORRIDORS

The concept of agricultural growth corridors based on public-private partnerships was launched at the UN General Assembly meeting in September 2008. There are two such corridors currently in the project stage in Southern Africa, the so-called Beira Corridor in Mozambique and the larger South Corridor covering parts of Zambia, Mozambique and Tanzania. The former involves a large investment by Yara to build fertilizer terminals and develop port facilities into regional distribution hubs for agricultural inputs. This will make fertilizer available all year round and streamline effective distribution. Once the ports are established, the governments and private sector partners can make other investments along the value chain to create Growth Corridors. Areas for investment include the development of regional rail and road networks as well as storage facilities, the improvement of agro-dealer networks, the promotion of field schools for farmers, and the provision of affordable credit.

Since up to 40 percent of harvested crops are lost to insects, rodents, and spoilage, a second area of focus could be at the stage of storage and transport in order to limit post-harvest losses. Reducing post-harvest losses would make more food available and increase the profit-margins of both small and larger businesses. It also represents an important step in the evolution of a more diversified economy, since it may enable fewer farmers to produce more food, while simultaneously creating more added value through off-farm employment.

Other possible pathways cut across the value chain. There is a need to enhance the nutritional value of food during both production and processing. This would potentially address challenges of malnutrition while also opening up new markets for business in areas such as food fortification. Likewise, there is general agreement on the need to secure greater African participation across the value chain, especially when it comes to processing. This would allow businesses to maximize competitive advantage and enable producing communities and countries to benefit from higher value activities.

ACTION POINTS

GET MORE LAND INTO SUSTAINABLE PRODUCTION BY IMPROVING INPUTS AND PRACTICES

- Replicate and scale up successful initiatives to achieve more effective use of rain-fed agriculture and micro-irrigation techniques
- Balance more effective use of fertilizer/other inputs with local/sustainable farming methods
- Improve information available to farmers through piloting and expanding the coverage of mobile web-based information portals (such as those by Cisco, Farmer's Friend, Google Trader, Reuters and Tata in Asia)

INCREASE PROFIT MARGINS BY LIMITING POST-HARVEST LOSSES

- Introduce alternatives for storage at different stages of the supply chain
- Replicate and scale-up successful low-cost processing technologies
- Increase amount of local processing in supply chain

GENERATE BUSINESS OPPORTUNITIES BY INCREASING THE NUTRITIONAL VALUE OF FOOD

- Introduce better seeds that improve yields while safeguarding diversity
- Replicate and scale-up collaborative approaches to meeting nutritional needs

ENABLE GREATER AFRICAN PARTICIPATION ACROSS THE AGRICULTURAL VALUE CHAIN

- Make more capital available to farmers through alternative sources of finance and support such as crop insurance and technical advice.
- Replicate and scale-up examples of moving local producers/suppliers up the supply chain

2. MOBILIZING PRIVATE SECTOR INVESTMENT IN REGIONAL INFRASTRUCTURE

The potential economic, social and political benefits of infrastructure improvements are enormous. Adequate and reliable infrastructure, both hard and soft, enables people to access market opportunities as well as education and health services. Infrastructure quality is a dominant explanatory factor of manufacturing performance and competitiveness. Evidence has shown that improvements in transport, energy and communications infrastructure have contributed substantially more to African per capita growth over the past decade than structural policies. The most recent Africa Infrastructure Country Diagnostic Study of the World Bank estimates that an improved infrastructure stock could increase GDP growth rates in Africa by as much as one percent.

Many of Africa's infrastructure challenges, particularly in the areas of transport, energy and communications, would best be tackled at a regional level, allowing for pooled risk and lower net cost. There is no shortage of promising projects (see Box 6). However, despite the support of several regional initiatives, including of the African Union (AU), the African Development Bank (AfDB), the New Partnership for African Development (NEPAD) and the Infrastructure Consortium for Africa (ICA), financing and implementation remain major challenges.

The private sector can help by expanding access to capital, fostering public-private partnerships and setting investment standards that can be emulated by the public sector. Single markets created by regional economic communities such as the East African Community (EAC), the Economic Community for West African States (ECOWAS), the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) provide a particularly promising context for infrastructural investment due to the harmonization of the regulatory environment, sectoral planning and financing capabilities.

