Reaching the Millennium Development Goals with energy

Global initiatives aimed at solving world problems are in place as part of an agenda on sustainable energy for all, to be discussed at the Rio Summit

By Timothy E Wirth, president, United Nations Foundation; member, United Nations Secretary-General's High-Level Group on Sustainable Energy for All

The Millennium Development Goals (MDGs) tackle some of the biggest problems facing the world today – poverty, women's and children's health, hunger and education. These are not impossible problems. They are challenges that can be met as long as people can gain access to the tools they need in order to better their lives.

The United Nations Foundation's initiatives seek to support the MDGs by reducing deaths from measles, malaria and polio, expanding childhood immunisation, using mobile phone services to enhance healthcare in developing countries, promoting opportunities for adolescent girls and spurring a global transition to clean energy.

Energy has been described as the 'missing' MDG. Access to modern energy services is a critical enabler for all of the eight goals, but to date it has been a silent partner, omitted from the text of the Millennium Declaration and neglected in policy and practice. This year, the attitude towards energy is changing.

UN secretary-general Ban Ki-moon has placed sustainable development at the forefront of his second-term agenda and has proposed an ambitious global initiative on Sustainable Energy for All. He has called on the world to support and achieve three interlinked objectives by 2030:

- Ensure universal access to modern energy services;
- Double the global rate of improvement in energy efficiency;
- Double the share of renewable energy in the global energy mix.

These objectives will be featured at the Rio+20 Summit in June 2012, 20 years after the first Earth Summit. It is an appropriate moment for national leaders to reaffirm their commitment to action on the subject of climate change, building on steps that many are taking in their own economic self-interest. Taken together, these three objectives will catalyse global economic growth as energy demand increases in developing countries, many of which escaped financial contagion from the West, and make possible a step change in energy development.

Deploying advanced energy technologies that are increasingly competitive with conventional alternatives may enable some countries to bypass costly and polluting technologies and leapfrog to a more sustainable distributed energy system.

Today 1.3 billion people have no electricity, and another billion have it only intermittently. Four of every 10 people still use firewood, charcoal, coal and animal waste for cooking and heating.

These deficits are extremely costly to economic development, human health and the empowerment of women, as well as to the environment. They also represent an ideal business opportunity.

In most countries, women bear the physically demanding and time-consuming burden of gathering fuel and water, sometimes at great personal risk. The World Health Organization says that exposure to smoke from traditional cookstoves and open fires is one of the top five threats to public health in developing countries, causing nearly two million premature deaths annually, affecting women and young children the most.

Electricity and modern fuels are also needed for each of the MDGs – empowering farmers to produce and store more food, enabling children to study at night, saving lives with refrigerated vaccines and medical care during difficult pregnancies, enabling safe drinking water and reducing pollution.

Development is not possible without energy, and sustainable development is not possible without sustainable energy.

Exposure to smoke from traditional stoves and open fires is one of the top five threats to public health in developing countries

The case for domestic alternatives

Very large flows of capital – $500 billion per year, according to the International Energy Agency (IEA) – are needed to shift to low-carbon energy systems. But the energy sector is already large and accustomed to dealing with such capital demands, and those sums represent an investment opportunity, not a demand on governments. Concerning energy productivity alone, the McKinsey Global Institute estimated in 2008 that annual investments of $170 billion would produce an average internal rate of return of 17 per cent and generate energy savings ramping up to $900 billion annually by 2020.

Investment in renewable energy is growing rapidly, to $260 billion in 2011 – close to the amount spent on fossil-fuel-based generation. Clean energy investment in the United States rose to $56 billion, surpassing China's $47 billion (although China is likely to maintain that spending level, unlike the US).

That scaled-up investment is decreasing renewable energy costs – by 14 per cent annually for wind, and 75 per cent for solar over the past three years. History suggests that these trends will continue. Meanwhile, the increasing abundance of natural gas – in the United States, as well as Europe and China – means that gas, which has half the carbon content of coal, can be paired with renewables, hydro and various emerging energy-storage alternatives to provide a cleaner, more sustainable source of reliable power. In countries that still rely on costly imported oil for power generation, the case for domestic alternatives is particularly strong. Even extending energy access can be a viable business proposition. The IEA estimates that $48 billion annually will be

The international attitude to energy generation is changing gradually, with increased use of alternative energy sources such as wind power needed between now and 2030 to achieve universal access – far more than the $9 billion that now flows in aid annually. But that gap ignores all the money that poor people have to spend every year on dirty, inefficient energy sources – $40 billion on lighting alone.

Whether for kerosene, charcoal or electricity from a diesel generator, these costs far exceed the costs of cleaner technologies.

New business models

Often the initial cost of cleaner alternatives is higher – for a solar lantern or stove that uses liquefied petroleum gas, for example. New business models and innovative financing mechanisms are being rapidly developed to respond. Just as poor people cannot afford large bottles of shampoo, but can buy small packets daily, electricity has been made affordable in Nairobi, for instance, through pre-paid purchases of small amounts over mobile phones. Just as the mainframe gave way to networked personal computers and just as mobile phones are displacing land lines, these distributed technologies will transform the production and use of energy in rich and poor countries alike.

The Sustainable Energy for All initiative seeks to catalyse new commitments to action by governments, businesses and civil society organisations, many of which will be showcased at the Rio+20 Summit in June.

Already the European Commission has announced a new technical assistance facility and promised billions of euros in investment assistance for developing countries. In April, the 23 countries participating in the Clean Energy Ministerial announced new initiatives that could save consumers more than $1 trillion over the next two decades. The payoff for these investments will touch everyone's lives – through a cleaner environment and better health, improved conditions for women, and the power of energy to change lives and produce prosperity.

