

# Aid is not the only answer

Governments and development agencies are serious about using the private sector as a vehicle for development

## Comment

Graham Mackay



**A** year on from the Gleneagles summit – and governments, NGOs, multilateral organisations, civil society and the private sector are taking stock of what has been achieved in the past year.

As an African-originated multinational business committed to helping achieve the millennium development goals we believe two relatively unheralded, but nonetheless significant, achievements have evolved from “the Year of Africa”.

Firstly, the private sector’s role in poverty alleviation is increasingly being analysed by policymakers with the same degree of rigour as aid and debt relief. This is a much-needed development.

Secondly, there is a growing trend towards more effective collective action from the international business community, in partnership with the public sector, to address poverty.

The fact that business has been brought more closely into the consultation and policy development process is both welcome and significant.

There is no doubt that, in the past, aid and debt relief have dominated policy discussions – sometimes at the expense of robust and intellectual debate around the central role that investment and job creation play in improving the lives of the 315-million people living on less than a dollar a day in Africa.

There is now a greater appreciation among all parties that what is good for business is good for development.

Underpinned by a more rigorous and in-depth understanding of what the private sector really brings to the poverty alleviation equation, this growing consensus is providing an international framework for more effective public-private sector partnerships.

## Collective action

One of the most tangible outcomes of this has been the formation of Business Action for Africa – a fast-growing international network of more



**SABMiller introduced a low-cost beer called Eagle Lager into Uganda and Zambia. Both governments have given excise exemptions because locally grown sorghum is being used.** Photograph: Vismedia

than 100 companies and organisations supported by the Prince of Wales International Business Leaders Forum and the United Kingdom government.

Business Action for Africa is helping to shape the debate about business’s role in poverty alleviation.

The companies involved, which include SABMiller, Anglo American, De Beers, Shell and Unilever, have been instrumental in moving the debate on what the private sector can do, away from corporate philanthropy towards supply and distribution chains, market-based solutions to poverty and favourable investment climates.

As a result, the current debate about the international business community’s role in Africa and poverty alleviation is focusing on two areas.

The first relates to helping policymakers create business environments that stimulate local economic activity and remove obstacles to foreign investment.

At the international level, this involves advocating a fairer international trading system, towards which we have seen disappointingly little progress to date.

The second relates to our core busi-

ness activities and how we transfer skills, train people and use our value chains to create markets and business opportunities for entrepreneurs and small-scale farmers.

## Beyond aid

Both these areas are absolutely critical to Africa’s future economic growth. While we accept that in the short term there is no realistic alternative to increased aid flows, aid cannot go on growing forever.

The billions of dollars in aid so far have not led to economic growth in Africa, despite beliefs to the contrary. Doubling the aid budget will not, as many believe, lead to the 7% to 8% growth rate required to begin truly lifting Africans out of poverty.

It is essential that people have the means to make money and create wealth for themselves. Economic growth driven by the private sector is the key in the long term.

Last year, Africa’s economic growth reached an eight-year high of 5%, average inflation fell to historical lows and real gross domestic product (GDP) per capita increased by 2.7%.

There are undoubtedly oppor-

tunities for growth and increased private sector activity in Africa.

The current Chinese and Indian interest in the continent, coupled with surging commodity prices, increases these opportunities.

## Investment climates

So what can the international business community and policymakers do to help African entrepreneurs and small-scale farmers generate more local economic activity and take advantage of the improvements in Africa’s macroeconomic performance?

Firstly, we can work with African governments and international donors to improve investment climates in Africa so that international investors, small businesses and entrepreneurs can take advantage of these business opportunities.

In spite of the encouraging trends we have seen recently, barriers to doing business in Africa remain key obstacles to economic growth.

To address these issues SABMiller, along with Anglo American, Shell and Unilever, are contributing to the Investment Climate Facility (ICF).

The ICF is a new public-private

partnership focused on improving investment climates in Africa.

It was endorsed at the Gleneagles summit last year and is supported by African heads of state, the African Union, the European Commission, the World Bank and the British, Irish and Dutch governments.

## Core business

Secondly, we must continue to run successful, profitable companies that operate in a responsible and accountable way and provide markets to suppliers and distributors of our products.

Our core business activities are far more likely to make a long-term and sustainable impact on Africa than corporate social investment programmes explicitly aimed at meeting development challenges.

Our sales and marketing department in Zambia, for example, has created more than 1 800 jobs over the past eight years by investing nearly \$1-million to establish independent small businesses distributing and selling our carbonated soft drinks.

Zambia Breweries provided entrepreneurs with training and interest-free loans, which enabled them to start and run successful enterprises, creating wealth for themselves and their dependents.

Another example is a low-cost sorghum-based clear beer called Eagle Lager which SABMiller introduced into Uganda and Zambia. Both governments have given us excise exemptions because we are using locally grown sorghum and not importing barley.

This initiative has enabled us to bring nearly 10 000 small-scale farmers into our supply chain and provided a high-quality, affordable product for local consumers.

These are just two small examples from our African businesses, but they go to the heart of how the private sector can make real and substantial contributions to growth in Africa. Many other multinationals have similar initiatives.

The momentum generated by the focus on Africa in 2005 has created an environment that is increasingly conducive to business working more effectively itself and, with governments, NGOs and international donors, to tackle the issues of poverty on the continent.

*Graham Mackay is the chief executive of SABMiller*



## Changing the face of poverty, with creativity and beads

Fours years ago, Esther Ntuli started making traditional dolls with off-cuts and recycled beads. Soon, a major toy chain store linked up with her through its innovative policy to source a portion of products from small producers. Esther gained a business development loan from an independent local development agency that channels government funds to communities, and with this took the business to a level where she has created 20 full-time jobs in her community. The same creativity and cooperation by the different role-players in policymaking can drive down poverty on a much bigger scale across southern Africa.

### Nominate innovators!

The Drivers of Change award has been established to honour people like Esther, individuals and organisations who, in their thinking and action for better poverty reduction policies, are going beyond the conventional to make a real and lasting difference in the lives of people living in poverty.

We invite you to nominate individuals or organisations of civil society, business, and government in any southern African country who are doing things differently to develop effective poverty reduction policies. The winners will be honoured at a gala event in Johannesburg in October this year.

The closing date for entries is Friday 25 August 2006.

Contact **Sudley Adams** on +27 11 250 7300 or +27 82 900 0776 or go to [www.southernafricatrust.org](http://www.southernafricatrust.org) for more details.



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