BOX 6: PROMISING INFRASTRUCTURE PROJECTS/PROGRAMMES

Energy	**Kenya-Ethiopia Interconnection**
	Nigeria-Algeria Gas Network Connection
	Zambia-Tanzania-Kenya Interconnection Project
Water	**Senegal River Basin Water and Environmental Management Project**
	Niger River Basin Shared Vision Investment Programme
Transport	**Mombasa-Nairobi-Addis Ababa Corridor Development Project**
	Isaka-Kigali-Bujumbura Railway
	Brazzaville-Kinshasa Rail/Road Bridge
	AfricaRail
ICT	**East African Community Broadband Network**
	Central African Backbone Project
	West Africa Wide Area Network
	Southern Africa Regional Backhaul Network
	Northern-Western Africa Backbone Project

Source: AU-NEPAD African Action Plan, 2010-2015

The private sector would be well-placed to provide financial and management expertise, and also capitalize upon resulting commercial opportunities created by improvements in infrastructure. This would not only create jobs and stimulate local enterprise throughout the value chain, but would also serve private commercial interests.

ACTION POINTS

MOBILIZE CAPITAL AND CATALYZE LARGE-SCALE INFRASTRUCTURE PROJECTS

- Consider and initiate public-private partnerships (PPP).
- Engage in the implementation of the existing portfolio of PPP infrastructure projects.
- Lobby intergovernmental financial bodies to play a more active role in brokering public-private partnerships

3. HELPING TO CREATE A BETTER BUSINESS ENVIRONMENT

It is clear that a favorable business environment is conducive to investment, and ultimately, economic growth. Though the private sector cannot replace governmental efforts at building a better enabling environment, it can play an important complementary role by highlighting specific blockages, advocating for and supporting reform, combating corruption, and improving risk mitigation.

When it comes to the advocacy for and supporting of regulatory reforms, firms can add most value by building on and accelerating the work of existing national, sector-specific and multilateral initiatives like the Investment Climate Facility (ICF) or the Center for International Private Enterprise (CIPE). Active support of such reforms has also been shown to stimulate the formalization of local small and medium-sized enterprises (SMEs), thereby allowing these companies to access credit, increase the level of job security and sign contracts with foreign companies. This would greatly enhance local markets and provide local sourcing opportunities.

By signing up to initiatives like the Extractive Industries Transparency Initiative (see Box 7) or the Equator Principles for Financial Institutions the private sector can also make an enormous contribution to fighting corruption, which is one of the greatest obstacles to economic and social development in Africa. Corruption distorts markets, impedes economic growth, undermines democracy and subverts the rule of law, resulting in wasted investment capital and an unstable business environment. Engaging in efforts to fight corruption ultimately reduces the net costs of doing business, attracts ethical investors, employees, and consumers, improves public trust in the private sector, and cultivates political and economic stability in host countries.

BOX 7: EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

The Extractive Industries Transparency Initiative (EITI) is a coalition of governments, companies, civil society groups, investors and international organizations that supports transparency and good governance through verification and publication of payments and revenues from oil, gas and mining ventures. This has led to an improved investment climate, and thus promoted economic and political stability for host governments while mitigating political and reputational risks for companies and investors.

Business can also support, or encourage, the formation of government-civil society-business fora at the national level to discuss both policy issues and specific challenges and opportunities. Such fora can contribute to trust-building, information sharing and the formation of public-private partnerships. However, experience suggests that these fora work best if supported by a dedicated secretariat with relevant experience. The International Financial Institutions (IFIs) and/or United Nations system can play such a role, but may need further encouragement to do so.

Lastly, by calling for and supporting the improvement of the availability and quality of reliable data (both in terms of collection and analysis) and the enhancement and streamlining of existing risk mitigation devices, business can also help to transform unknown risks of investing in Africa into known risks.

ACTION POINTS

BUILD ON EXISTING INITIATIVES AIMING AT PROMOTING LEGAL, REGULATORY AND ADMINISTRATIVE REFORMS

- Join and/or strengthen commitments to existing initiatives or work on creating one to address the main obstacles hindering business innovation and growth.
- Explore if there are any existing initiatives that could help shape necessary reforms in the areas of financial services, pharmaceuticals, energy and mining, and information and communcation technologies (ICT).
- Evaluate business promotion agencies as a means to improve the business environment

ADVOCATE AND ROLE MODEL GREATER TRANSPARENCY

- Sign on to existing initiatives (EITI, Global Compact, Equator Principles) and promote anti-corruption measures.
- Replicate and scale-up successful approaches such as Business Action against Corruption.