The Sustainable Energy for All initiative focuses on the enabling tools of energy access, efficiency and renewables. By endorsing its three global objectives in Rio in June, world leaders can reaffirm what they are already doing – investing in clean energy technologies. At same time they will give a powerful boost to the secretary-general's identification of sustainable energy as the essential precondition to sustainable development, mitigation of climate change and achievement of the MDGs. ■

A Kenyan engineering student shows how a 'smart charger' powers a mobile phone. Sustainable energy can transform the production and use of energy

The Amiran Farmers Kit Revolution

An agribusiness tool to create Sustainable Food Security in Africa

Bringing a Holistic approach to agri-business, the Amiran Farmer's Kit (AFK) represents a new dawn in Agriculture. Making the difference between success-ful farming for agribusiness and subsistence farming the AFK Holistic approach is a package that comprises of the 3 pillars of success: 1) Knowledge (through training) 2) Knowhow (agro support throughout the season by local trainers) 3) Very High Quality inputs, (a small affordable farming unit that includes a greenhouse, hybrid seeds, gravity fed drip irrigation system, modern fertilizers, environmental friendly chemicals, protective gear, water tank, a Knapsack Sprayer amongst others). **These have been the foundations of the philoso-phy and the drive behind the amazing success story of the AFK.**

This Modern Sustainable Agribusiness Farming Unit has been designed and tailored for the success of the small scale farmer. Thousands of Amiran Farmers, who have entered the world of Amiran and purchased an Amiran Farmers Kit (AFK), have aligned themselves with these 3 pillars to success and with Amiran's motto - THE FARMER MUST SUCCEED! **The return on investment is realised within 1 or 2 seasons.**

This innovation and unique approach to farming has enabled the AFK to receive two prestigious awards; The **MDG** award for eradication of extreme poverty and hunger, 2010 as well as another **MDG** award on Youth empowerment, 2011.

AFK in Farms – Seeking Long Term Solutions

Various institutions understand too well that the only way to alleviate poverty is to form a sustainable means of wealth creation such that the farmers will have a sustainable, steady mode of income rather than relying on annual handouts from the government and well wishers for their survival. The Kenya Red Cross Society for example has identified the AFK as a tool to mitigate famine especially in the drought stricken parts of the country. Other partnerships include the Food Agriculture Organization (FAO), the European Commission's Drought Management Initiative and many other NGOs, Donors and Government Ministries.

Next Generation Farmers

Many Youths have already taken a keen interest in the AFK technology as is evident in the fact that the average age of the Kenyan farmer is in the mid 50's while the average age of the Amiran farmer is in the mid 30s. With the aim of making agribusiness attractive to the next generation of farmers, Amiran has established partnerships which have seen the youth embrace Amiran's agribusiness approach. Through an initiative dubbed "Amiran Next Generation Farmers Initia-tive", many schools have acquired the AFK. In addition to strengthening food security in these schools and enriching the diet of the students, the AFK serves as an educa-tional tool, a practical classroom for the students. Amiran is turning around the mindset of many youth who are now taking up this technology, and farming in general, not just as a traditional way of earning a livelihood but as an exciting career!!

Through its facebook page 'Amiran K', Amiran continues to attract a young calibre of farmers who get to interact with Amiran, chatting, sharing experiences and even making enquiries on all matters related to agriculture and the complete solution that Amiran offers. Indeed farming is now becoming 'cool' to the young generation! Amiran is proving to the youth that "farming is cool".

An Amiran Farmers Kit (AFK) growing inside the greenhouses and outside

Children enjoy their tomatoes at the Kenya Red Cross AFK project in Moyale desert, Kenya

A young girl in Walda desert, Kenya holding tomatoes from the AFK

Kenya Red Cross and Amiran Kenya AFK project in a desert in Moyale – A view from above

Kenya Tomato Growing vs Amiran Farmers Kit (AFK)

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Visit us at:

The world needs to work towards greater equality and social justice

When inequality factors interact, the result is often a pervasive social exclusion that can be tackled only by crafted interventions – a fact that development policy formulated by international groups such as the G8 should reflect

Depending on whom you talk to, and which part of the world they are from, economic development over the past years could be referred to as either an impressive success story or a serious failure. The reality is that both of these portrayals hold some truth, with the minority of the world's citizens enjoying success and the majority being left out of it.

Despite tremendous progress in many respects, evidence on increasing national (within country) and global (between countries) inequalities, and the persistence of poverty and social exclusion, abounds. These trends clearly expose the inability of current economic models based on liberalisation and globalisation to foster sustainable and equitable development. If we look, for example, at estimates of global income inequality, the figures reveal that in 2007 the wealthiest 20 per cent of humankind enjoyed almost 83 per cent of total global income, while the poorest 29 per cent had just a single percentage point of that income. At the current rate of improvement, it would take the poorest one billion people more than 800 years to access 10 per cent of global income.[1] But while much of the discourse on inequality has been dominated by measures of income, taking a closer look at who are the people who are consistently being left out of development progress helps us to understand the multidimensional nature of inequality, and the important policy implications that this has.

Intersecting inequality and social exclusion

Evidence from a recent global study[2] produced by the MDG Achievement Fund (MDG-F) and the Institute of Development Studies (IDS), shows that in almost every society, in every region of the world, both rich and poor, there are certain groups of people who face systematic social exclusion as the result of the intersecting inequalities that characterise their lives. These include:

- Cultural inequalities: forms of discrimination and devaluation that treat members of these groups as somehow inferior to others. These are identities ascribed at birth, such as race, ethnicity, and religion, among others.
- Political inequalities: the denial of voice and influence in the decisions that affect their lives and their communities
- Spatial inequalities: such groups frequently live in places that make them harder to reach or easier to ignore
- Economic inequalities: they are at the receiving end of an unfair distribution of assets and opportunities

Each of these inequalities is a source of injustice in and of itself, but it is their interaction that explains the persistence of social exclusion over time, and its resistance to 'business as usual' approaches to development. Caste, race, ethnicity, language, and religion are among the most common markers of exclusion. As elsewhere in society, gender cuts across all these factors, so that women and girls from marginalised groups generally fare worse than men and boys.

