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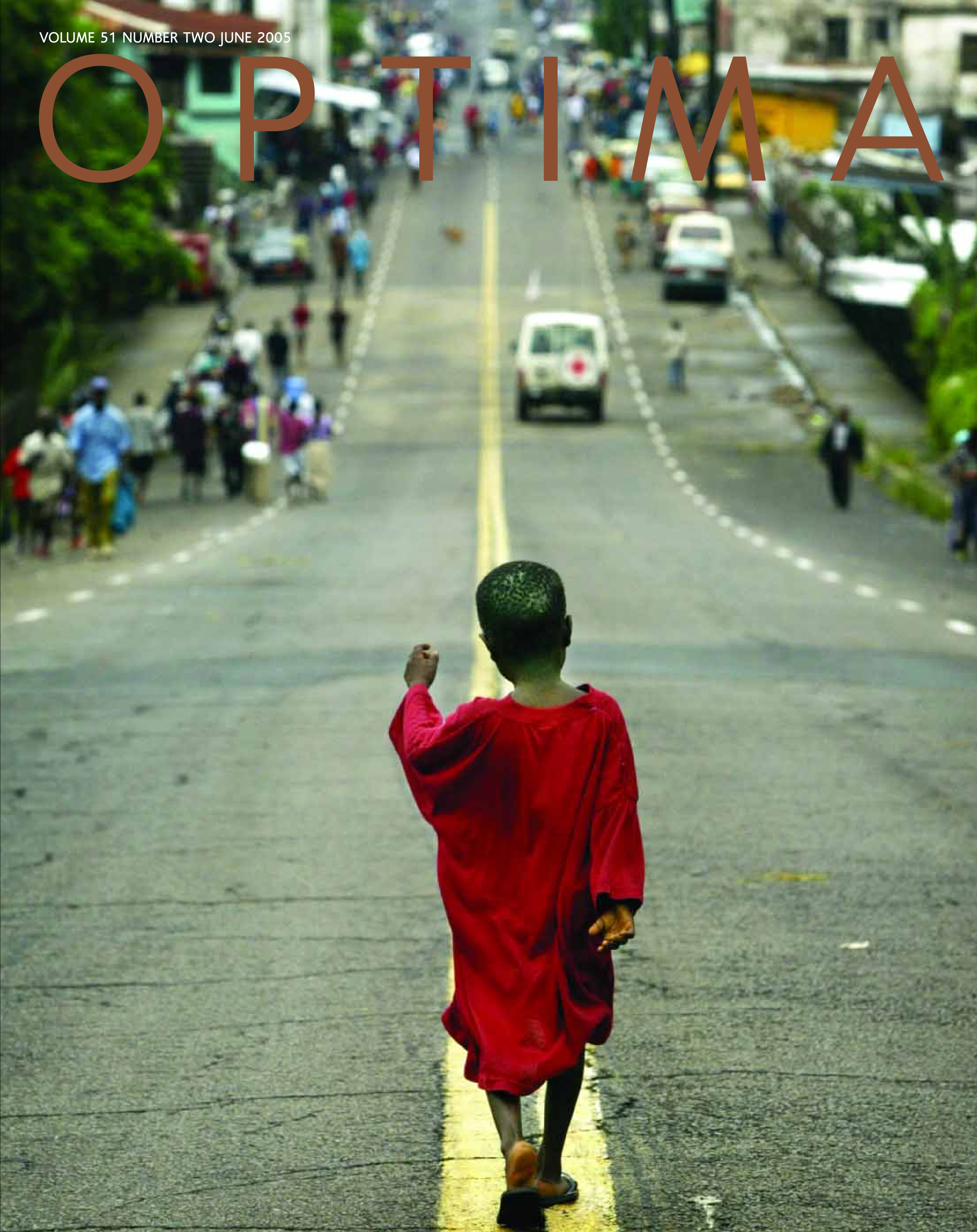

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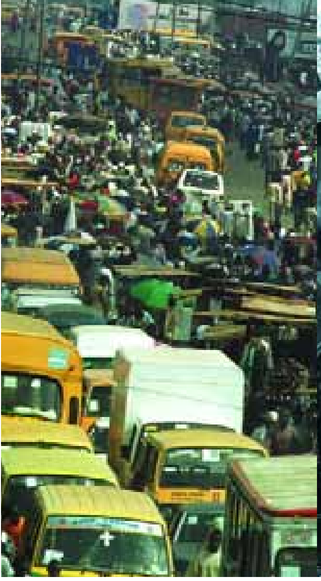
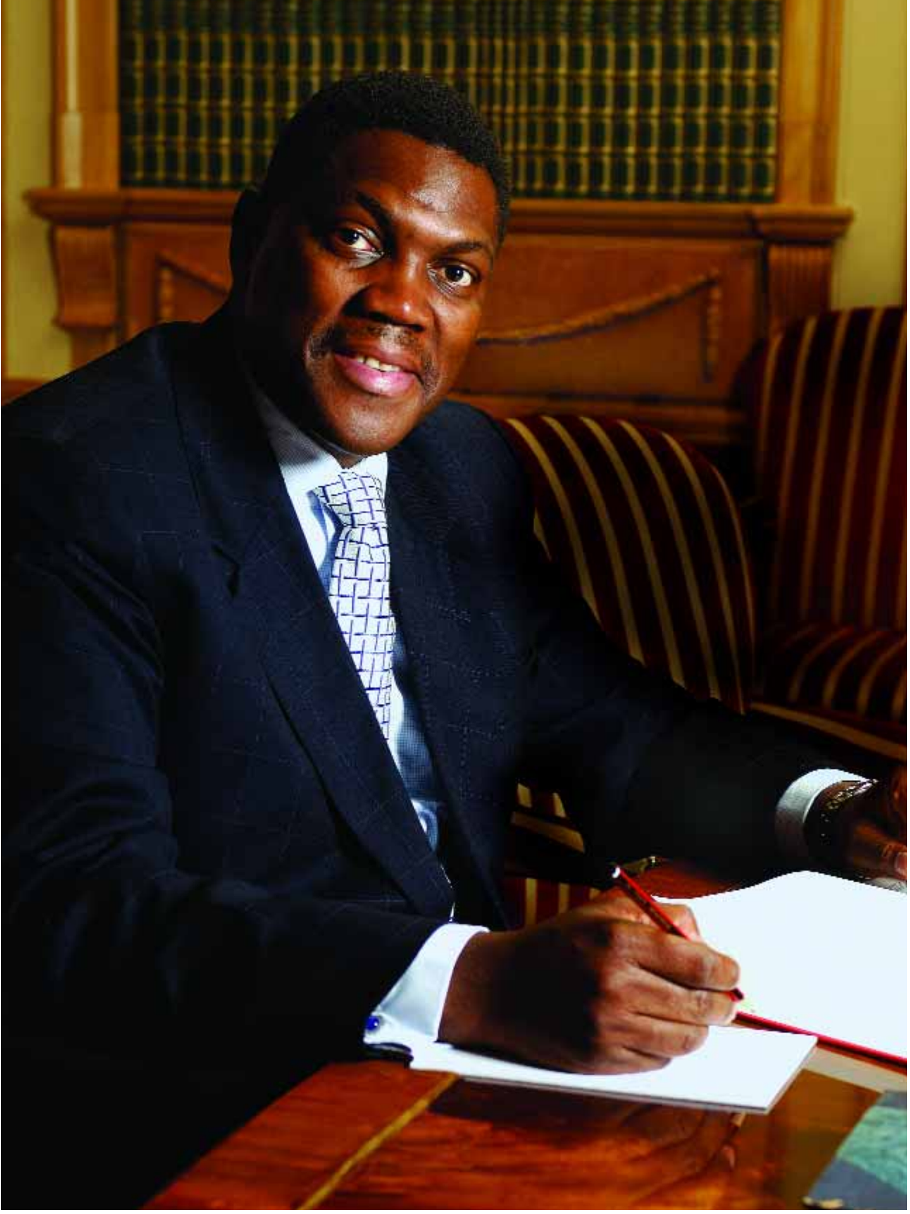
This edition of *Optima* examines some of the crucial problems that stand in the way of eradicating poverty. Focusing on Africa, and with a special emphasis on the British Prime Minister's Commission for Africa 'blueprint', a distinguished cast of authors examines some of the key issues that will inform the G8 Summit next month and which will undoubtedly contribute to the debate at the UN Millennium Development Goals Review Conference in September.

COVER
A young boy does a solo march down a main road bisecting a burgeoning informal settlement in Liberia's capital, Monrovia

PHOTOGRAPH
© Getty Images/Touchline Photo



CONTENTS



PHILIP MOSTERT

Africa

A new spirit of optimism

LAZARUS ZIM

2005 CAN BE THE YEAR when the international system takes decisive steps towards helping Africa to realise its potential; and to support Africans in establishing a sustainable route away from poverty. The Commission for Africa has set out a comprehensive agenda for action – which complements the agenda earlier established by the New Partnership for Africa's Development (NEPAD) and the African Union. We are hopeful that at the G8 Summit in Scotland in July the world's leading economies will demonstrate the appetite to establish a new partnership to assist Africa in confronting its problems. As the UN Millennium Development Goals Review Conference in September will make clear, these problems are largely centred around poverty and exclusion.

Many of us sense that this is Africa's year – a critical moment when Africa is at last being globally acknowledged for the strides it has made in establishing more representative and responsible governments. The people of our continent, and an increasing number of its governments, are seized with the promotion of democracy, the rule of law, good human rights practices, the holding of regular and free and fair elections, and the advancement of free-market economic policies. And many appreciate all too well how poverty and exclusion continue to frustrate economic performance and the threat that HIV/AIDS poses to their future prosperity and well-being.

With Africa's great mineral wealth and agricultural potential, economic growth and general prosperity should not have been this elusive. As a global natural-resource business with deep roots in Africa, Anglo American plc embraces the positive role that globalisation has made in reducing poverty across the globe (especially in Asia). Africa has, however, largely been excluded from the benefits of globalisation. There are too many barriers to trade within Africa itself, too many bureaucratic impositions. There is a need to reform trade rules so as to integrate Africa into the world economy. The measures needed include improved market access, implementing a systemic attack on unemployment, and doing away with practices inimical to and inconsistent with a level playing-field. It is for this reason that the global trading system needs to be pried open. At the same time, Africa needs to look at barriers that hinder trade within the continent and seek to bridge the gap between the supply and demand of appropriate skills, in addition to raising labour and environmental standards.

It is vital to strengthen fragile African democratic institutions, including the myriad functions that collectively make up what we call civil society, improve economic and financial policies and establish credible judicial and regulatory bodies in order to attract investment. Africa will benefit greatly from an improved and efficient financial services and transportation infrastructure, as well as reduced telecommunication costs. We can never over-emphasise the importance of infrastructure development for small, medium and large businesses, and recognition of the importance of diversification for African economies. If Africa is to succeed, it cannot be left behind when most of the world makes advances in information technology to improve, among other things, trade and general economic co-operation.

Turning to South Africa, over the past ten years, the country has been through a period of historic political change and has now established a firm democracy underpinned by a vibrant civil society. Sound economic policies and a stable environment have attracted investment and, while more is necessary, economic growth has accelerated and looks set to rise even further. South Africa's improved economic performance has substantial benefits for the rest of the continent, with South African businesses playing an increasingly important role as investors in almost all of Africa. More investment is needed in even more African countries if the continent is to meet the Millennium Development Goals. To this end, the Commission for Africa is a worthy initiative to complement the efforts of NEPAD.

As an investor in many countries on the continent, and one that has always supported the communities surrounding our operations, irrespective of the countries in which we operate, Anglo American fully associates itself with the Commission's recommendations relating to fair trade, debt relief, peace and security, capacity building, investing in people and poverty reduction.

Before I conclude, I should like to make a plea on behalf of Africa's women. One of the most overlooked aspects of potential African prosperity is the central role played by women in reducing poverty. As the great Peruvian economist Hernando de Soto has vividly demonstrated, the poor everywhere remain poor and marginalised because they don't hold title to property. In Africa this situation is exacerbated in the case of women – who lack access to property and land, and control of economic resources, and who are also especially vulnerable in the face of the HIV/AIDS pandemic.

In the final analysis, though, Africans must succeed as a result of their own decisions, actions and choices. There is no doubt that challenges on our continent require long-term solutions, and not quick, expedient fixes. But for far too long Africans have been victims, perennial indigents. There is no longer any reason to expect others to make important decisions on our behalf, because all of as Africans can act to change the way we do business with the rest of the world.

Consider this situation described by the World Bank study *Doing Business 2005*:

- of the 10 countries considered challenging to do business in, seven are in Africa;
- it takes 153 days to start a business in Maputo and two days in Toronto;
- in France, an entrepreneur pays $368 in official fees to start a business; the figure for Niger (one of the world's poorest countries) is $1,025.