4. ENSURING A WIDER AVAILABILITY OF CAPITAL

The research conducted for this project suggests that the extension of credit and financial services in Africa is largely left to the private sector, with national governments responsible for creating the necessary regulatory incentives. However, even though there is ample evidence that investments in developing countries offer good opportunities for return and portfolio diversification, international banks and investors do not yet fully utilize the ample opportunities, and often appear averse to the perceived risks of investing in African business and markets. Business can increase its role in capital mobilization in several ways, including by partnering with the public sector in infrastructure investment projects and facilitating alternative sources of domestic

BOX 8: MADE IN AFRICA

Made in Africa (MIA) was set up in order to bring innovative business ideas and financing to Africa creating a tipping point moment out of existing growth patterns and future emerging market status. MIA proposes the raising of a $200bn bond facility guaranteed partially by G8 nations by providing a mono-line insurance wrap enabling a high credit rating to be sold into capital markets. The drawdown would be for growth corridor projects like railways and internal ports, plus a smaller facility to support medium-sized domestic businesses finance their way into ventures with global corporations on servicing these corridors thereby creating future local champions.

finance for SMEs by, for example, improving local markets in tradable securities such as debt, private and corporate equity (see Box 8).

Business can also make a contribution by increasing the availability and quality of financial intermediation. There is a need for more intermediaries that are backed by solid and reputable owners, have skilled management, and compete energetically for business on the basis of strict cost control and knowledge of the local market and conditions. To increase the flow of credit to the middle market, intermediaries should make more innovative use of lending technologies including warehouse finance, salary loans, progressive housing finance, and relationship banking. Commercial banks can also help provide the credit and process expertise to micro-finance institutions for them to grow in a controlled manner that is demand-led.

ACTION POINTS

GENERATE MORE AFFORDABLE CREDIT TO PRODUCTIVE ENTERPRISES, PARTICULARLY SMEs

- Increase availability of loan capital through alternative/new networks like post offices
- Replicate and scale-up successful examples of innovation
- Improve local markets in tradable securities such as debt and corporate equity

EXTEND BASIC FINANCIAL SERVICES TO MORE PEOPLE

- Maximize the provision of micro-finance and associated services
- Facilitate cost reduction in transferring remittances
- Create new schemes and supporting alternative financing tools

5. PROMOTING SOCIAL/INCLUSIVE BUSINESS OPPORTUNITIES

Companies and partners are increasingly seeking out win-win solutions that generate both social and commercial returns. However, there is a clear need for more innovative, market-driven business models which provide a commercially viable means for doing business with the poor, whether as employees, entrepreneurs, suppliers, distributors, customers or sources of innovation.

Business with poor populations can be lucrative, yet also contribute to sustainable growth by developing functional markets, cultivating entrepreneurship, expanding the labour market participation and driving innovation. According to recent studies, people living on less than $8 a day have a combined income of roughly $5 trillion. By creating innovative products and services for this population segment, business can generate profits as well as meet the needs of the poor (see Box 9). Should the resources for such products and services be sourced locally, the resulting value chain has the potential to greatly increase formalized employment and generate disposal income (see Box 10).

Additionally, the provision or expansion of services to maintain health of workers and increase labour market participation would reduce labour costs and build market and worker capacity. By providing access to health care and/or micro-insurance to workers, companies can significantly reduce absenteeism and improve employee retention. Other services, such as childcare, also greatly improve the productive capacity of workers while reducing absenteeism due to family obligations.

Aside from engaging in inclusive businesses which combine a profit-maximization motive with the generation of social value, the private sector can also make an enormous difference to people's lives by promoting social businesses. These differ from inclusive business models mainly in the way in which profits are reinvested to expand the company's reach and improve its products or services rather than being paid out as dividends to investors. Further examples include the creation of vocational training programmes or cooperatives, thereby building the capacity of a future workforce and potentially creating low-cost sourcing opportunities.

BOX 9: GRAMEEN VILLAGE PHONES

In 2003, the Grameen Foundation launched the Village Phone programme in response to the lack of reliable telecommunications services. Launched in Uganda, the programme extended loans for women in rural villages to purchase mobile telephones, allowing them to sell calls to other villagers. The Foundation is currently experimenting with mobile applications and an internet equivalent of the Village Phone programme in order to increase access to telecommunications. The provision of such services improves market access and facilitates economic diversification, and increasingly provides access to banking services and educational tools.

BOX 10: SABMiller

SABMiller has constructed a new brewery in Angola that will produce beer made from cassava, a root vegetable that flourishes in the region, rather than traditional grains. By producing beer from locally-produced cassava, SABMiller creates a guaranteed market for local farmers and fosters skill development among the local population, while reducing production costs associated with imported grains and creating a product that is more affordable than premium brands.