Issues of inequality, exclusion and social justice have become a unifying force amongst disillusioned citizens of both rich and poor countries alike who are calling for a rethinking of international and national policy frameworks. With the majority of the world's poor now living in middle-income countries, the onus is increasingly on national governments to adopt inclusive policies that tackle the multidimensional nature of inequality and respond to the social, cultural, political and economic realities that create them. But national inequalities do

Tigray, Ethiopia: a regional government representative gathers information on women's needs and access to health services

Waorani women, Ecuador: obtaining sociocultural and economic data on the indigenous population is important for inclusive policies

Philippines: the MDG-F is working with the government to provide safe water to 122,000 households in disadvantaged regions

Chocó, Colombia: the MDG-F is working to improve food security and nutrition for the indigenous and Afro-Colombian communities

not stand alone and are magnified when looked at from a global perspective of inter-country/region disparity.

It is high time that leaders meeting at the G8, the G20 and other international fora devote the necessary political energy to tackling pervasive inequalities, integrating it as a central part of development policy applicable universally to both rich and poor countries. The post-2015 discussions that are aimed at determining a new development agenda after the 2015 deadline of the Millennium Development Goals offers one opportunity to do just this, while including mechanisms of accountability for delivery on agreements made.

Caste, race, ethnicity, language, and religion are common markers of exclusion, while gender cuts across all these factors

As we go forward, it will be important to learn from countries that have already made progress on the inequality front. While each country should devise strategies that are most likely to work for its own context, research on national experiences shows the importance of certain motivations and policies:

- Matching the drive for economic growth with an even stronger drive for equality: redistributive fiscal policies, reformed taxation systems, and more investment in those left behind
- Strengthening the resource base of marginalised groups: land reform and land titling, asset transfers and inclusive financial systems, investing in broad-based, employment-centred economic growth
- Investing in infrastructure and area-based development
- Improving the outreach and quality of basic social services, ensuring they are culturally relevant
- Comprehensive social protection measures to sustain basic living standards
- Comprehensive collection and dissemination of information that is disaggregated
- Legislating against discrimination combining it with other measures such as affirmative action.
- Investing in developing participatory monitoring tools which encourage government accountability
- Group-based solutions: enabling excluded groups to organise around, and participate in, decisions that affect their lives;
- Focusing on transformative approaches that address the root causes of inequality.
- Strengthening formal and grassroots democratic processes, committing to greater international solidarity and the promotion of inclusive spaces for global policy debate.

Crafted interventions that tackle inequality

Since 2007, the MDG Achievement Fund has been supporting 130 joint programmes in 50 countries worldwide, with the aim of supporting national efforts to achieve the Millennium Development Goals. Evidence from some of these programmes shows that while poverty and inequality are part of the same problem, tackling inequality requires crafted interventions that address the social, cultural and political causes of exclusion.

In Ecuador, for example, collecting disaggregated socioeconomic data on the realities of indigenous and Afro-Ecuadorian communities, passing antidiscrimination legislation and providing culturally relevant basic services on maternal health have helped the government to adopt more relevant social policies and practices that positively impact the lives of excluded groups.

**The MDG Achievement Fund supports national efforts to eliminate poverty and inequality*

Footnotes

1 Isabel Ortiz and Michael Cummins (2011), *Global Inequality: Beyond the Bottom Billion*, Social and Economic Policy Working Paper, Unicef
2 Naila Kabeer (2010), *Can the MDGs Provide a Pathway to Social Justice? The Challenge of Intersecting Inequalities*, Sussex and New York, IDS & MDG Achievement Fund

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Harnessing investment for sustainable development

Foreign and domestic investment in developing countries is key to promoting environmental, economic and sociopolitical sustainability

By Supachai Panitchpakdi, secretary-general, UN Conference on Trade and Development

Investment plays an essential role in promoting growth and sustainable development, boosting countries' competitiveness, generating employment and reducing social and income disparities.

As the domestic investment levels of many developing countries are low, particularly in least-developed countries (LDCs), there is a need to harness foreign direct investment (FDI) to promote economic growth. Depending on the situation, however, FDI can substitute for, complement or even strengthen the formation of capital by domestically owned firms.

As a result, if foreign investment is to foster economic development, policymakers need to ensure that FDI does not lead to the 'crowding out' of domestic investment. In particular, they should seek to ensure that finance and other resources are available in a fair manner to domestic as well as foreign firms. Moreover, national development strategies and investment policies should be coordinated to maximise the synergies between FDI and domestic investment.

Investors working in tandem

There are situations in which foreign and local firms can work together to exploit their respective comparative advantages and achieve mutually beneficial outcomes. In infrastructure, a close association between foreign and domestic investment – such as through public-private partnerships (PPPs) – can help substantially in meeting local development needs, especially through the transfer of complex technologies and expertise to the local economy and its enterprises.

In agriculture, transnational corporations can play a significant complementary role, providing much-needed capital, technology and other contributions to increase productive capacity in the host country through contract farming. Domestic and foreign investments can also interact with one another, enabling a 'crowd-in' effect for agriculture-related activities such as irrigation.

With regard to climate change, foreign and domestic investors can join forces and contribute to efforts to meet low carbon emissions targets and, more importantly, by supporting developing countries in their pursuit of long-term sustainable growth and development.

Outlook for foreign direct investment

Despite turmoil in the global economy, global FDI inflows rose by 17 per cent in 2011 to an estimated $1.5 trillion, surpassing their pre-crisis average in 2005-07. FDI inflows increased in all major economic groupings – developed, developing and transition economies.

Developing and transition economies continued to account for half of global FDI in 2011 as their inflows rose to a new record, driven mainly by robust greenfield investments. In these groups of economies, the 2011 increase in FDI flows was no longer driven by South, East and South-East Asia, but rather by Latin America and transition economies. Africa, the region with the most LDCs, continued its decline in FDI inflows.