If Africa can radically improve this situation, we would be looking at a very different continent in less than a decade.

THE AUTHOR
P Lazarus Zim is chief executive of Anglo American South Africa

Building a strong and prosperous Africa

The role of business

MYLES WICKSTEAD

"I have said on many occasions that I believe Africa is the scar on the conscience of the world, and I think it is right to treat this as an absolute priority over the coming years."

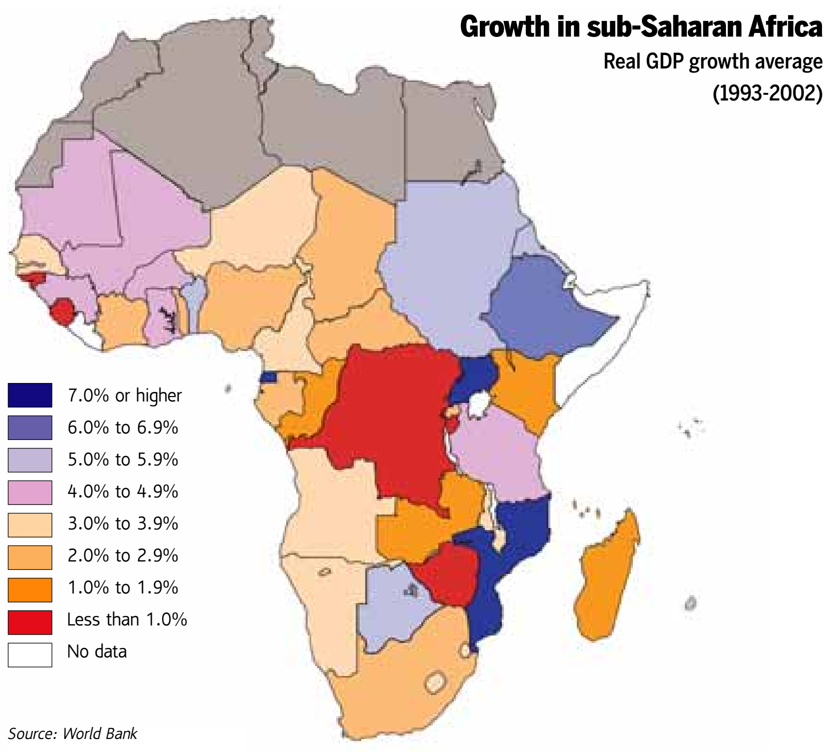
UK Prime Minister Tony Blair in launching the Commission for Africa in February 2004

ON CURRENT TRENDS, sub-Saharan Africa will not meet any of the Millennium Development Goals by 2015. That is why the UK Government has made Africa one of its two priorities for its G8 and EU presidencies this year, along with climate change. The Commission for Africa, established by the Prime Minister in February last year to inform this agenda, published its Report, *Our Common Interest,* on 11 March.

The Commission's Report sets out a coherent set of policies to accelerate progress towards a strong and prosperous Africa. It will inform the agenda for several meetings taking place this year, starting with the G8 Summit in July, but including also the UN Millennium Review Summit in September and the tremendously important WTO Ministerial in Hong Kong in December. Its findings are likely to remain influential in terms of the international agenda for African development for years to come.

The Commission consists of 17 Commissioners, the majority of whom are African, including three individuals actively engaged in business; and a small Secretariat based in London. Over the course of the past year, the Commission has consulted across a wide spectrum of stakeholders, including several events targeting the private sector. Around 30 international businesses have been actively involved in a Business Contact Group set up by Chancellor Gordon Brown and Niall Fitzgerald, the then chairman of Unilever, to inform the work of the Commission; over 100 small and large businesses participated in a Chatham House conference; and a series of regional business roundtables were held in South Africa, Algeria, Cameroon, Tanzania and Ghana, involving 120 business leaders from 19 countries.

In its Report, the Commission recognises the improvements seen in Africa in recent years, both in governance and in economic growth. For example, two-thirds of African countries have held multi-party elections in the last five years. Over the last decade, 16 sub-Saharan Africa countries have seen average growth rates above 4%, including 10 with rates above 5% and three with rates above 7%. There are examples of strong performers from across the region – such as Mozambique in the south, Benin in the west and Uganda in the east. However, the Commission argues that Africa needs to significantly accelerate and sustain growth across the continent to make serious inroads into poverty.



The value of partnerships

To achieve this requires a partnership between Africa and the developed world, which takes full account of Africa's diversity and particular circumstances. This partnership involves Africa accelerating reform while, for its part, the developed world increases and improves its aid and refrains from doing those things that hinder Africa's progress. It also involves a central role for the private sector in driving growth, but with governments having a key role in creating the right environment. It is not a question of the state versus the private sector, but how they work together. The Report makes a strong case that a real opportunity exists at this moment for greater external support for Africa's efforts from the international community to have a real and lasting impact.

In their analysis, Commissioners highlight the way in which the various causes for Africa's underdevelopment (political, structural, human and environmental) interact, often in complex interlocking cycles: for example, there can be no development without peace and security; at the same time, development which reduces poverty and inequality is a prerequisite for maintaining peace and security. Equally, a weak and poorly educated workforce cannot contribute to strong economic growth, but strong growth is needed to generate the funds to invest in health and education. To address these often vicious circles requires a comprehensive 'big push' on many fronts at once.

Based on this analysis, the Commission suggests a package of measures, structured around a number of key themes. Governance and peace and security are at the heart of the proposals – without good governance and without peace and stability, other measures have little scope for success.

There is a strong raft of measures for investing in people, and generating growth and poverty reduction. This will require a major increase in resources – the Commission proposes that aid to Africa should increase immediately by $25 billion per annum, followed by a further $25 billion per annum increase in five years after a review of progress – and up to 100% debt cancellation for all low-income African countries.

The Report highlights the generation of economic growth as the private sector's primary contribution to poverty reduction: growth creates jobs and economic opportunities that lift people out of poverty, as well as tax revenues needed to fund public spending on a long-term basis. However, it is increasingly recognised that the way larger foreign and domestic businesses do business can also have a powerful impact on the extent to which poor people are able to participate in and benefit from growth.

It is important to ensure that Africa's development not only generates benefits for poor people, but that it is sustainable – broadly meeting the needs of the present without compromising the ability of future generations to meet their own needs. To achieve this, it is necessary to address all three pillars of sustainable development: economic, social and environmental.

People, planet, prosperity

The Commission recognises that sustainable economic growth requires prudent use of natural resources and effective protection of the environment. A key challenge is to ensure this is addressed in the face of rapid urbanisation: well-planned cities offer much-enhanced opportunities for environmental sustainability. Sustainable environmental management requires a holistic assessment of what resources a country has and how these natural resources could contribute to

MEN BEHIND THE COMMISSION: *British Prime Minister Tony Blair and Chancellor of the Exchequer Gordon Brown, who is one of the Commissioners*

poverty reduction. It also requires improved environmental governance, through transparent and participatory institutions and processes that genuinely involve those affected by change. This is required at local, national and regional levels.

The impact of business on the societies in which they operate is often discussed in the context of 'Corporate Social Responsibility' (CSR). However, the Commission argues that the vagueness of the term and its overly narrow interpretation as 'corporate philanthropy' means that some of the most important business-poverty linkages are often missed. While philanthropy does have very real benefits, still more important is the impact businesses have on development outcomes through their core business activities. The Report highlights four areas of particular importance:

- **Employment** Job creation is clearly a central way in which businesses can be of direct benefit to society. In addition to the quantity of jobs, businesses' commitment to core labour standards can contribute to poverty reduction by promoting broad-based economic and social development;
- **Enterprise** Developing long-term business relationships with micro, small and medium enterprises is one of the most important ways in which larger companies can promote the

The challenge now is implementation. And this will require partnerships between businesses and government, between businesses and civil society and between businesses themselves

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participation of poor people in growth. This is a focus of the Africa Enterprise Challenge Fund proposed by the Commission;

- ☐ **Goods** Goods and services for poor people are often relatively expensive and of poor quality. A greater choice of lower-cost goods can benefit poor people, particularly if they are tailored to their needs. Better management of the environmental impact of goods and services is also important; and,
- ☐ **Social services** Paying taxes and refraining from demands for special tax treatment strengthens the government revenues needed for sustainable, long-term provision of public services. Businesses can also directly benefit employees (and their families), through the provision of education, housing and health services, with HIV and AIDS programmes particularly important. Business can also play an important role in promoting transparency and good governance.

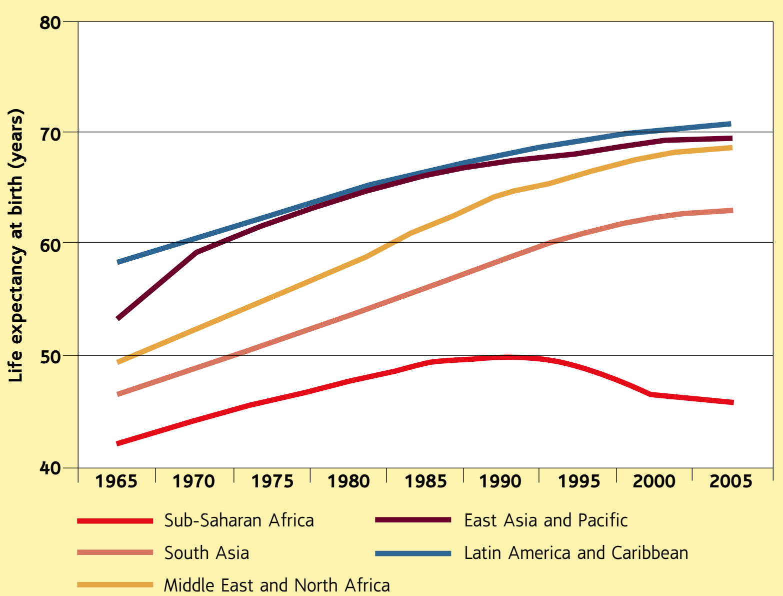
Revenue transparency is particularly important in the extractive sectors, as the very different development experiences of resource-rich countries like Botswana on the one hand and Angola on the other show. Among many recommendations aimed at improving governance, the Commission encourages all resource-rich African countries to implement the Extractive Industries Transparency Initiative (EITI), and to expand transparency and accountability principles to other sectors, including forestry and fisheries.

The Report lists a number of factors that can limit the potential of business activities to provide opportunities and benefits for poor people. These include, firstly, a proliferation of codes and guidelines for corporate responsibility, which can obscure comparability and accountability and encourage a 'boxticking', process-driven, rather than outcome-driven, approach. Secondly, a lack of co-ordination and alignment with national development priorities can undermine the effectiveness of businesses' efforts. Impacts can be much larger if businesses act together and in support of national initiatives – a point made during the Commission's business consultations. Thirdly, current approaches take inadequate account of developing-country perspectives: Prescriptive codes – reflecting concerns of developed country stakeholders – can have unintended consequences on small-scale suppliers, excluding them from market opportunities if they are inappropriate or costly.

Nevertheless, there are already numerous good examples of effective action. The International Business Leaders Forum has developed a useful framework for co-ordinating business actions in support of the Millennium Development Goals and is in the process of rolling this out across Africa. The Global Business Coalition on HIV and AIDS brings together 180 international companies to promote best-practice company anti-AIDS programmes in the workplace and communities, and to influence public policy. Many others, including the Business for Social Responsibility movement and the World Business Council for Sustainable Development, are leading the way in business engagement in development issues.

Individual companies, including members of the Commission for Africa Business Contact Group, are pioneering innovative ways of working

Life expectancy in developing countries



Source: World Bank, 2004

in Africa. In its recommendations for the private sector, the Commission calls for a sea change in the way the business community, both domestic and international, engages in the development process in Africa. Businesses must sign up to leading codes of good social and environmental conduct, including on corruption and transparency, and focus their efforts on co-ordinated action to tackle poverty.

The Commission calls on the business community to identify actions it can take in support of the priority actions set out in its Report. Five areas for action are set out in its "Messages for Business" leaflet, and proposals to take action on these under a banner "Business Action for Africa" were put forward at a recent business conference. These include:

- **Advocacy in support of African development** Engagement with the G8 on trade and aid, and national governments on good governance, investment climates and policies that help poor people;
- **Telling the positive stories** Help tackle the negative images of Africa by promoting successful investment stories;
- **Behaving responsibly** Sign up to leading codes of good social and environmental conduct, including on transparency and corruption;
- **Making a difference** Move beyond a focus on philanthropy to look at impacts of core business activities – support small enterprises; promote fair working conditions; develop new products and services that meet the needs of poor people; support public- and private-sector capacity development in Africa; tackle youth unemployment; and,
- **Joining forces** By working together in support of national initiatives, businesses can increase their impact, such as on HIV and AIDS.