ACTION POINTS

DEVELOP INNOVATIVE PRODUCTS AND SERVICES TO MEET THE NEEDS OF THE POOR

- Adapt products and processes to improve accessibility for the poor
- Create local value chains for sourcing
- Draw on local populations as a labour source

PROVIDE OR CONTRIBUTE TO SERVICES THAT MEET THE HEALTH NEEDS AND FAMILY OBLIGATIONS OF WORKERS

- Provide access to healthcare or micro-insurance
- Provide day care or invest in local educational systems to care for children of employees

6. PUSHING FOR THE RATIONALIZATION OF PRO-AFRICA BUSINESS ASSOCIATIONS

Trade and industry associations, chambers of commerce and other types of business coalitions have an important role to play in helping to tackle development challenges that are beyond the scope, capacity or mandate of any individual company. Collective action can increase both the leverage and legitimacy of private sector involvement in addressing the MDGs.

However, there is an obvious need for the rationalization, or at least the harmonization of the multitude of existing initiatives in order to maximize benefits. The research for this project identified more than 100 Africa-focused business networks or initiatives (see Box 11 for a selection), often with overlapping memberships.

The proliferation of such initiatives is a sign of health, but has inevitably led to an unnecessary duplication of efforts, the fragmentation of support for the concept of pro-Africa business alliances, and an unhealthy competition for private and public sector resources, political influence and institutional relevance.

While it is unrealistic and perhaps undesirable to reverse this trend, the identification of synergies between the various initiatives as well as the formulation of a common agenda could already go a long way towards increasing the benefits to members and the African private sector they seek to foster.

Such an agenda might include common efforts to promote investment in Africa; sharing of practical experiences and case studies; and engagement with IFIs and the United Nations, as well as regional and sub-regional organizations to encourage a more systematic approach to brokering public private partnerships.

BOX 11: SELECT BUSINESS ASSOCIATIONS

- African Business Roundtable
- Association of SADC Chambers of Commerce & Industry
- Aspen Network of Development Entrepreneurs
- Business Action for Africa
- Business Call to Action
- European Business Council for Africa and the Mediterranean
- UK Business Council for Africa
- Commonwealth Business Council
- Conseil français des investisseurs en Afrique
- Corporate Council on Africa
- Eastern and Southern African Business Association
- Forum francophone des affaires
- Frontier 100
- International Business Leaders Forum
- International Chamber of Commerce
- NEPAD Business Group
- Pan-African Employers Confederation
- SADC Employers Group
- Small Enterprise Promotion Advisory Council
- South African Chamber of Commerce & Industry
- Southern African Enterprise Network
- World Business Council for Sustainable Development

ACTION POINTS

CONVENE THE MOST ACTIVE AND RELEVANT ORGANIZATIONS AND AGREE ON FOCUS AREAS FOR COOPERATION

- Encourage signatory companies to the various networks to become more actively involved
- Carry out focused research on the scaling-up of successful business and development examples

ABOUT THE AFRICA PROGRESS PANEL

The Africa Progress Panel (APP) was formed as a vehicle to maintain a focus on the commitments to Africa made by the international community in the wake of the Gleneagles G8 Summit and of the Commission for Africa Report in 2007.

Under the chairmanship of Kofi Annan, it pays equal attention to the implementation of Africa's commitments as set out in the Constitutive Act of the African Union and landmark international agreements.

The Africa Progress Panel's added value is in drawing upon first class research and using the Panel members' reach to:

- Track progress by highlighting good practices and positive change in Africa that have led to sustained development across the region.
- Monitor the role of Africa's trading, donor and investment partners in supporting the continent's progress.
- Support African initiatives driving social, economic and/or political progress on the continent whether it is brought about by African leaders, institutions or international partners.
- Identify key areas for the continent's development such as south-south partnerships, climate change, maternal health, infrastructure, technology or regional integration

ABOUT CONCERN UNIVERSAL

Concern Universal is a UK-based charity helping over people in 12 countries in Africa, Asia and Latin America.

Concern Universal supports initiatives that improve the daily lives of people living in some of the world's poorest communities - for instance providing greater income earning opportunities, improved health care, or clean water supply.

Its vision is a world where justice, dignity and respect prevail for all. Its mission is to work in partnership to challenge poverty and inequality by supporting practical actions that enable people to improve their lives and shape their own futures.

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The APP promotes Africa's development by tracking progress, drawing attention to opportunities and catalyzing action.

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