FDI flows to developed countries also rose by 18 per cent, but the growth was largely down to cross-border mergers and acquisitions (M&As), not the much-needed investment in productive assets through greenfield investment projects. Moreover, some of the M&A deals appear to reflect corporate restructuring and a focus on core activities, especially in Europe.

The United Nations Conference on Trade and Development (UNCTAD) estimates that FDI flows will rise moderately to around $1.6 trillion in 2012. However, the fragility of the world economy, the volatility of the business environment, uncertainties related to the sovereign debt crisis and apparent signs of overheating in major emerging market economies will have an impact on FDI flows in 2012. Both cross-border M&As and greenfield investments slipped in the last quarter of 2011, indicating the risks and uncertainties for further FDI growth in 2012.

UNCTAD continues to promote investment for sustainable development through a range of activities. This is the overarching theme of its 2012 World Investment Forum, in Doha on 20-22 April. The forum aimed to formulate new investment policies and strategies for the post-crisis era, with a focus on sustainable development and inclusive growth. By boosting investment in the real

economy, such strategies and policies can help to restart the engine of growth and generate much-needed employment.

Reflecting the spread of new forms of international investments in recent years, UNCTAD's 2011 *World Investment Report* was devoted to the topic of 'non-equity forms of international production and development'. These investment modes are increasingly being used by transnational corporations in their global value chains. They offer opportunities for developing and transition economies to integrate more closely into the rapidly evolving global economy, to strengthen the potential of their own productive capacity and to improve their international competitiveness. Cross-border activity in non-equity forms of investment is significant, particularly in developing countries. It is estimated to have generated over $2 trillion of sales in 2010 worldwide.

Multilateral efforts

The investment policy regime of the 21st century has become more complex, diversified and interconnected with various other policy areas. The 2012 *World Investment Report* takes a fresh look at investment policymaking and defines a comprehensive framework for sustainable development.

UNCTAD is also working with the G20 on ways to harness foreign investment in order to promote sustainable growth and development. Since the G20's London Summit in April 2009, UNCTAD and the Organisation for Economic Co-operation and Development (OECD) have issued six joint reports relating to G20 investment measures.

In addition, UNCTAD is contributing to the development of the key indicators for measuring and maximising the economic and employment impact of private-sector investment. It leads an inter-agency working group that includes representatives from the United Nations Development Programme (UNDP), the International Labour Organization (ILO), the OECD, the World Bank and other bodies to support the G20 in this objective. An interim report submitted to the G20 Cannes Summit in November 2011 offered a policy tool to measure, and thereby maximise, economic value-added and job creation arising from private-sector investment in value chains.

Foreign and domestic investors can contribute to efforts to meet low carbon emissions targets by supporting long-term sustainable growth

UNCTAD is also following up on G20 concerns regarding food security and, together with the Food and Agriculture Organisation, the International Fund for Agricultural Development and the World Bank, prepared the report *Options for Promoting Responsible Investment in Agriculture* for the G20 High-Level Development Working Group.

UNCTAD, together with UNDP, the ILO, the OECD, the World Bank and other invited organisations, is identifying and promoting the best existing standards for responsible investment in value chains, as well as voluntary investor compliance with such standards. A report submitted by the inter-agency group to the Cannes Summit took stock of existing standards for sustainable business conduct, identified key issues regarding current standards, drew lessons for the further development, promotion and implementation of such standards, and outlined policy approaches for their promotion and implementation.

UNCTAD has high expectations for the forthcoming G8 summit in Camp David. It would be pleased to collaborate with the host in the meeting's preparation. The G8, together with the G20, can provide further impetus to political and economic cooperation and coordination on investment and development issues and stimulate multilateral support in favour of investment for sustainable development. ■

Domestic and foreign investors are encouraged to work together to help emerging countries work towards a sustainable future

The Kuwait Fund: helping people help themselves

Since gaining its independence in 1961, Kuwait has committed itself to the principles of cooperation and humanitarian aid, largely through the Kuwait Fund for Arab Economic Development. The Fund, which was the first institution in the Middle East to take an active role in international developmental efforts, recently celebrated its 50th year, and over that time it has built an enviable track record of financing economic, social and development projects in developing countries.

Focused on providing loans on concessionary terms, offering technical assistance to finance feasibility studies, contributing to projects for social and economic improvement, and training people in developing economies, the Fund has extended a helping hand to 104 countries. Its motto is 'helping people help themselves', and it has been the cornerstone of friendship and solidarity between the state of Kuwait and the developing world.

The extent of its generosity stretches across cultures and across the world to reach those who most need its help. For half a century, Kuwait has used the wealth that flows from its rich oil industry to bring finance, knowledge and support to countries that need to tackle serious health problems or invest heavily in agriculture and industry to strengthen their economies and raise standards of living. After 50 years of giving, it is appropriate to reflect on the Fund's achievements, and look ahead to the future.

Building a better future

During the past five decades, the Fund has provided more than US$2.35 billion – around 16 per cent of its total lending – to more than 120 farming and agricultural projects including irrigation, animal production, fisheries and agro-processing. This support has provided vital assistance to so many people that it is impossible to list every example, but just a few key initiatives show how diverse an understanding the Fund has of the needs of the agricultural sector, and the value it places on cross-cultural ties.

One could look, for example, at the 15,000-hectare water project in South Lebanon, which focuses on irrigated agriculture fed from the Litani River to support the production of fruit, vegetables and animal fodder. In the years ahead, it is estimated that around 400,000 people will benefit directly from this project of drainage and irrigation works, land reclamation and water treatment.

In Mali, the Fund has helped to finance the Ke-Macina irrigation project, which aims to increase the production of crops, mainly rice, in the country's eastern region by using water from the Niger River and reclaiming around 4,600 hectares of land, with more than 4,000 rural families directly benefiting from the new infrastructure.