Business investing in success

The Commission singles out the UNDP Growing Sustainable Business initiative (GSB) for particular support. This initiative brokers partnerships that enable foreign and domestic companies to engage in pro-poor and sustainable investment projects, and is currently active in Tanzania, Madagascar and Ethiopia. Investments range from rural telecommunications and rural electrification to agribusiness and ecotourism. GSB activities – including brokerage, up-front feasibility and technical studies – are designed to improve the supply of bankable, pro-poor investment projects.

The Commission calls on developed countries to provide US$20 million over five years in support of the GSB. This level of funding will enable the GSB to broker over 100 investments, worth over $300 million, across 20 African countries and across a range of sectors, such as infrastructure, financial services and agriculture.

The Commission also urges greater participation of African countries – and their private sectors, including small enterprises, and civil societies – in the global CSR debate, including in the context of the next review of the OECD Guidelines. Specifically, it calls for financial support for initiatives such as the recently launched Africa Corporate Sustainability Forum, and measures to enable small-scale suppliers to meet international codes and standards.

For their part, donors and African governments must develop more effective partnerships with the private sector. The Commission also heard during its consultations with African businesses that private-sector firms of developed countries should build partnerships with their African counterparts in areas of standards to raise the quality of African export commodities.

The Commission sees a key role for the private sector. It has listened to and reflected some of its key priorities: creating a fairer international trading environment for Africa; investing in infrastructure; promoting better investment climates; supporting African-led processes towards spreading good governance; and taking steps to unleash and support the entrepreneurial energy of Africa's people – from small farms to larger firms.

The challenge now is implementation. And this will require partnerships between businesses and government, between businesses and civil society, and between businesses themselves.

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WHEN HANDED a long and turgidly written memorandum on a worthy if uninspiring subject, Winston Churchill once famously remarked: "This paper by its very length defends itself against the risk of being read."

At the launch of his brainchild Commission, UK Prime Minister Tony Blair indicated the desperation of Africa's plight: "Africa is the only continent to have grown poorer in the last 25 years. Its share of world trade has halved in a generation and it receives less than 1% of direct foreign investment... Africa, he said, "risks being left even further behind."

Indeed, the Report of the Commission for Africa – all 461 pages of it – is a worthy *and* inspiring subject to those concerned about

The Commission for Africa

More than just another paperweight?

GREG MILLS

MAELSTROM IN DOWNTOWN LAGOS, *biggest city in Nigeria, Africa's most populous country*

SOUTH PHOTOGRAPHS

Africa's plight. A shorter, 'kindergarten' version would have perhaps been both more useful and more widely read. While comprehensive, the Commission's Report is as hastily compiled as expected from a document assembled in just seven months to meet the deadline of the 5 May 2005 UK General Election.

Even so, the Report does braid concerns about security, trade and external assistance with the overall imperative of reducing poverty in Africa and at the same time arresting the continent's relative global economic marginalisation. But does this document advance the cause of Africa more than, as sceptics have suggested, just promoting the prime minister's own political profile and agenda, by offering on its release on 11 March 2005 a slice of moral high ground between the war in Iraq and a domestic election? Are there aspects which might be usefully seized upon to promote business in Africa, ultimately the only sustainable means to reducing poverty on the continent?

The launch of the Commission's Report followed the release of a United Nations' study conducted by University of Columbia professor (and UN adviser) Jeffrey Sachs that advocates a two-decade push of foreign aid to Africa in identifying five structural deficits that form the "poverty trap":

- the continent's high transport costs and small market size;
- its low-productivity agriculture;
- high disease burden;
- long history of malign external interventions; and,
- very slow diffusion of technology from abroad.

What is needed to exit the "trap", Sachs argues, is a "big push" in seven areas:

- raising rural productivity;
- tackling the disease burden;
- making primary education universal and expanding secondary education;
- financing urban development;
- mobilising science and technology;
- gender equality; and,
- regional integration.

In supporting such a radical approach, Martin Wolf, the *Financial Times'* redoubtable columnist, has written that while increased aid does carry risks (such as the crowding out of exports on which longer-term growth depends, and that aid will encourage corruption, bad policy and waste), "the option", he says, "of doing nothing is worse. Greater aid does carry risks. But its absence brings dreadful certainties. Let us manage the risks, not live with the certainties."

More aid along with improved governance is also the core tenet of Washington's Millennium Challenge Account (MCA) announced earlier in March 2002. Under the terms of the MCA, the US will increase its core assistance to developing countries by 50% over three years, resulting in a $5 billion annual increase over current levels by 2006.

Always politically aware of its African links, Jacques Chirac's government has taken a slightly different line in finding sources of new development money. The Chirac plan begins from the basis that the $50 billion required to double global aid flows is a small sum in comparison to those generated by the global economy. His government's Landau Commission recommends that new funds be generated by international taxes or levies on a variety of cross-border activities, including a fraction of international financial transactions such as currency sales, the flows of foreign capital moving to tax or bank havens, and a more ambitious plan to tax aviation and shipping fuel. Again, this pivots development and prosperity on the flow of more money to Africa.

The Commission for Africa Report similarly appeals for more aid (an extra $25 billion per year by 2010), better governance, fairer trade and less debt. Its solutions reflect UK Chancellor Gordon Brown's desire to establish an International Finance Facility (IFF) bundling together promises of future aid from rich countries to launch a bond to increase funds to fight global poverty. The IFF seeks an additional $50 billion a year in aid by 2015 for the world's poorest countries to meet the internationally agreed UN Millennium Development Goals.

The Commission's Report calls for a new kind of partnership with Africa "based on mutual respect and solidarity". It lists those Western

"ALWAYS POLITICALLY AWARE *of its African links, Jacques Chirac's government has taken a slightly different line in finding sources of new development money. The Chirac plan begins from the basis that the $50 billion required to double global aid flows is a small sum in comparison to those generated by the global economy."*

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policies that damage Africa, including the subsidising of its farmers that gives them an unfair advantage against African ones, the sale of arms into war zones, insistence on the repayment of debts, and the warehousing and laundering of stolen African state funds in Western banks. It also addresses the issue of how to make aid more effective, although responsibility is divided between donors – the Commission calls for "a radical change in the way donors behave and deliver assistance" – and African countries, which are urged to focus on improved governance.

In that it focuses not on what Africa can do for itself but rather the West for Africa, it is unsurprising that the Commission's findings have come under fire.

There are four essential criticisms: First, that the Commission's Report offers little new in the way of prescriptions in emphasising the importance of governance and aid for African recovery. The World Bank has been saying this for more than half a decade. Second, that it not only relies on aid as a catalyst for growth, but that it anticipates that more money will lead to better governance when the evidence from Africa over the last four decades suggests the opposite. Third, that the list of recommendations reads 'left to right' only: that the G8 and other international institutions and

IN STEP? *US President George W Bush and South Africa's President Thabo Mbeki. "Likely the most important role the West and other external actors can play in improving the continent's economic performance and thus African recovery itself and, indeed, in securing their own interests, is in strengthening accountability and transparency, creating or reinforcing the often 'missing link' between African government and citizenry."*

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actors should do a range of things to promote continental recovery, while in fact recovery is instead principally incumbent on what African countries do. In simple terms, that the Commission's report should read more 'right to left'. Fourth, and perhaps most interestingly, is the criticism from Africans that the Commission is not only superfluous but that it competes against their own plan, the New Partnership for Africa's Development (NEPAD). Not only is the Commission's Report a separate document, but it is *the* document being presented to the G8 by Blair at the Gleneagles summit this July.

Is the Commission for Africa worth more than its weight in paper – or will it become just another dusty paperweight?

The African aid record suggests that more expenditure will not necessarily offer a catalyst for recovery but might, instead, divert the focus from what African countries must do at home to encourage business. Aid undercuts the necessity for African states to create long-term domestic financial tools such as the issuing of bonds to fund their development. In so doing, it leaves them at the mercy of short-term, politically-inspired aid surges and with weak domestic financial institutions. 'Aid', as Geoffrey Onegi-Obel a senior adviser to Ugandan President Yoweri Museveni argues, 'shorts African economies.' The calls for sweeping debt relief have an equally pernicious effect – adding a premium to future African borrowing for development in international markets.

Aid is also a very corrupting influence on African development thinking, cementing a certain political-cultural mindset prevalent in the West – of a basket-case Africa requiring unprecedented largesse as the only development solution. The Africa Commission dresses up a lot of old ideas and failed practices in new packaging. At best these are irrelevant solutions; at worst, they are damaging by replicating jaded, pernicious practices and cultural stereotypes.

The notion that more aid will develop Africa also defies the historical record. History has shown that the volume of aid flows to Africa is not the reason for a continued lack of development; the critical determinant is the environment into which aid is inserted. This does not mean that aid does not have its part. But it should not go from government-to-government. It should be used to find targeted ways to promote business, and it should be used to alleviate poverty. Mechanisms outside of government should be used to deliver it, and the terms of delivery should be much more conditional.

Rather than assessing how much aid is necessary for Africa to develop – the overwhelming focus of the Africa Commission Report – a more important question that Africa should be asking itself concerns what sort of strategies might permit development

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CAMPAIGNING FOR ROBERT MUGABE *in the Zimbabwean election in 2005. "Africa's stagnation will ultimately not hinge on the favour or neglect of others. It will depend on leadership and governance. And as long as those purporting to be a new generation of African democrats excuse and coddle their neighbours and blame the West for their woes, aid flows will be as ineffective as the $1 trillion that came before it."*

Far right: DISPLACED COMMUNITIES *crowd a makeshift refugee camp. Yet "the notion that more aid will develop Africa also defies the historical record. History has shown that the volume of aid flows to Africa is not the reason for a continued lack of development; the critical determinant is the environment into which aid is inserted."*

without aid. *No* rather than *more* aid should be the goal. For this positive future, African leadership will have to develop a policy consensus at home rather than in Western capitals. An increase in unconditional aid flows is neither going to improve governance nor inspire the structuring of domestic financial institutions and mechanisms.

Fundamentally, to engineer its recovery, Africa needs to learn from the success of the new globalisers, most of which are in Asia. It is a lesson of rapid economic growth with political stability. The Asian development experience also suggests that bottom-up development through industrialisation guided by leadership intent on popular welfare is the most successful and rapid route out of poverty. Aid and American purchasing power were important in this East Asian process, but were at most catalytic rather than the core reason for continued success. Domestic investment in skills and infrastructure from this boom sustained Asia's upward growth trajectory.

A key problem identified for Africa is that the continent receives less than 5% of the $200 billion flowing annually in private-sector investment into developing countries, and just a fraction of the more than $1 trillion in the annual worldwide foreign direct investment (FDI) sum. Additionally, much of the African slice goes into enclave oil

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economies with little consequent benefit to the average African. This is compounded by low domestic savings rates (under 15%) and the high levels of African capital exports, with around 40% of African wealth held offshore, a higher percentage than any other region.

Thus, in Africa, much is hinged on the need for improved rates of FDI. This is desirable in bridging the gap between current rates of African domestic savings (around 13%) and the rate of investment to GDP required to achieve growth in the 7%-8% margins. But this risks overlooking why the volume of domestic investment has been so small in Africa, all the more important since foreign investors have a habit of following domestic ones. The local lead is all the more important since they should know more about the continent.

One reason for a lack of domestic investment is because this money in Africa is sidetracked into stocks rather than more permanent buildings and factories. Africans prefer, for reasons of political threat and the risk of corruption, to make investments in more liquid assets which can be more easily realised. This partly explains the relatively buoyant Zimbabwean and other minor African stockmarkets. Yet in most of the 18 African countries with stockmarkets, economic growth and investment levels were lower in the 1990s than the 1980s. Most likely, as Seeraj Mohamed has argued, "African governments would have gone a long way towards improving the economic environment for businesses if they had instead invested their resources and energy in improving bank lending and debt markets in their countries."

Risks, real or perceived, are thus part of the development problem. Ironically, one reason for the perpetuation of risk resides in the preferred emphasis of African leadership on solidarity rather than differentiation between states. Moreover, this is all the more important since it is the individual policies and performance of African countries – rather than continental visions – what will assist them most in delivering growth.

Indeed, African growth, if the experience of East Asia over the past four decades is anything

IN THE VIEW of leading economist and UN adviser Jeffrey Sachs, low-productivity agriculture and its high disease burden are among the structural deficits that help form Africa's "poverty trap" – while mobilising science and technology is a key area where a "big push" is needed in order to exit the "trap"

SOUTH PHOTOGRAPHS

to go by, will inevitably rest on the mix of better skills and more governance capacity, requiring more money and a transfer of skills and technology. Here the international community can assist, at least partly. The Africa Commission identified a number of factors influencing the African investment climate, including property rights, commercial justice in enforcing contracts, weak institutions, macro-economic policy, over-regulation, political instability and conflict, the predictability and transparency of taxation, poor service delivery, weak infrastructure and corruption.