In Nepal, the Fund has backed the Praganna irrigation project, which brings water to 5,000 hectares along the Rapti River bank.

But irrigation and water management are not the only methods of improving farming. The Fund's involvement with the poultry industry in Egypt demonstrates that health issues are equally as important.

In Egypt, substantial work has been done to curtail the effects of avian influenza and protect not only public health, but also the country's poultry stock. The Fund has helped to finance small, medium and micro-scale projects to develop integrated processes for the production, preparation and marketing of poultry to improve standards of safety.

Projects that directly address human health issues are just as important. For instance, guinea worm, which is caused by a nematode parasite, is found in many African and Asian countries. People who drink infected water suffer terribly as hosts to the worm, which causes intense pain and can lead to conditions such as sepsis, arthritis and tetanus.

The solution to this incurable disease is mainly education about the simple filtration of drinking water and technology to provide clean drinking water. Since the formation of the Global Guinea Worm programme in 1986, which the Fund has supported, the incidence of the disease has fallen from around 3.5 million each year to below 10,000.

Alongside its support for health programmes that help developing countries to combat diseases such as guinea worm and river blindness, the Fund has also shown its willingness to contribute to initiatives such as the Chernobyl Fund, which was set up to help Ukraine in dealing with the after-effects of the 1986 nuclear disaster.

The transport sector is another key focus for the Fund, because of its potential for huge social and economic impact. Up to the end of 2011, the Fund had extended 339 loans to 80 developing countries – from China and Central Europe to South America and Southern Africa – to improve transport infrastructure, knowing that it is vital for food and medical supplies to reach remote and rural areas, and that it is the backbone of the agricultural and industrial sectors, not only for domestic use, but also for export.

No end in sight

The Fund's long history of involvement in projects that have dramatically improved the lives of millions of people is set to continue for many more decades. Work is ongoing to understand the needs of communities around the world, and to identify the best solutions for them.

Throughout its history, the Fund has built strong ties with many countries around the world, and its commitment to 'helping people help themselves' is as strong as it was 50 years ago.

www.kuwait-fund.org

Irrigation and agricultural support promotes food security

Since 1961 Kuwait Fund has supported development projects in more than 100 countries

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African infrastructure: foundation for a continent's growth

Africa needs support to build the transport, power and telecoms facilities that are vital as a basis for its ongoing economic growth

By Lars H Thunell, executive vice president and CEO, International Finance Corporation, World Bank Group

Even as new roads, ports and power stations are being completed across Africa, the continent's people and its growing economies are demanding more.

Thanks to a combination of factors – including better governance, soaring commodity prices and increased foreign investment, especially from China, India and other emerging powers – Africa has chalked up a decade of unprecedented growth: its gross domestic product figures are now the envy of many in the developed world.

But more must still be done. Africa's recent rise highlights– even deepens – long-standing structural problems, with infrastructure growth failing to keep pace. The reality in many African cities is congested roads, a lack of clean water and frequent power outages. Most of Africa's population has no access to electricity.

The International Finance Corporation (IFC) – a member of the World Bank Group and the largest global development finance institution focused on the private sector – is helping to mobilise investors to meet this challenge. Africa's continued reform programmes and IFC's strategy are coming together at an unprecedented scale in 2012, when IFC will, for the first time, invest and mobilise more than $1 billion in private infrastructure in Africa.

Facilitating investment

Overcoming the obstacles is one of the keys to helping the private sector reach its potential in creating jobs, raising incomes and improving lives. The World Bank estimates that $93 billion in annual investment is necessary for the region to meet the United Nations Millennium Development Goals – an amount that is more than double the current rate of spending.

While most of that amount must come from government coffers, the private sector also has an essential role to play. Helping to fix Africa's infrastructure woes is a major pillar of IFC's strategy on the continent, where its goal is to improve the efficiency, affordability, reach and quality of basic infrastructure services through a combination of investments and advisory solutions.

Focus on building blocks

IFC develops greenfield projects and improves existing infrastructure installations. It provides equity and quasi-equity, finances corporate loans and arranges public-private partnerships, acquisition finance and refinancing. IFC's focus is on the building blocks of any modern economy: ports, railways, telecommunications and power, including renewable power.

In the power sector, where IFC is concentrating resources, African infrastructure commitments for the fiscal period 2000-12 total 19 projects and $523 million. An increasing focus of the organisation's work is helping to rebuild infrastructure in Africa's post-conflict countries, where demand is often the greatest but resources are the most scarce.

A shortage of funding sinks some development in Africa; a more serious hurdle is a lack of know-how to develop and guide infrastructure projects so that governments can benefit from private-sector expertise, management and finance.

Providing this know-how is where IFC is leading the way. Developing deals requires time, effort, experience and the ability to strike the right balance between private and public interests. IFC has successfully counselled African governments – including local municipalities – on ways to engage the private sector in

Citadel Capital SAE

IFC advised the Kenyan government on its privatisation of the Kenya-Uganda rail line. Turnaround times for rail carriages between Mombasa and Nairobi have improved by up to 30 per cent as a result

essential public services, and on how to restructure state-owned enterprises.

IFC's support for private-public partnerships between 2008 and 2011 is expected to facilitate more than $4 billion in private financing for infrastructure and health, and to provide improved services to approximately 19 million people.

Recent successful projects highlight the various ways in which IFC is helping Africa to build its infrastructure. Examples of such projects include:

- Cameroon: since 2001, when IFC advised the government on privatising its power sector, new owner-operator AES Sonel has invested more than $1 billion, connecting almost 340,000 people to its system. The most recent transaction was the 2011 financing for the company's 216-megawatt Kribi project, the first commercial use of Cameroon's substantial offshore natural gas reserves. In addition to providing €60 million ($86 million) in direct financing to the €263 million ($360 million) project, IFC coordinated a larger loan package from partner institutions, and worked with the World Bank on a partial risk guarantee from the International Development Association to facilitate Cameroon's first long-term, local-currency loan for infrastructure;
- Senegal: IFC was the global coordinator of financing for a €230 million ($302 million) toll road project, which, when completed in 2013, will run 25 kilometres from Diamniadio to Dakar, cutting travel time to and from the capital from two hours to less than 30 minutes. France's Eiffage won the project's World Bank-supported 30-year concession, for which IFC provided €22.5 million ($30 million) in long-term debt alongside €40 million ($52.3 million) from the African Development Bank, the West African Development Bank and local bank CBAO;
- Kenya: Kenya Airways, one of Africa's largest airlines, is launching a $3.6 billion investment programme to double its fleet of aircraft and add 31 destinations. The Kenyan government's IFC-supported 1995 privatisation of this once-downtrodden state airline brought in KLM as controlling investor, turning Kenya Airways into the strong, profitable performer that it is today. Now, as many European banks pull back from Africa, IFC's $80 million loan and $25 million equity stake serve as a stamp of approval, helping Kenya Airways to attract additional private capital so that it can serve many more cities in Africa as well as India, China and the Middle East.
- Inter-regional: In the ground transport sector, IFC also advised the Kenyan government's privatisation of the 2,352-kilometre rail line that links Kenya and Uganda. In 2011, IFC invested alongside the new private-ownership group, led by Egyptian-headquartered private equity house Citadel Capital, that is bringing the rail line back to life. Turnaround times for rail carriages between East Africa's biggest port of Mombasa and Nairobi have already improved by as much as 30 per cent as a result. To create similar efficiency gains in shipping, IFC is financing a private consortium's new €350 million ($406 million) container terminal concession in Lomé, Togo, one of West Africa's few deepwater ports. This project will increase the flow of imports and exports across coastal West Africa and into landlocked Mali, Niger and Burkina Faso to the north.

An increasing focus of IFC's work is helping to rebuild infrastructure in post-conflict countries, where demand is often the greatest but resources are the most scarce

These, and many other projects, underline the strides that Africa is making. While it will take time and sustained investment for the continent to build a solid infrastructure foundation, significant progress is being made. IFC will continue to provide significant support for Africa in this important process. ■

CREATING JOBS AND GROWTH THROUGH INNOVATION

TECHNOLOGY BASED INNOVATION AS AN ENGINE FOR THE COMPETITIVE POSITIONING AND SUSTAINABLE DEVELOPMENT OF THE ECONOMY

OUR RESPONSIBILITY

The Intesa Sanpaolo Group is today among the top banking groups in the euro zone and the leading banking group in Italy with over 19.6 million clients served by 7,700 branches and present in over 40 countries.

As a responsible European corporate citizen with a global reach, we have a duty to be part of the solution in these times of volatile and increasingly interdependent global markets.

Working for years on an international scale, we experience innovation as a key strategic factor and technology as an enabler to boosting growth and creating jobs. That's why we decided to establish ourselves as a European catalyst, connecting the dots of innovation scattered throughout the ecosystem.

That's why we made innovation a key commitment in our interaction with clients, start-ups, peers and the society, and that's why we created the Intesa Sanpaolo Start-Up Initiative.

OUR INNOVATION COMMITMENT

Our commitment to innovation has so far taken on many forms, such as:

- financing businesses through the Nova+ programme by providing favourable credit lines for innovative enterprises;
- advising on EU programmes through Intesa Sanpaolo Eurodesk which offers access to grant funding;
- networking with top research institutions to expose their most promising start-ups to investors and companies; and
- conducting equity investments through Atlante Ventures, our early stage funds dedicated to venture capital investing.

SOMETHING MORE - THE INTESA SANPAOLO START-UP INITIATIVE

In light of our commitment, we soon realized that a broader, scalable, and more collaborative solution needs to be found.

As a result, two years ago, we successfully launched the Intesa Sanpaolo Start-Up Initiative, a comprehensive programme aimed at facilitating both equity financing and business relationships for start-ups.

Selected start-ups go through an investment readiness training. The best ones attend arena events where they can pitch to international investors and businesses, obtain widespread media coverage, and gain access to a rich network of partners providing key services and resources. The arena events are organized by sectors, which today include biotech, cleantech, ICT & Web, nanotech & materials, social ventures, electromechanics, and healthcare. The events soon extended their reach from Italy to other parts of Europe, including London, Frankfurt, and Paris, as well as the United States with its key hubs in New York and San Francisco.

The events then added specific industry arenas whereby start-ups from various sectors present technologies relevant to a specific industry such as agro-food, construction & real estate, fashion & design, and transportation.

More recently, through the EU's Competitiveness and Innovation Framework Programme our bank has been tasked to apply its Start-up Initiative process as a turnkey solution to boost start-up opportunities in the mobile technology sector across Europe.

To know more about the Start-Up Initiative, visit
www.startupinitiative.com

To join forces or discuss working on similar growth and job-creation partnerships, email
startup@intesasanpaolo.com

THE INTESA SANPAOLO START UP INITIATIVE IN NUMBERS

Since the launch of the initiative in September 2009, we generated the following results:

20 Italian investment forums
14 International investment forums
1,200 Screened submissions
300 Trained start-ups
200 Finalist start-ups
3,000 Investor & Corporate attendees
1,500 Follow-ups with the start-ups
40 Success cases*

*) the Start-Up Initiative enabled this number of specific commercial, service and investment deals

THE POTENTIAL OF ONE – THE POWER OF MANY

Although solitude, dispassionate search, and deep reflection can produce amazing ideas and discoveries, it is the collaboration of many that constitutes the critical force behind their realization on a broader scale.
As we face the challenge of building lasting prosperity, we become humbly aware that just as the challenge is not the result of the actions of a selected few, potential solutions cannot be realized on a grand scale without the contributions of many.
The Intesa Sanpaolo Start-up Initiative has so far proven to be a successful model that facilitates investments in entrepreneurs, reduces investors' risk exposure, and acts as a platform to connect with other players. Although initiated and chiefly operated by our bank, its success rests on the shoulders of many, and its scalability depends on the collaboration with likeminded peers.
Through our global outreach, we have been most delighted to have successfully entered into several partnerships, including government trade & investment offices, international investment networks, business angel associations and some of the world's leading academic institutions that provide exposure to breakthrough technologies aimed at impacting humanity in a positive way.