Simple 'growth accounting' illustrates the diversionary effect of corruption and instability and a lack of confidence in African governance and leadership. There is little reason why, with a minimum of stability and investment, African countries should not be able to achieve much higher rates of growth. Most should keep pace with population rates of increase, in the region of 2.5% per annum, especially as they are mostly coming off a low base. Cellphone revenues might

JOHANN VAN TONDER/PICTURENET AFRICA

GALLO IMAGES

contribute a further 1.5% to GDP alone, the impact of improved electricity supply on the costs of doing business another percentile, and steadily improving infrastructure including railways and ports and particularly roads another one point. Already, without major new projects, many African countries could achieve 6%+ growth rates, and even higher with improved rates of domestic saving and systems of lending. And while the exactitude of this accounting is debatable, just a slight uptick in African economic activity should produce higher rates of growth than currently since the starting base is so low.

Africa's stagnation will ultimately not hinge on the favour or neglect of others. It will depend on leadership and governance. And as long as those purporting to be a new generation of African democrats excuse and coddle their neighbours and blame the West for their woes, aid flows will be as ineffective as the $1 trillion that came before it. Pledges and promises can never equal the value of the reality of enlightened governance.

Or as one senior World Bank official noted recently, "The biggest African challenge is the total responsibility of some of its leaders. Many know how to talk-the-talk to foreigners, but do things differently at home." The Commission for Africa indicates, if nothing else, how polished that patter has become. But it risks much more than Tony Blair's reputation. Without better governance, the Commission's proposals could perversely affect only a tsunami of aid.

Africa's development is thus going to be dependent more on bootstraps than aid, and on internal rather than external strategies. To do so, African leadership has to devote energy to promoting business, not their plight. Likely the most important role the West and other external actors can play in improving the continent's economic performance and thus African recovery itself and, indeed, in securing their own interests, is in strengthening accountability and transparency, creating or reinforcing the often 'missing link' between African government and citizenry.

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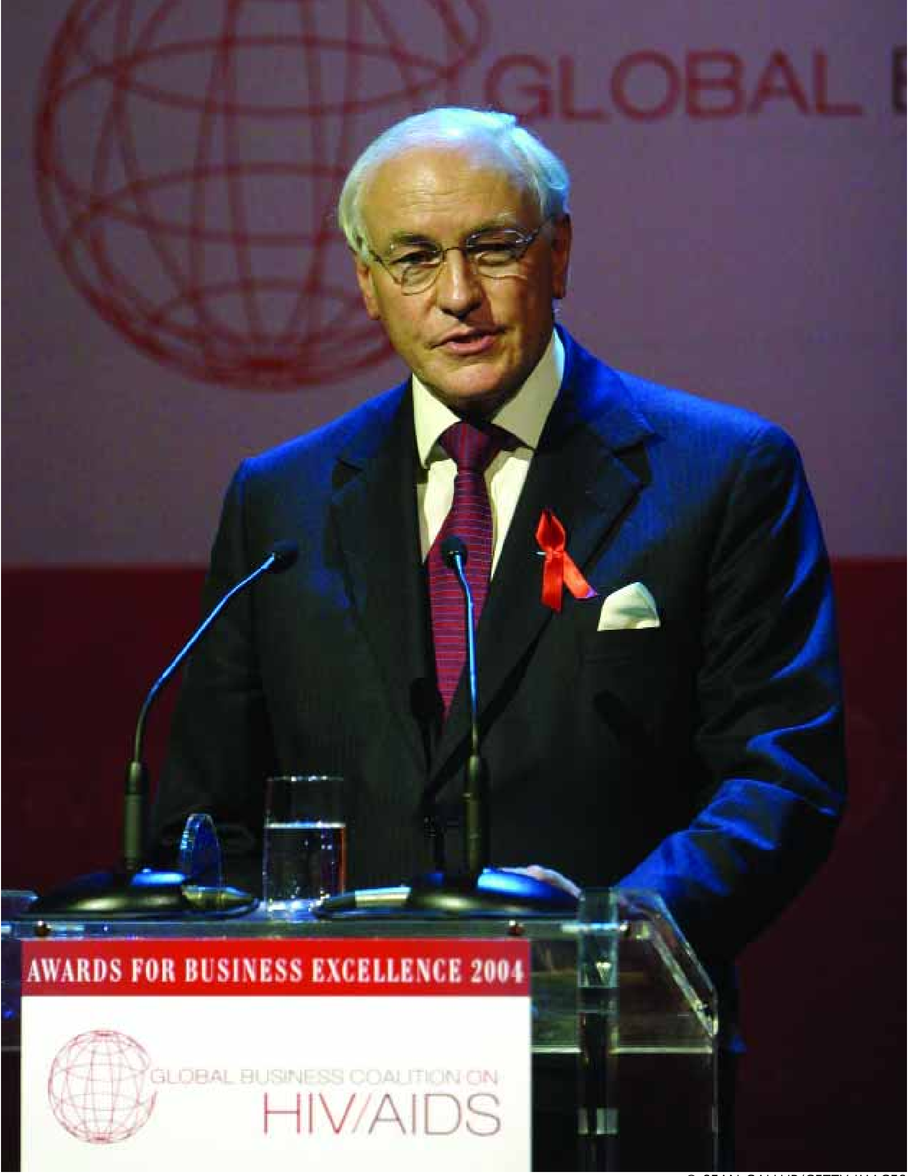

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An Anglo American perspective

TONY TRAHAR

THE COMMISSION FOR AFRICA'S REPORT is a very welcome initiative that not only highlights Africa's central problem of poverty but also sets out a comprehensive action plan which, if implemented, has the potential to make a real difference.

The Report reminds us that 30 years ago the average income in sub-Saharan Africa was twice that of both East and South Asia, whereas African incomes are now half those in East Asia. Indeed, East Asia is fast becoming a major factor in the global economy whilst much of Africa is effectively marginalised. A lot of commentators speak about the perils of globalisation, but much of Africa faces the alternative and greater risk – of exclusion from globalisation. The review of the Millennium Development Goals in September will highlight the extent to which international development problems are concentrated in Africa – both in traditionally poor rural areas and in the sprawling townships and informal settlements that are so much a feature of many African cities. In most countries, urbanisation has occurred in pursuit of opportunity; in Africa, it is too often the result of desperation.

And yet the companies represented at the conference today know that Africa is far from deserving of 'the hopeless continent' tag with which *The Economist* encumbered it some years ago. South Africa, Botswana, Ghana and Namibia – to name but four countries where the Anglo American Group operates – are all fine places to work. There are an increasing number of role models. All the companies here today do good and profitable business in Africa. But we also know that it could be so much better if effective action is taken:

- against conflict, corruption and poor governance;
- against HIV and the social conditions in which it thrives;
- to strengthen weak governmental capacities and the rule of law; and,
- to address the inadequacy of much of Africa's infrastructure.

What the Commission's Report seeks to do is to outline what each of the major players within the global economy and within Africa can do to make these things happen.

Business should welcome the Commission's emphasis on African-owned solutions and on the central need for improved governance. This echoes and reinforces the role and mission of the New Partnership for Africa's Development (NEPAD) and the Peer Review Mechanism. We recognise the need for targeted investment in health systems, education, capacity building and infrastructure in those countries where investment is likely to be well used. Whilst the private sector has a part to play in all of these areas, public investment is likely to have the leading role.

Business must also welcome the Commission's recommendations on trade facilitation and liberalisation. We need to move beyond an era in which the average European cow attracts a larger income in subsidies than the livelihood of a significant proportion of African people. Rich-world agricultural subsidies – which have destroyed so many livelihoods in developing countries – need to be dismantled and market access improved across a range of products. Both Africa and the world economy need a successful conclusion to the Doha 'Development' Round and business should not be shy of arguing the case for a liberalisation road map. Within Africa too we need to see the dismantling of barriers to regional integration and wholesale reform of customs procedures.

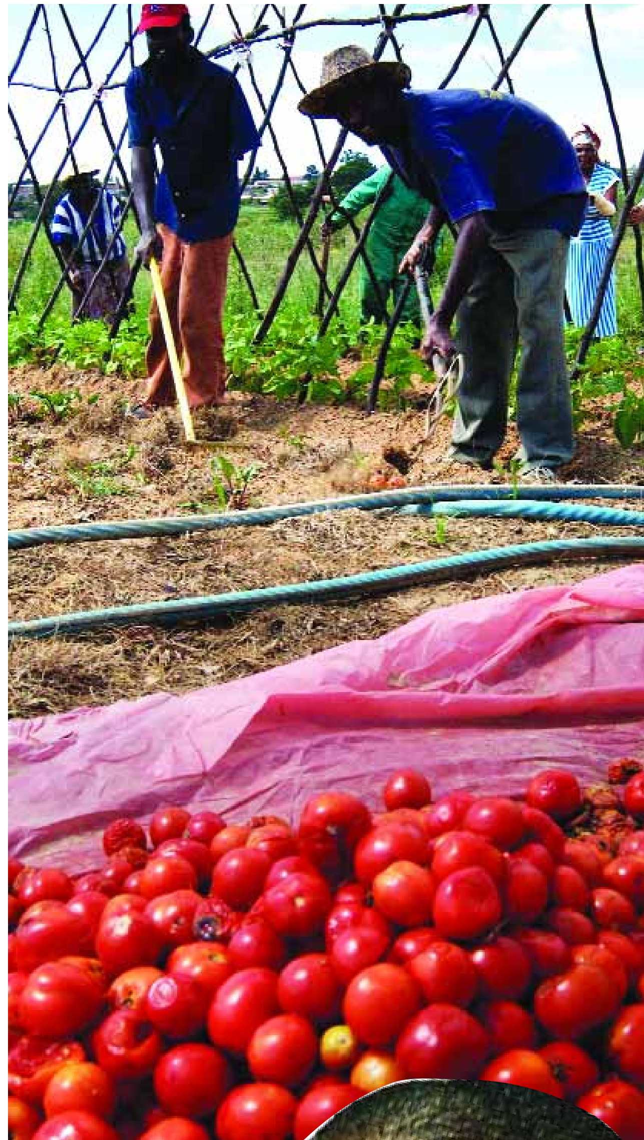
But where I think much of the discussion should focus today is on the Commission's recognition

Left: ANGLO AMERICAN *plc chief executive Tony Trahar addresses the Global Business Coalition (GBC) in April 2004 in Berlin, following Anglo American's receiving the Award for Leadership in the GBC's HIV/AIDS Business Excellence Awards*

Below: "THE REVIEW *of the Millennium Development Goals in September will highlight the extent to which international development problems are concentrated in Africa – both in traditionally poor rural areas and in the sprawling townships and informal settlements that are so much a feature of many African cities. In most countries, urbanisation has occurred in pursuit of opportunity; in Africa, it is too often the result of desperation."*

SOUTH PHOTOGRAPHS

PHILIP MOSTERT



PHILIP MOSTERT

ANGLO AMERICAN

HELPING EMERGING *black businesses enter South Africa's economic mainstream has been a constant of Anglo American policy for many years; the Group has now recorded more than $1.5 billion in procurement and small-business promotion spend. Driven by a central unit, Anglo Zimele (a Zulu word meaning 'independent') Anglo American supports enterprises ranging from community craft shops and agricultural projects at its collieries to distributors of mine safety and protective equipment*

that sustainable growth will not ultimately come from the pockets of Western governments but from a renaissance in productive African enterprise. Although this dimension of the Report has commanded little media attention, it is in this respect a departure from public-sector-dominated development models.

In arguing the case for a better enabling environment for business in much of Africa, I do not focus principally upon international companies – important though foreign direct investment is. Rather, there is a need to encourage a respect for enterprise from farms to small firms. We all know from our experiences how difficult it can be for small and medium-sized African business to become established and to grow in the formal economy. This makes it difficult to maximise the developmental linkages down the supply chain that major businesses can otherwise generate.

In South Africa, Anglo American is meeting the challenge through a vigorous programme of procurement from black economic empowerment companies and small business development – but in other parts of the continent conditions are a great deal more challenging. As the Commission's Report notes, it takes 203 days to start a business in the Democratic Republic of Congo. Although this is an extreme example, the combination of red-tape, arcane licensing requirements and lack of access to capital in much of Africa makes it unsurprising that so much enterprise is stunted or driven underground or that there has been large-scale capital flight. In relation to access to capital a lot could be achieved in some countries through the formalisation and codification of property rights against which to secure borrowing.