VALUES – INGREDIENT TO LONG-TERM SUCCESS

As the leaders of some of the largest industrial nations gather these days in the corridors of insight, influence, and responsibility, it is as if the world comes closer for a few moments and is given the opportunity of discussing the many challenges afflicting mankind and exploring suitable solutions. As it comes to realizing those solutions, more often than not, technological innovation turns out to be one of the key drivers, and entrepreneurs the key protagonists in realizing them.
It is here, that the values which some of the most successful entrepreneurs live by come to mind: the high-spirited courage of starting something new; the essential requirement of challenging oneself; the dispassionate search for the right answer; the indefatigable passion to continuously improve; and a dependable commitment to pursue ambitious goals.
Relying on this value framework, we look forward to working with likeminded partners to help advance innovation as a key strategic factor and technology as an enabler of economic development.

THINK BIG, START SMALL, SCALE FAST

THINK BIG
to allow yourself to think global and regard the world as your playing field

START SMALL
to make sure that "it" works and that you know what it takes to roll it out

SCALE FAST
to grow organically, successfully, and sustainably

INTESA SANPAOLO

The role of Asian Development Bank in shaping the continent's future

Asia's recent economic record has been impressive, but it faces huge challenges in ensuring that such growth is sustainable if poverty is to be eliminated

By Haruhiko Kuroda, president, Asia Development Bank

Asia has emerged as a centre of global dynamism. Today, it accounts for a third of global gross domestic product (GDP) and contributes to more than half of global economic growth.

Impressive growth in the past few decades has slashed Asia's poverty levels dramatically; between 1990 and 2009, the proportion of people living on less than $1.25 a day fell from 50 per cent to 22 per cent. In sheer size and speed, this may be the greatest episode of poverty reduction in human history.

But these achievements may obscure another side of the Asian story. More than 60 per cent of the world's extreme poor live in Asia. The extent of entrenched poverty is just as staggering as the region's record of growth and expansion. Almost two billion Asians do not have basic sanitation. Nearly half a billion have no safe water to drink. Asia has made significant progress in meeting the Millennium Development Goals (MDGs), but is also behind in meeting several key targets.

A region of contrasts

Improving health and nutritional outcomes are among these targets. The 2012 report on the MDGs showed that the region still lags in 10 out of 22 indicators. The report also pointed to the slow progress in preventing hunger in 60 million children and the deaths of some three million before their fifth birthday. Based on current trends, by 2015 in Asia's off-track countries more than 60 million children will still be underweight. In 2008, 140,000 mothers needlessly died from causes related to childbirth.

The harsh contrasts between great advances and great deprivations are highlighted by increasing inequalities across the region. While the regional average poverty level is around 22 per cent, country-specific figures range from zero in Malaysia to 55 per cent in Nepal. Some of the highest poverty rates – above 40 per cent – are found in South Asia. Eight of 27 countries – Bangladesh, Georgia, India, Mongolia, Nepal, Philippines, Turkey and Uzbekistan – are unlikely to achieve the MDG target of halving poverty by 2015, although the region has achieved it based on its regional average. Asia's growth is thus an unfinished story.

While the pace of economic growth must be sustained and increased, more attention must be paid to the quality and patterns of growth. That means redoubling efforts to reach those left behind in the development process so that they, too, can contribute to growth and reap the rewards. It also means doing everything possible to arrest and reverse rising inequalities, which may threaten social cohesion and stability.

By generating new growth opportunities in trade, consumption and investment, Asia can help to stimulate the global economy

In addition, Asia's growth must be sustainable. The continent is under increasing pressure to reconcile stable and robust economic expansion with the growing challenges of energy security, climate change and massive urbanisation. By 2030, current estimates indicate that Asia will account for 38 per cent of global energy consumption. This comes with growing responsibility to address energy security. Asian economies also face serious consequences if they fail to act

Poverty levels vary widely across Asia, from zero in Malaysia to 55 per cent in Nepal, highlighting the contrast between economic advances and deprivation decisively and collectively to mitigate climate change. Massive urbanisation is contributing to the already precarious energy outlook and environmental risks associated with natural disasters and other effects of climate change.

Asia's challenges are compounded by the need to safeguard its growth, despite a worsening external environment. The European debt crisis and its potential spillover effects remain uncertain, but Asia could be hit hard as finance dries up, choking off trade and investment flows. It is therefore crucial that developing Asia escalates its efforts to rebalance growth by increasing domestic demand while maintaining strong links to the global economy. Doing so would benefit national economies, bolster regional development and support global growth.

Inclusive growth

The Asian Development Bank (ADB) has, therefore, a key role to play. To sustain high growth rates, address widening inequalities, and pursue strong and sustainable development, Asia must fundamentally change the way it grows. It must make growth more inclusive, environmentally sustainable and better balanced, with increasing emphasis on regional cooperation. The ADB provides support through a clear strategic agenda on inclusive growth, environmentally sustainable growth and regional integration.

Inclusive growth not only generates economic opportunities, but also broadens access to these opportunities so that more members of society can participate and benefit from growth. This is a complex task and requires many different interventions in almost every development sector. Thus, ADB supports greater investment in education and health, especially for the poor.

It helps develop infrastructure to alleviate constraints to economic growth and connect people to markets so that they can join in and gain from economic activities and growth. ADB also supports greater access to finance to allow the poorer members of society to take up opportunities to improve their productivity, incomes and living standards.