The Commission challenges business to play a more active role in development. It talks of a sea change in business' role. It is a challenge that Anglo American is happy to meet – subject only to the caveat that all concerned recall that our principal accountability is to make a return for our shareholders. But my belief is that the circle can be squared. Sustainable business is not about 'slash and burn'; it is about the pursuit of profit through an intelligent regard for the societies in which we work. Anglo American works primarily in the mining industry and we have resolved with other leaders in our industry to play our part in maximising the beneficial developmental impacts of our sector. That means, for example, supporting the Extractive Industries Transparency Initiative – so as to improve the governance of the revenues which we generate and to reduce the potential for corruption. At a national and regional level it means working in partnership with governments, other companies and civil society groups to tackle wider social and economic challenges of relevance to our business – such as capacity building or tackling the tragedy of HIV/AIDS. And at local level it involves seeking to generate lasting benefits for the local communities where we work – through providing jobs, skills, safe working conditions, supply-chain opportunities and social investment. To that end we have instituted a socio-economic assessment process at our major operations to ensure that our managers have a rounded understanding of both the concerns and priorities of our neighbours and of how to maximise our beneficial local economic impacts.

As we understand more about the implications of sustainable development for our business we see also the unique potential of partnerships. We recognise that business has enormous potential to solve problems, to innovate and to bring knowledge and resources to bear. With each remembering our proper roles, we are happy to work closely with governments and the international development institutions. We are also committed to working through organisations like the United Nations', Global Compact, the World Business Council on Sustainable Development and the International Council on Mining and Metals to share some of what we have learned with smaller companies and with civil society groups.

Africa's fortunes are, I believe, on the turn. There is an opportunity to build upon success and to make good governance and sustainable economic growth the African norm. I hope we can all commit to playing our part in that endeavour.

THE AUTHOR
Tony Trahar is chief executive of Anglo American plc. He made these remarks to the Conference on the Business Response to the Commission for Africa held in London on 5 April 2005

SOUTH PHOTOGRAPHS

"Sachs, 50, has been around the planet more times than a space station to promote the UN's Millennium Development Goals, to raise annual aid to 0.7% of GNP of the donor countries (starting with an extra $70 billion per year as of 2006), in order to halve poverty by 2015."

TIME magazine

THE END OF POVERTY

How *our* generation can end extreme poverty by 2025

JEFFREY SACHS

IT IS STILL MID-MORNING in Malawi when we arrive at a small village, Nthandire, about an hour outside of Lilongwe, the capital. We have come over dirt roads, passing women and children walking barefoot with water jugs, wood for fuel, and other bundles. The mid-morning temperature is sweltering. In this subsistence maize-growing region of a poor, landlocked country in southern Africa, families cling to life on an unforgiving terrain. This year has been a lot more difficult than usual because the rains have failed. The crops are withering in the fields that we pass.

If the village were filled with able-bodied men, who could have built rainwater-collecting units on rooftops and in the fields, the situation would not be so dire. But as we arrive in the village, we see no able-bodied young men at all. In fact, older women and dozens of children greet us, but there is not a young man or woman in sight. Where, we ask, are the workers? Out in the fields? The aid worker who has led us to the village shakes his head sadly and says no. Nearly all are dead. The village has been devastated by AIDS.

The presence of death in Nthandire has been overwhelming in recent years. The grandmothers whom we meet are guardians for their orphaned grandchildren. The margin of survival is extraordinarily narrow; sometimes it closes entirely. One woman we meet in front of her mud hut has 15 orphaned grandchildren. Her small farm plot, a little more than an acre in all, would be too small to feed her family even if the rains had been plentiful. The soil nutrients have been depleted so significantly in this part of Malawi that crop yields reach only about a half-ton per acre, about one one-third of normal. This year, because of the drought, she will get almost nothing. She reaches into her apron and pulls out a handful of semi-rotten, bug-infested millet, which will be the basis for the gruel she will prepare for the meal that evening. It will be the one meal the children have that day.

I asked her about the health of the children. She points to a child of about four and says that the girl contracted malaria the week before. The woman had carried her grandchild on the back for the six miles to the local hospital, When they got there, there was no quinine, the anti-malarial medicine, available that day. With the child in high fever, the two were sent home and told to return the next day. In a small miracle, when they returned after another six-mile trek, the quinine had come in, and the child responded to treatment and survived. It was a close call though. More than 1 million African children, and perhaps as many as 3 million, succumb to malaria each year.

As we proceed through the village, I stoop down to ask one of the young girls her name and age. She looks about seven or eight but is actually 12, stunted from years of under-nutrition. When I ask her what her dreams are for her own life, she says that she wants to be a teacher and that she is prepared to study and work hard to achieve that. I know that her chances of surviving to go on to secondary school and a teachers college are slim under the circumstances.

The plight of Malawi has been rightly described by Carol Bellamy, head of UNICEF as the perfect storm of human deprivation, one that brings together climatic disaster, impoverishment, the AIDS pandemic and the long-standing burdens of malaria, schistosomiasis and other diseases. In the face of this horrific maelstrom, the world community has so far displayed a fair bit of hand-wringing and even some high-minded rhetoric, but precious little action. It is no good to lecture the dying that they should have done better with their lot in life. Rather it is our task to help them on to the ladder of development, to give them at least a foothold on the bottom rung, from which they can then proceed to climb on their own.

This is a story about ending poverty in our time. It is not a forecast. I am not predicting what will happen, only explaining what can happen. Currently, more than 8 million people around the world die each year because they are too poor to

MALARIA SUFFERERS *in Kenya, a country whose "debt service to the rich world is several hundred million dollars per year. Kenya's budget is still being drained by the international community, not bolstered by it."*

SOUTH PHOTOGRAPHS

stay alive. Every morning our newspapers could report, "More than 20,000 people perished yesterday of extreme poverty." How? The poor die in hospital wards that lack drugs, in villages that lack anti-malarial bed nets, in houses that lack safe drinking water. They die namelessly, without public comment. Sadly, such stories rarely get written.

Since September 11, 2001, the US has launched a war on terrorism, but it has neglected the deeper causes of global instability. The nearly $500 billion that the US will spend this year on the military will never buy lasting peace if the US continues to spend only one-thirtieth of that, around $16 billion, to address the plight of the poorest of the poor, whose societies are destabilised by extreme poverty. The $16 billion represents 0.15% of US income, just 15¢ on every $100 of our national income. The share devoted to helping the poor has declined for decades and is a tiny fraction of what the US has repeatedly promised, and failed, to give.

Yet our generation, in the US and abroad, can choose to end extreme poverty by the year 2025. To do it, we need to adopt a new method, which I call "clinical economics", to underscore the similarities between good development economics and good clinical medicine. In the past quarter-century, the development economics imposed by rich countries on the poorest countries has been

The World Bank estimates that 1.1 billion people live in extreme poverty. Asia leads in numbers, but Africa has the largest proportion: nearly half its population

too much like medicine in the 18th century, when doctors used leeches to draw blood from their patients, often killing them in the process. Development economics needs an overhaul in order to be much more like modern medicine, a profession of rigour, insight and practicality. The sources of poverty are multi-dimensional. So are the solutions. In my view, clean water, productive soils and a functioning health-care system are just as relevant to development as foreign exchange rates. The task of ending extreme poverty is a collective one – for you as well as for me. The end of poverty will require a global network of co-operation among people who have never met and who do not necessarily trust one another.

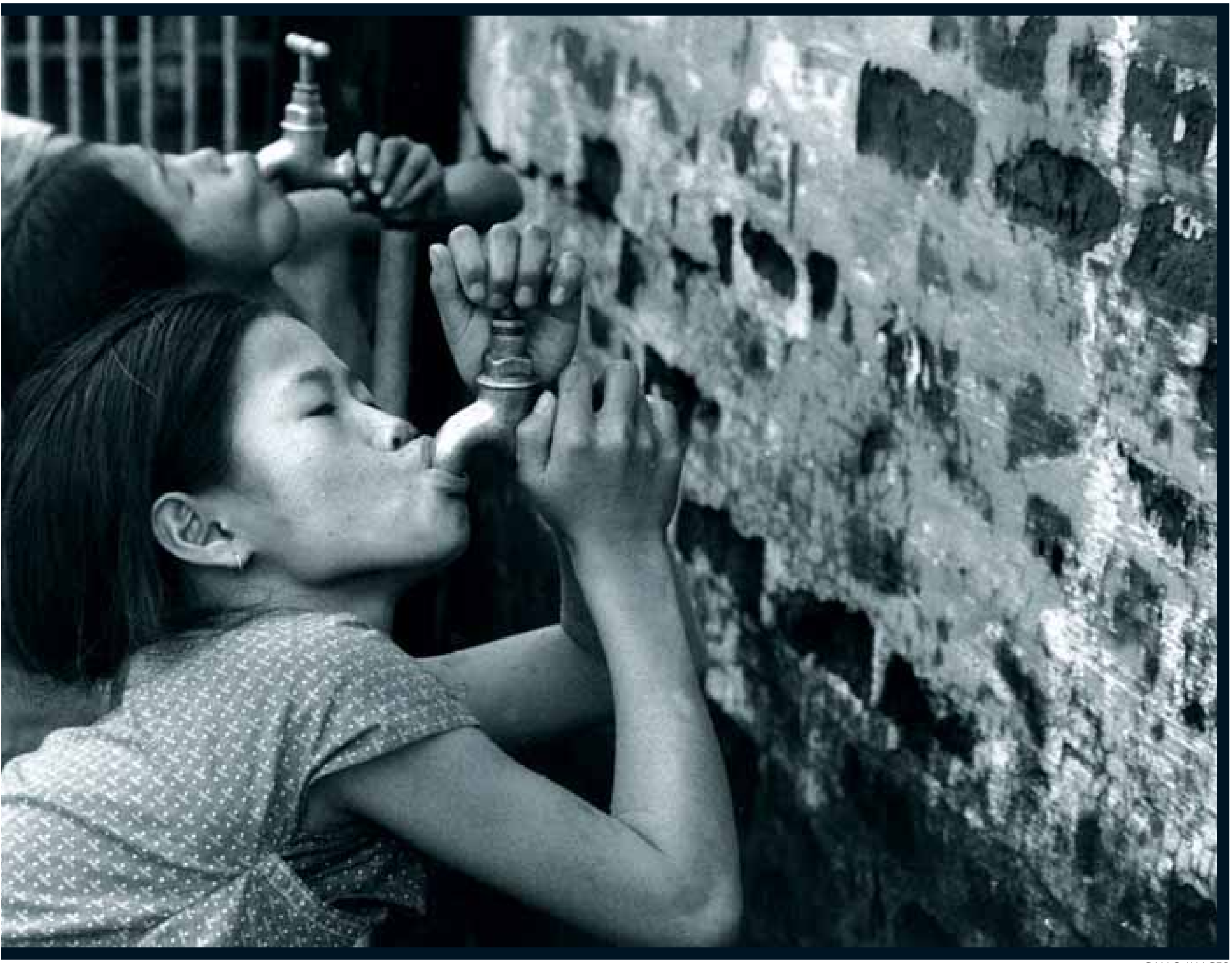
One part of the puzzle is relatively easy. Most people in the world, with a little bit of prodding, would accept the fact that schools, clinics, roads, electricity, ports, soil nutrients, clean water and sanitation are the basic necessities not only for a life of dignity and health but also to make an economy work. They would also accept the fact that the poor may need help to meet their basic needs. But they might be sceptical that the world could pull off any effective way to give that help. If the poor are poor because they are lazy or their governments are corrupt, how could global co-operation help?

Fortunately, these common beliefs are misconceptions – only a small part of the explanation of why the poor are poor. In all corners of the world, the poor face structural challenges that keep them from getting even their first foot on the ladder of development. Most societies with the right ingredients – good harbours, close contacts with the rich world, favourable climates, adequate energy sources and freedom from epidemic disease – have escaped extreme poverty. The world's remaining challenge is not mainly to overcome laziness and corruption, but rather to take on the solvable problems of geographic isolation, disease and natural hazards, and to do so with new arrangements of political responsibility that can get the job done. We need plans, systems, mutual accountability and financing mechanisms. But even before we have all of that apparatus in place – what I call the economic plumbing – we must first understand more concretely what such a strategy means to the people who can be helped.

Nearly half the 6 billion people in the world are poor. As a matter of definition, there are three degrees of poverty: extreme (or absolute) poverty, moderate poverty and relative poverty. Extreme poverty, defined by the World Bank as getting by on an income of less than $1 a day, means that households cannot meet basic needs for survival. They are chronically hungry, unable to get health care, lack safe drinking water and sanitation, cannot afford education for their children and perhaps lack rudimentary shelter – a roof to keep rain out of the hut – and basic articles of clothing, like shoes. We can describe extreme poverty as "the poverty that kills". Unlike moderate or relative poverty, extreme poverty now exists only in developing countries. Moderate poverty, defined as living on $1 to $2 a day, refers to conditions in which basic needs are met, but just barely. Being in relative poverty, defined by a household income level below a given proportion of the national average, means lacking things that the middle class now takes for granted.

The total number of people living in extreme poverty, the World Bank estimates, is 1.1 billion, down from 1.5 billion in 1981. While that is

SHUT OUT *from the economic transformation that has occurred in much of Asia. "Most people in the world, with a little bit of prodding, would accept the fact that schools, clinics, roads, electricity, ports, soil nutrients, clean water and sanitation are the basic necessities not only for a life of dignity and health but also to make an economy work."*



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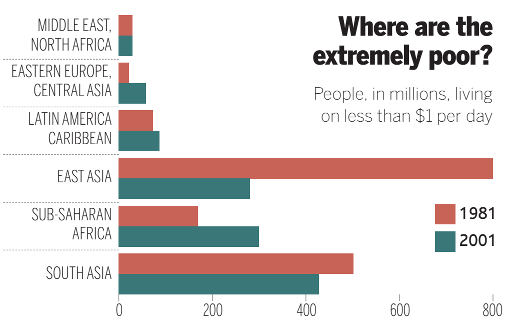

Where are the extremely poor?

People, in millions, living on less than $1 per day

Source: World Bank

progress, much of the one-sixth of humanity in extreme poverty suffers the ravages of AIDS, drought, isolation and civil wars, and is thereby trapped in a vicious cycle of deprivation and death. Moreover, while the economic boom in East Asia has helped reduce the proportion of the extreme poor in that region from 58% in 1981 to 15% in 2001, and in South Asia from 52% to 31%, the situation is deeply entrenched in Africa, where almost half of the continent's population lives in extreme poverty – a proportion that has actually grown worse over the past two decades as the rest of the world has grown more prosperous.

In the past quarter-century, when poor countries have pleaded with the rich world for help, they

The US has promised repeatedly to give a larger share of its annual output to help poor countries. But year after year, America has failed to follow through

have been sent to the world money doctor, the International Monetary Fund. For a quarter-century, and changing only very recently, the main IMF prescription has been budgetary belt-tightening for patients much too poor to own belts. IMF-led austerity has frequently resulted in riots, coups and the collapse of public services. Finally, however, that approach is beginning to change.

It has taken me 20 years to understand what good development economics should be, and I am still learning. In my role as director of the UN Millennium Project, which has the goal of helping to cut the world's extreme poverty in half by 2015, I spent several eye-opening days with colleagues last July in a group of eight Kenyan villages known as the Sauri sublocation in the Siaya district of Nyanza province. We visited farms, clinics, hospitals and schools. We found a region beset by hunger, aids and malaria. The situation is grim, but salvageable.

Sauri could be rescued, but not by itself. Survival depends on addressing a series of specific challenges, all of which can be met with known, proven, reliable and appropriate technologies and interventions. (Thanks to a grant from the Lenfest Foundation in the US, the Earth Institute at Columbia University will put some novel ideas to work in Sauri.) Sauri's villages, and impoverished villages like them all over the world, can be set on a path of development at a cost that is tiny for the world but too high for the villages themselves and for the Kenyan government on its own. African safari guides speak of the BigFive animals to watch for on the savannah. The world should speak of the Big Five development interventions that would spell the difference between life and death for the savannah's people. Sauri's Big Five are:

Boosting agriculture

With fertilisers, cover crops, irrigation and improved seeds, Sauri's farmers could triple their food yields and quickly end chronic hunger. Grain could be protected in locally made storage bins using leaves from the improved fallow species tephrosia, which has insecticide properties.

Improving basic health

A village clinic with one doctor and nurse for the 5,000 residents would provide free anti-malarial bed nets, effective anti-malarial medicines and treatments for HIV/AIDS opportunistic infections.

Investing in education

Meals for all the children at the primary school could improve the health of the kids, the quality of education and the attendance at school. Expanded vocational training for the students could teach them the skills of modern farming, computer literacy, basic infrastructure maintenance and carpentry. The village is ready and eager to be empowered by increased information and technical knowledge.

Bringing power

Electricity could be made available to the villages either via a power line or an off-grid diesel generator. The electricity would power lights and perhaps a computer for the school; pumps for safe well water; power for milling grain, refrigeration and other needs. The villagers emphasised that the students would like to study after sunset but cannot do so without electric lighting.

Providing clean water and sanitation

With enough water points and latrines for the safety of the entire village, women and children

INFORMAL SETTLEMENT *in South Africa. But even a next, modest, step towards a more permanent dwelling may not help that much because (in the words of Hernando de Soto) "what the poor lack is easy access to the property mechanisms that could legally fix the economic potential of their assets so that they could be used to produce, secure, or guarantee greater value."*

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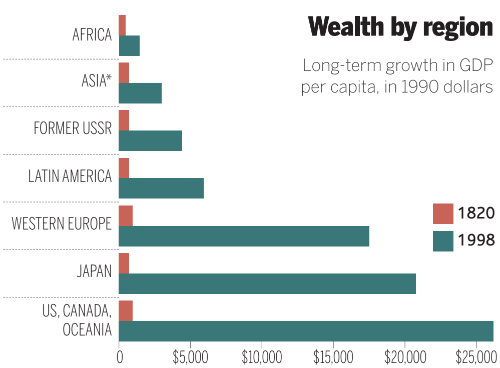

*Excluding Japan – Source: OECD

would save countless hours of toil each day fetching water. The water could be provided through a combination of protected springs, rainwater harvesting and other basic technologies.

The irony is that the cost of these services for Sauri's 5,000 residents would be very low. My Earth Institute colleagues and I estimated that the combined cost of these improvements, even including the cost of treatment for AIDS, would total only $70 per person per year, or around $350,000 for all of Sauri. The benefits would be astounding. Sooner rather than later, these investments would repay themselves not only in lives saved, children educated and communities preserved, but also in direct commercial returns to the villages and the chance for self-sustaining economic growth.

The international donor community should be thinking round-the-clock of one question: How can the Big Five interventions be done on a larger scale in rural areas similar to Sauri? With a population of some 33 million people, of whom two-thirds are in rural areas, Kenya would need annual investments on the order of $1.5 billion for its Sauris, with donors filling most of that financing gap, since the national government is already stretched beyond its means. Instead, donor support for investment in rural Kenya is perhaps $100 million, or a mere one-fifteenth of what is needed. And Kenya's debt service to the rich world is several hundred million dollars per year. Kenya's budget is still being drained by the international community, not bolstered by it. This is all the more remarkable since Kenya is a new and fragile democracy that should be receiving considerable help.

The outside world has pat answers concerning extremely impoverished countries, especially those in Africa. Everything comes back, again and again, to corruption and misrule. Western officials argue that Africa simply needs to behave itself better, to allow market forces to operate without interference by corrupt rulers. Yet the critics of African governance have it wrong. Politics simply can't explain Africa's prolonged economic crisis. The claim that Africa's corruption is the basic source of the problem does not withstand serious scrutiny. During the past decade I witnessed how relatively well-governed countries in Africa, such as Ghana, Malawi, Mali and Senegal, failed to prosper, whereas societies in Asia perceived to have extensive corruption, such as Bangladesh, Indonesia and Pakistan, enjoyed rapid economic growth.

What is the explanation? Every situation of extreme poverty around the world contains some of its own unique causes, which need to be diagnosed just as a doctor would a patient. For example, Africa is burdened with malaria like no other part of the world, simply because it is unlucky in providing the perfect conditions for that disease: high temperatures, plenty of breeding sites and particular species of malaria-transmitting mosquitoes that prefer to bite humans rather than cattle.

Another myth is that the developed world already gives plenty of aid to the world's poor. Former US Secretary of the Treasury Paul O'Neill expressed a common frustration when he remarked about aid for Africa: "We've spent trillions of dollars on these problems and we have damn near nothing to show for it." O'Neill was no foe of foreign aid. Indeed, he wanted to fix the system so that more US aid could be justified. But he was wrong to believe that vast flows of aid to Africa had been squandered. President Bush said in a press conference in April 2004 that as "the greatest power on the face of the earth, we have an obligation to help the spread of freedom. We have an obligation to feed the hungry." Yet how does the US fulfil its obligation? US aid to farmers in poor countries to help them grow more food runs at around $200 million per year, far less than $1 per person per year for the hundreds of millions of people living in subsistence farm households.

From the world as a whole, the amount of aid per African per year is really very small, just $30 per sub-Saharan African in 2002. Of that modest amount, almost $5 was actually for consultants from the donor countries, more than $3 was for emergency aid, about $4 went for servicing Africa's debts and $5 was for debt-relief operations. The rest, about $12, went to Africa. Since the "money down the drain" argument is heard most frequently in the US, it's worth looking at the same calculations for US aid alone. In 2002, the US gave $3 per sub-Saharan African. Taking out the parts for US consultants and technical co-operation, food and other emergency aid, administrative costs and debt relief, the aid per African came to the grand total of perhaps 6¢.

The US has promised repeatedly over the decades, as a signatory to global agreements like the Monterrey Consensus of 2002, to give a much larger proportion of its annual output, specifically up to 0.7% of GNP, to official development assistance. The US's failure to follow through has

INDIAN STREET CHILD. *"Currently, more than 8 million people around the world die each year because they are too poor to stay alive."*

no political fallout domestically, of course, because not one in a million US citizens even knows of statements like the Monterrey Consensus. But we should not underestimate the salience that it has abroad. Spin as we might in the US about our generosity, the poor countries are fully aware of what we are not doing.

The costs of action are a tiny fraction of the costs of inaction. And yet we must carry out these tasks in a context of global inertia, proclivities to war and prejudice, and understandable scepticism around the world that this time can be different from the past. Here are nine steps to the goal:

Commit to the task
Oxfam and many other leaders in civil society have embraced the goal of Making Poverty History. The world as a whole needs now to embrace the goal.

Adopt a plan of action
The UN's Millennium Development Goals, approved by all of the world's governments at the start of the millennium, are the down payment on ending poverty. The Goals set out specific targets for cutting poverty, hunger, disease and environmental degradation by 2015 and thereby laid the foundation for eliminating extreme poverty by 2025. The rich and poor countries have solemnly agreed to work toward fulfilling the Goals. The key is to follow through.

Raise the voice of the poor
Mahatma Gandhi and Martin Luther King Jr. did not wait for the rich and powerful to come to their rescue. They asserted their call to justice and made their stand in the face of official arrogance and neglect. It is time for the democracies in the poor world – Brazil, India, Nigeria, Senegal, South Africa and dozens of others – to join together to issue the call to action.

Redeem the US role in the world
The richest and most powerful country, long the leader and inspiration in democratic ideals, is barely participating in global efforts to end poverty and protect the environment, thus undermining its own security. It's time to honour the commitment to give 0.7% of our national income to these crucial goals.

Rescue the IMF and the World Bank
They have the experience and technical sophistication to play an important role. They have the internal motivation of a highly professional staff. Yet they have been used like debt-collection agencies for the big creditor countries. It's time to restore their role in helping all 182 of their member countries, not just the rich ones, in the pursuit of enlightened globalisation.

Strengthen the UN
It is no use blaming the UN for the missteps of recent years. Why are UN agencies less operational than they should be? Not because of "UN bureaucracy", though that exists, but because the powerful countries fear ceding more authority. Yet UN specialised agencies have a core role to play in the ending of poverty. It is time to empower the likes of the UN Children's Fund (UNICEF), the World Health Organization (WHO), the Food and Agricultural Organization (FAO), and many others to do the job – on the ground, country by country.

Harness global science
New technology has led directly to improved standards of living, yet science tends to follow market forces as well as to lead them. It is not surprising that the rich get richer in a continuing cycle of growth while the poorest are often left behind. A special effort should be made by the powerhouses of world science to address the unmet challenges of the poor.

Promote sustainable development
Ending extreme poverty can relieve many of the pressures on the environment. When impoverished households are more productive on their farms, for example, they face less pressure to cut down neighbouring forests in search of new farmland. Still, even as extreme poverty ends, we must not fuel prosperity with a lack of concern for industrial pollution and the unchecked burning of fossil fuels.

CIVIL WAR LEGACY *in Angola. "Much of the one-sixth of humanity in extreme poverty suffers the ravages of AIDS, drought, isolation and civil wars, and is thereby trapped in a vicious circle of deprivation and death."*

ACKNOWLEDGEMENT
Extracted from The End of Poverty *by Jeffrey Sachs, published by Penguin Press in paperback at £8.99.*

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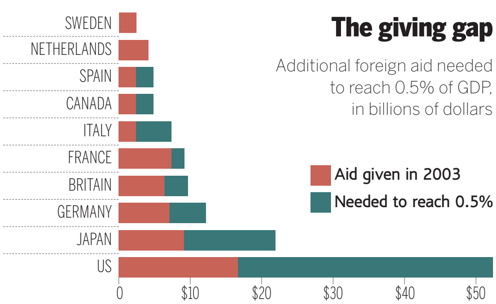
The giving gap

Additional foreign aid needed to reach 0.5% of GDP, in billions of dollars



Source: OECD

Make a personal commitment

It all comes back to us. Individuals, working in unison, form and shape societies. The final myth I will debunk here is that politicians are punished by their constituents for supporting actions to help the poor. There is plenty of experience to show that the broad public will accept such measures, especially if they see that the rich within their own societies are asked to meet their fair share of the burden. Great social forces are the mere accumulation of individual actions. Let the future say of our generation that we sent forth mighty currents of hope, and that we worked together to heal the world.

THE AUTHOR

Jeffrey Sachs is the director of the Earth Institute, Quetelet Professor of Sustainable Development, and Professor of Health Policy and Management at Columbia University as well as Special Adviser to UN Secretary-General Kofi Annan. He is internationally renowned for his work as economic adviser to governments in Latin America, Eastern Europe, the former Soviet Union, Asia and Africa

ANGLOGOLD ASHANTI

Regenerating Africa

SAM JONAH

ASKING WHETHER increased foreign investment would provide a platform for economic growth in Africa may seem like a rhetorical question. Perhaps it is not. Given the dearth of capital formation on the continent, foreign investment is a pre-condition for growth. But, while it is a necessary pre-condition, it is not in itself an adequate one.

Africa's inability to attract investment and other monetary flows is outlined in the Commission for Africa report. Sub-Saharan Africa, it says, suffers from low domestic and foreign investment, high capital flight and low remittance flows, relative to other developing countries. At 18%, Africa's investment-to-GDP ratio is below the average of 24% for all developing countries and the lowest of any developing region. Only 6%-7% of foreign direct investment (FDI) and around 5% of remittances flowing to developing countries go to sub-Saharan Africa. It is estimated that around 40% of residents' private wealth is held outside Africa compared with 3% for South Asia.

As the only continent where poverty is still growing and the only one not likely to meet

SOUTH AFRICA'S RICHARDS BAY HARBOUR. "*Adequate infrastructure is the backbone of every development effort. Infrastructure services such as telecommunications, power, transport, water and sanitation are vital for economic growth*."

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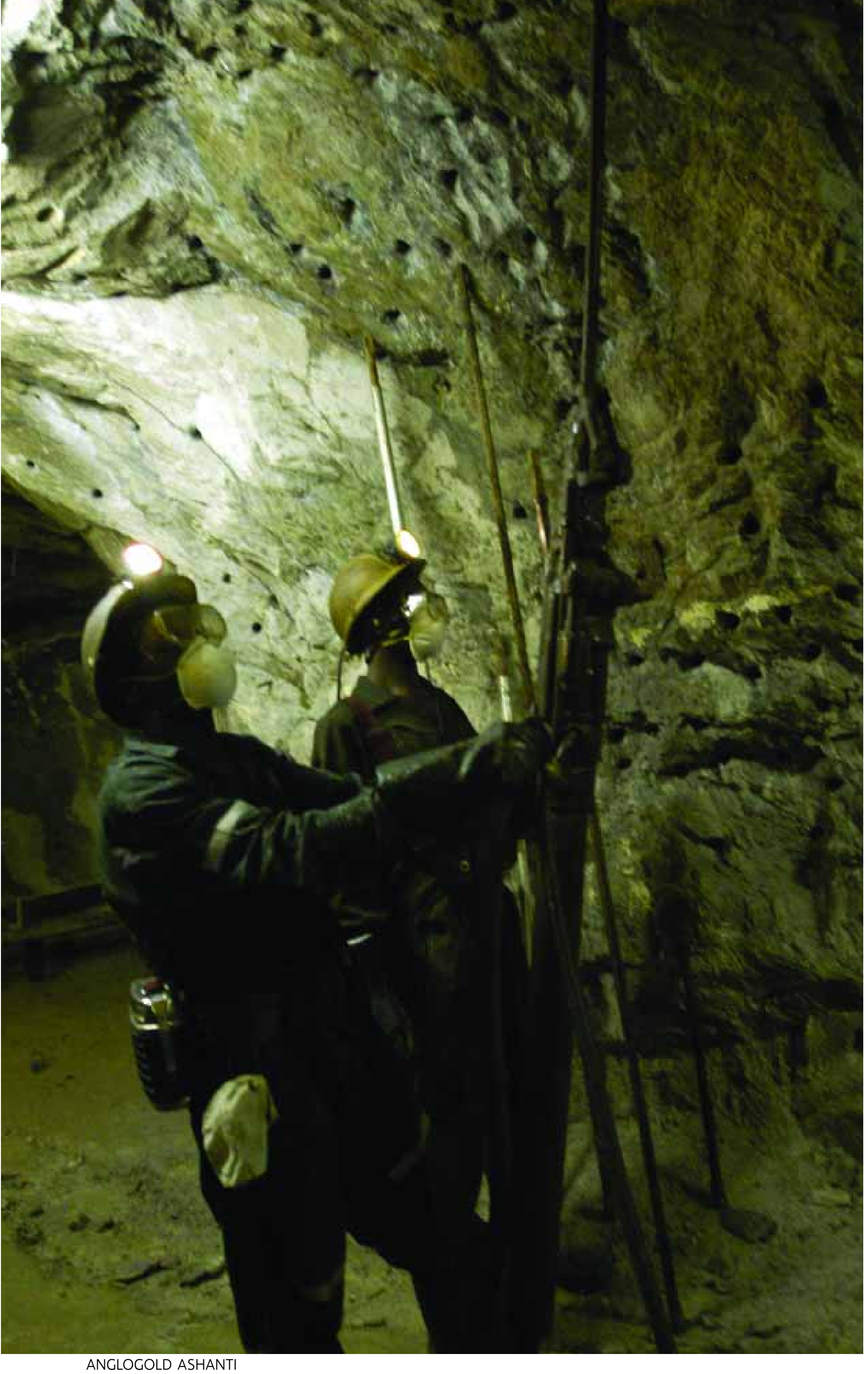

ANGLOGOLD ASHANTI

MINING FOR GOLD *at AngloGold Ashanti's Obuasi mine in Ghana. "Ashanti and, since our merger, AngloGold Ashanti, has grown and become one of the leading gold producers in the world, because of improved political and economic governance that is emerging in Africa today*."

most of the United Nations' Millennium Development Goals by 2015, Africa remains at the margins of the human community – and the continent's development is today's greatest global challenge.

There is much to be done by Africa's political leadership to deal with these challenges. There is much, too, that needs to be done by business, particularly large companies, whether foreign or Africa-based, to ensure that their investments on the continent are beneficial to the continent's people.

In my own industry we are familiar with the 'resource curse' argument. This argument holds that developing countries whose growth path is based on the exploitation of natural resources will come to find those resources to have been a curse because, it is argued, it leads invariably to stunted growth patterns, extensive corruption, and the like.

While this argument applies to primary industry, and primary industry, whether mining or agriculture, is almost invariably the basis of the early stages of economic growth, significant aspects of it could be applied to other sectors too.

We would naturally disagree with the most extreme version of the resource curse argument. But it cannot be denied that there are many examples, not only in Africa, where an abundance of natural resources, whether exploited by local or foreign business, has proved to a curse through poor governance and incompetent macro-economic policy. However, there is no inevitable link between the exploitation of natural resources and poor development outcomes, as Botswana, Chile and South Africa show.

However, while many African countries are at or near the bottom of the world's development league, conditions today for meeting our challenges are better than ever. Africa is more firmly on the agenda of the G8. There are the Millennium Development Goals and the Commission for Africa which, while setting very ambitious agendas and tough goals and targets, are focusing the minds of the developed world on our continent.

More important still is the New Partnership for Africa's Development (NEPAD), and what it says about the preparedness of the continent to put its history of poverty and underdevelopment behind us. As South African President Thabo Mbeki has put it: "African renaissance is possible because we have entered into a new partnership with the rest of the world on the basis of what we, as Africans, have determined is the correct route to our own development."

For governments, the challenges lie in enhancing the investment climate and people's quality of life through four main areas of intervention:

Improved standards of governance and capacity building

One of the greatest challenges I have faced in attempting to run a successful business in Africa in an increasingly global market has to do with governance in Africa, the existence of an enabling environment, and the rule of law. Africa is most challenged in this area. It will not succeed in attracting sufficient investment until this is addressed, particularly in sectors that need long-term stability.

Other than countries with a huge resource like oil, investment will be attracted in adequate quantities only by the right kind of environment.

Beyond political stability, businesses, and especially capital-intensive, high-value-adding businesses, require enforceable laws, especially on property title and rights, and adequate dispute-resolution mechanisms.

Appropriate and sensible macro-economic management is at the core of good governance. State monopolies, price subsidies, inflexible currency and labour markets, non-transparent fiscal policies, etc., all provide vast opportunities for rent-seeking behaviour by bureaucrats and deter investors, local and foreign. Throughout the continent, with a few exceptions such as South Africa and Botswana, African governments continue to lack fiscal discipline. The result has been that many remain considerably dependent on external assistance to finance a large portion of their budgets. In several others, old habits remain, whereby excessive public-sector borrowing from local financial markets continues to exacerbate public-sector debt, drive up local interest rates and crowd out private-sector access to credit.

However, there are perceptible improvements being seen around the continent. Ashanti and, since our merger, AngloGold Ashanti, has grown and become one of the leading gold producers in the world because of improved political and economic governance that is emerging in Africa today. Ashanti Goldfields was able to grow in Ghana because the country modernised and liberalised its mining and investment code. Without those key ingredients, Ghana would have seen none of the investment that came in during the period, and it is unlikely Ashanti would have obtained the international commercial loans it needed to launch its modernisation and expansion drive.

In fact, the countries Ashanti moved into next, Guinea and Tanzania, used Ghana's mining and

More African countries are becoming investor-friendly – not only do they have modern investment codes; they recognise that they must provide the kind of political and macro-economic stability that ensures a steady and predictable flow of profits back to shareholders

Africa is one of the remaining large underdeveloped regions capable of high and sustained levels of economic growth. Africa could be the next China; a whole new market where investors could be knocking on the door

investment code as the model to modernise their own codes. Similar developments occurred in Namibia and Mali, where AngloGold became the leading gold producer. The government of Tanzania – where the two companies operated in partnership before they combined, has improved its code over and above the Ghanaian model, and it is no accident that Tanzania is now the destination of choice for international mining investment in Africa, with several hundred million dollars invested in that country over the past five years.

More African countries are becoming investor-friendly – not only do they have modern investment codes; they recognise that they must provide the kind of political and macro-economic stability that ensures a steady and predictable flow of profits back to shareholders, and due process of law to protect their investments when contractual issues are in dispute. Importantly, their success is encouraging other African countries to emulate them.

Despite these changes across Africa, there is no question that Africa needs more improved political and economic governance. The area of the judiciary is particularly challenged. The administration of justice is slow, tedious, and often ineffectual. Justice delayed is justice denied. In many cases, there are inadequate mechanisms for effective or appropriate contractual dispute-resolution.

Imports, export and customs administration all remain constraints to doing business in Africa. But these must be tackled within the framework of a rules-based culture that promotes accountability and efficiency. The issues of enforcement of commercial contracts, establishment of commercial courts and arbitration legislation, among others, become critical aspects of an attractive investment environment. In the recent World Bank report *Doing Business in 2004*, it is reported that it takes as much as ten times more time to register a company in an African country as it does in a developed country, while costing six times more!

The point is that issues of governance aimed at facilitating business are (in several African countries) not matched by the rhetoric of making the private sector an engine of growth. Greater and more meaningful public-private consultations and a sense of partnership are urgently required.

Enhancement of peace and security

There are a number of unstable regions where war, including civil war, is the current state of affairs, or at least a threat – though these are less pervasive than in the past. And Africa itself is increasingly taking the responsibility for dealing with conflict situations, whether alone or in partnership with international multilateral institutions. The work carried out by Thabo Mbeki in the Great Lakes region over the last several years is remarkable. It has been frustrating at times, with setbacks often

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EDUCATION *is one of the most important determinants of Africa's future economic prospects. Substantial investment in human resource development is needed over the long term for increasing skills and competitiveness in Africa's economies and in building capacity*

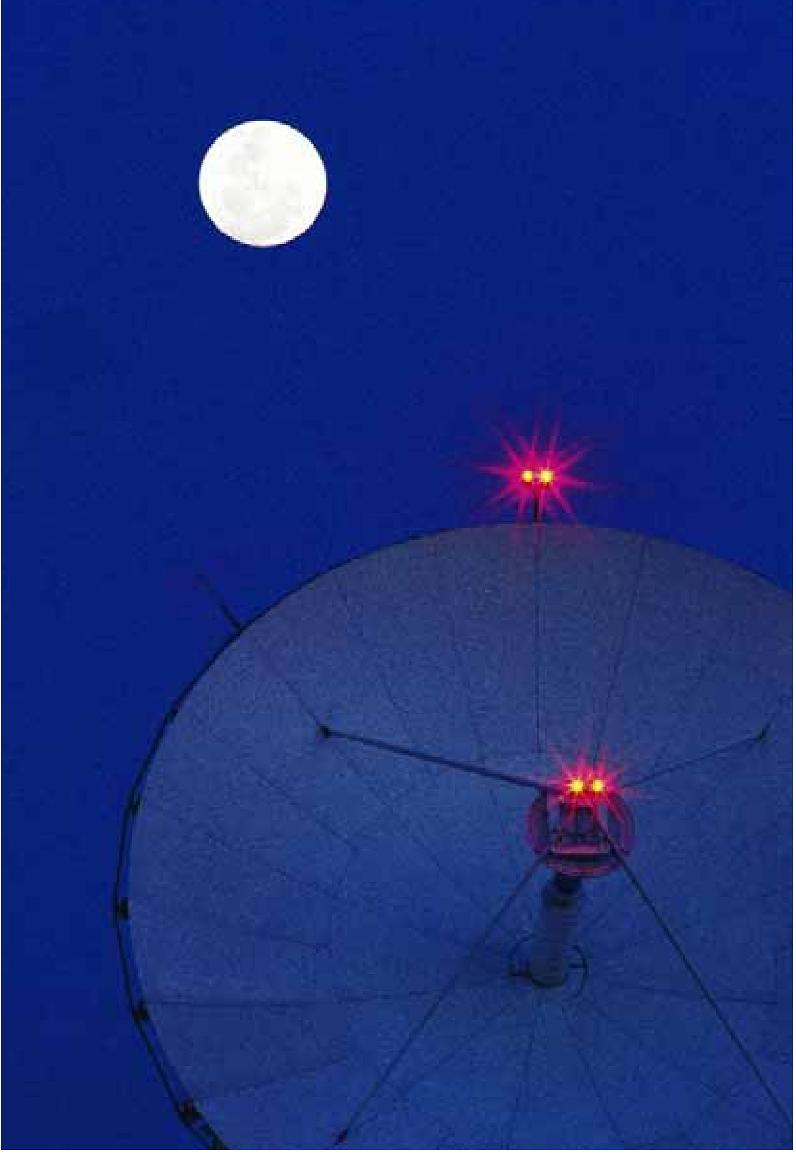
appearing to outweigh steps forward. But there is no doubt that it has borne some fruit. Similarly, with developments in Côte d'Ivoire. The prompt continental response to the attempted coup in Togo in March also sets an important precedent.

Increased investment in human resource development

Attracting more investment necessitates capable managers, along with a well-trained and qualified workforce. The days are over when foreign investors could land in Africa intending to set up shop solely through the use of expatriate management and skilled resources and cheap, unskilled African labour.

Business success in today's liberalised global environment is increasingly based not on old-fashioned comparative advantages of location and natural-resource endowments but on competitive advantage derived from knowledge and skills. And enhancing the capacity, confidence and competence of our business sectors is the foundation upon which Africa must build. Skills and their technological application are what currently drive the global success of the business sectors (primarily small and medium enterprises – SMEs) in such Asian countries as South Korea, Singapore, Taiwan, India and Malaysia.

But are African entrepreneurs ready with the requisite skills to contribute to the region's growth and development as well as act as critical partners of foreign capital? The answer varies considerably across the continent. Outside of South Africa, there is a paucity of 'centres of excellence' in management and entrepreneurial education, especially in support of SMEs. Entrepreneurship development needs to be taken very seriously and integrated with all levels of formal education.



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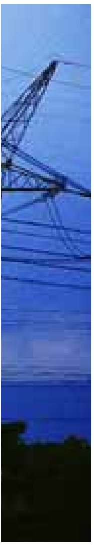
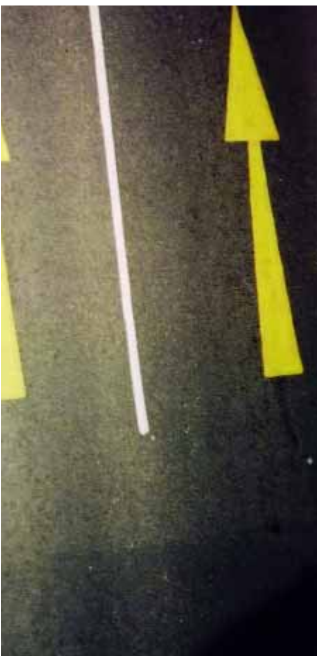
"AFRICA PAYS A HIGH PRICE *for its inadequate infrastructure in lost opportunities for growth, for poverty reduction and for access to services that could improve the lives of its citizens."*

Development of economic infrastructure

Adequate infrastructure is the backbone of every development effort. Infrastructure services such as telecommunications, power, transport, water and sanitation are vital for economic growth. Africa pays a high price for its inadequate infrastructure in lost opportunities for growth, for poverty reduction and for access to services that could improve the lives of its citizens. Access to schools is vitally important for Africa's children, but they need roads to get there.

The provision of infrastructural services has, until recent years, been perceived as being in the public domain. In fact, public resources currently account for 90% of all infrastructure investments in developing nations. But the resources needed for infrastructure expansion and modernisation are huge and the public sector cannot do it alone. Private capital is needed to meet the challenge. In turn, infrastructure also plays an important role in determining the destination and size of private capital flows. Yet in recent years we have seen dramatic falls in the availability of private finance for infrastructure. The visions of NEPAD and the Commission for Africa see this as an indispensable leg of the African renaissance.





We need to see our work as a partnership between business, government and civil society. It is a partnership because, to ensure growth and competitiveness in any society, each of those three groupings carries a range of rights and consequent responsibilities

Africa is one of the remaining large underdeveloped regions capable of high and sustained levels of economic growth. Africa could be the next China; a whole new market where investors could be knocking on the door.

Business needs to remember, though, that it is not a one-sided relationship. In entering these environments, there is often suspicion, and resentment, among local people – many African countries have only opened their economies over the past 15 years. Given still-pervasive poverty, for many people, the benefits of the market economy are not self-evident.

We need to see our work as a partnership between business, government and civil society. It is a partnership because, to ensure growth and competitiveness in any society, each of those three groupings carries a range of rights and consequent responsibilities. From the perspective of business, government is entitled to expect a reasonable share of corporate profits, through taxes, royalties etc., to assist it in carrying out its mandate. Government is also entitled to expect its corporate citizens to uphold the law in carrying out their business activities and not to damage the business environment by making themselves accomplices in corrupt practices.

All businesses – and particularly those in extractive industries and others that have a high impact on the physical and social environments – must recognise that their right to operate derives not only from the state authorities. It derives too from the communities in which they operate. AngloGold Ashanti calls it the moral licence to mine; a licence that derives from the consent of the people.

There are good moral reasons why companies need to recognise the legitimacy of the rights of all these stakeholders in their businesses. And there are sound strategic reasons too. Operating in an unwelcoming environment will always be infinitely more trying than operating in an environment where one's presence is, at the very least, tolerated and, preferably, welcomed. The lesson we have learnt at AngloGold Ashanti is that talking and engaging, and showing through our behaviour that we believe in mutually respectful relationships, is the best – the only – course of action.

Africa's regeneration is a task for all of its economic actors. President Mbeki recently reminded us: "One of the most important challenges is to address the negative perception among investors who see Africa as a 'high risk' area. While we need to address the genuine concerns raised by potential investors, we have responsibility to communicate better and correctly about the concrete improvements we continue to make. In many instances, the investors get a wrong message from those who do not wish Africa to succeed.

The voice of the majority of the people of Africa who have stabilised their political, as well as their social-economic situation, needs to be heard."

The winds of change are blowing strongly across Africa and, with them, emerging democratisation and the rule of law. Successful businesses are being founded and are thriving. For any business, the case for participating in this development and progress is extremely powerful.

THE AUTHOR
Sir Sam Jonah is President of AngloGold Ashanti. He serves on South African President Thabo Mbeki's International Investment Advisory Council and President Kufuor of Ghana's Investors' Advisory Council as well as President Obasanjo of Nigeria's Honorary Advisory Council on Investment

"African governments must unleash the strong entrepreneurial spirit of Africa's people. To promote this, donor governments and the private sector should co-ordinate the efforts behind the proposed Investment Climate Facility (ICF) of the African Union's NEPAD programme..." *Our Common Interest:* Commission for Africa Report

Growth and development in Africa

Getting the fundamentals right

CHRIS DARROLL

THIS YEAR has seen a unique convergence of events for the 'Africa Agenda' and it may very well be the year that determines the continent's future.

In March, the UK's Commission for Africa published its recommendations, providing a much-needed platform for the global community to reassess its views on Africa. Tony Blair is committed to placing Africa at the top of his agenda during the UK's presidency of the G8 and the EU, and with the Commission for Africa's report he now has the material with which to work. A new generation of increasingly democratically elected African leaders are recognising that they must commit to good governance, investment and growth. Notwithstanding deeply-rooted poverty and conflict in many areas, a sea change in economic and political governance has begun in many African countries, with a number of real improvements in macro-economic stability and growth.

The World Bank's World Development Report 2005, *A better investment climate for everyone* helped to raise and renew awareness of the fundamentals for sustainable growth and poverty reduction. Investment climate reforms help explain China's achievement in lifting 400 million people out of poverty, India's success in doubling its growth and Uganda's ability to grow eight times the average of other sub-Saharan countries over the last decade.

For business, Africa's revival presents an opportunity to expand markets that have high potential for return compared with other regions. Africa has enormous resources in its people and its land.

It is now widely accepted – including, crucially, by most African governments – that a good overall investment climate is essential in order to secure significantly more private investment, wider and deeper private-sector development and enhance economic growth rates.

PICTURENET

ONE-MAN-BAND *entrepreneurship: Nairobi, Kenya*

For Africa's governments the opportunity – and the challenge – is to adopt a broad-based wealth-creation strategy that will foster an environment conducive to domestic and international business to invest, grow, increase trade and generate job opportunities.

Making Africa an even better place to do business

Policies and behaviours that shape the investment climate cover a broad spectrum. The potential agenda for reform is large – but it does not need to be daunting. According to the World Development Report, while no country has a perfect investment climate, experience shows that even modest improvements can unleash a strong response when important constraints are removed in ways that give all firms the confidence to invest. The impact of enhancing property rights in China, and trade and regulatory reforms in India are just two such examples.

The Investment Climate Facility for Africa (ICF) is currently being established as an initiative to set up an African-owned, private-sector-driven facility to help governments and business lower the costs and risks of doing business in Africa by removing the real and perceived obstacles to domestic and foreign investment and entrepreneurship.

Uniquely positioned – in support of, and supported by, the New Partnership for Africa's Development (NEPAD) and endorsed by the African heads of state – the ICF will be financed by private-sector investors and donors in the ratio of 1:10, respectively. It will facilitate improved business policies, laws and regulations, as well as their improved administration; it will promote

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"INVESTMENT CLIMATE REFORMS *help explain China's achievement in lifting 400 million people out of poverty, India's success in doubling its growth and Uganda's ability to grow eight times the average of other sub-Saharan countries over the last decade.*"

more effective engagement with African heads of state and governments in improving the investment climate; and it will also help address other key issues that are of major concern for business – such as corruption, security, crime and corporate governance.

The ICF is expected to have a seven-year life span with a target capitalisation over this time of $550 million. Funding and project work plans are being developed on the basis of a phased approach, with its operations building up over time – reflecting project portfolio development, capacity considerations (including African governments' capacity to absorb and benefit from assistance) and assessment of the ICF's own performance and impact over time. The ICF will commence operations in October this year with initial capital of $110 million, comprising $100 million resourced from G8 and multilateral donors, and with the additional $10 million expected from up to ten major private-sector companies who are strongly committed to Africa's long-term development. After year three following commencement of operations, the ICF will be reviewed to assess its performance, and committed investments for the full capitalisation of the facility will be called up only on successful achievement of interim results.

With African leaders viewing the ICF as a critical mechanism to help implement the recommendations of the NEPAD Africa Peer Reviews – especially in areas of economic governance – the ICF is fast gaining resonance as a practical and innovative facility that will support a wide range of multi-country and single-country activities across Africa. The UK government has agreed in principle to commit funding for its initial phase and discussions with the World Bank are well advanced, as are discussions with a number of potential private-sector investors. In addition, it is expected that the G8 countries will call for support for its establishment at its Summit at Gleneagles.

Why should business invest in the ICF? The message is eminently clear – a vibrant and successful private sector is the key to sustainable wealth creation. The ambitions for Africa cannot be achieved without close partnership between business and government where each takes up its own responsibilities. The ICF provides, for the first time, an opportunity for the private sector – as a community – to help governments set the policy agenda around core enabling issues on an Africa-wide basis and help '*make Africa an even better place to do business*'.

THE AUTHOR

Chris Darroll is executive director of Strategic partnerships for business growth in Africa (SBP), a private-sector development and research organisation, promoting strategic partnerships and a better regulatory environment for business growth in Africa. She is principal agent and project manager for the Investment Climate Facility in its pre-implementation phase

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