Regional integration

ADB's support for environmentally friendly technologies, such as clean and renewable energy sources and efficiency-improvement measures, helps its developing member countries address environmental concerns, including climate change. ADB works with countries to adopt environmental safeguards and strengthen institutions for their effective enforcement. It builds capacity in the region to adapt to climate change, promote sustainable resource management and also helps to improve air quality.

Regional integration will help rebalance growth regionally, and globally. ADB helps build stronger links among member countries in trade and finance and cooperation in economic surveillance. Lifting trade restrictions and strengthening intra-regional trade will help to reduce Asia's overdependence on exports to industrial countries and increase Asia's resilience to regional and global economic shocks.

However, measures to boost regional integration will have limited success in the absence of regional infrastructure that adequately connects national markets. Over the years, ADB has been providing critical investments for cross-border infrastructure projects – in transport, energy and telecommunications – to facilitate movements of goods, services, people and information across countries. These investments enlarge market access, reduce economic distance and facilitate trade, investment and labour flows.

Serious concerns remain over the European debt crisis. The G8 and G20 processes have played a key role in steering the global economy through the recent financial crisis, and they are expected to continue to do so in the future. Their agendas focused on managing the crisis, supporting recovery and addressing issues related to global imbalances, economic governance and the prevention of future global financial crises. Their concerted and decisive actions proved effective. They should take a leadership role once again to help to resolve the current European crisis.

International investment

Asia can contribute by sustaining its own robust economic growth. By generating new growth opportunities in trade, consumption and investment, Asia can help to stimulate the global economy. With this in mind, ADB calls on the G8 and G20 to continue investing in Asia by reaffirming the commitment to the action plan of the G20 Development Working Group. There are concrete ways for G8 governments to support this commitment. By working with public lenders to make relatively modest investments under the action plan's infrastructure pillar, they can help catalyse much larger sums from the private sector and address Asia's wider development agenda.

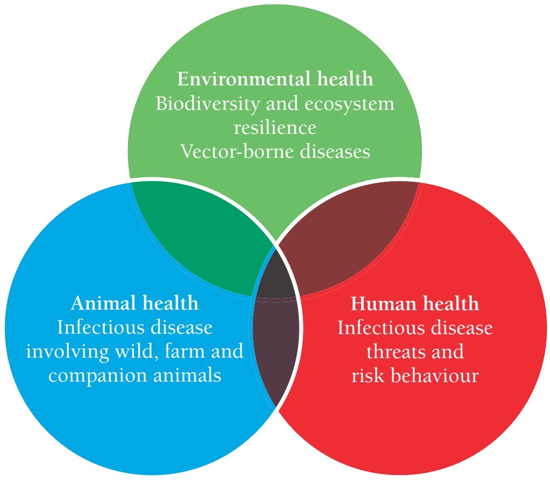
Asia's fate is inextricably tied to what is happening elsewhere around the globe. The rest of the world has turned its attention to Asia. The continent's remaining challenges must be overcome in the interest of both the region and the global economy. Unlocking Asia's economic potential can create new markets that will help the rest of the world to transcend the current crisis. The Asia and Pacific region presents this century's greatest economic opportunity. If the G8 and G20 can tap into the region's growth and dynamism, they, too, stand to benefit. Ultimately, it is everyone's collective responsibility to build a new foundation for sustainable development and economic growth for all. ■

The high-rise skyline of Mumbai in India – rapid urbanisation in Asia raises questions about energy provision and the environmental risks posed by natural disasters and other effects of climate change

SPONSORED FEATURE

One planet – one health: moving towards sustainable solutions

The most important challenge to health is the pace of change in a world where all types of interaction are becoming increasingly complex and interconnected



The Millennium Development Goals (MDGs) are an important United Nations initiative to improve global health. They recognise that alleviation of poverty, adequate nutrition and clean water, education and the integrity of the environment are critical requirements for a healthier planet. Despite progress, one in eight children in sub-Saharan Africa still die before the age of five, many from malnutrition, diarrhoea, pneumonia and blood infections; in South Asia, maternal and newborn deaths from these causes are also common. HIV, malaria and tuberculosis are being targeted specifically, but a greater emphasis on underlying factors is needed. Current economic uncertainty threatens the stability of health systems and, together with unfavourable environmental changes, provides the setting for infectious diseases to emerge and spread.

Infectious diseases will continue to challenge and erode global health initiatives if we cannot address these underlying problems in developing countries, and prevent and control the spread of infections to, and within, them. Research and capacity building across discipline boundaries are needed to unravel the complex interactions that drive the emergence and re-emergence of infectious diseases. Known factors include changes in commerce and agriculture; population displacement due to natural disasters and wars; climate change; human incursions into animal habitats and vice versa; increased global travel; uncontrolled use of antibiotics and chemicals driving microbial evolution.

A critical threat to continued health improvement and our ability to treat severe disease is antimicrobial resistance, acknowledged by WHO early in 2012 as a serious, growing and global threat to health. Totally drug-resistant (untreatable) malaria and tuberculosis were reported in 2012; many bacteria that cause potentially fatal sepsis, pneumonia, diarrhea and meningitis are now resistant to commonly available, and sometimes all, antibiotics.

Serious infections regularly cross the species barrier from domestic and wild animals into human populations, causing major financial and social impacts as demonstrated by the HIV pandemic and more recent SARS and "swine flu" outbreaks. The frequency of these events is predicted to increase, given greater human-animal contact and increased exposure caused by habitat disturbance and climate change-induced natural disasters.

The Asia-Pacific region is an important "hot spot" for emerging infectious diseases, with favourable climatic conditions, high population densities, livestock intensification and poorly regulated antimicrobial use. Because of extensive international travel and global trade that rapidly bypass geographic and social boundaries, these infections are a global threat.

The Sydney Institute for Emerging Infections and Biosecurity (SEIB) is based at the University of Sydney, Australia. Partnerships in research and capacity building are focused primarily in the Asia-Pacific region. This multidisciplinary initiative is developing novel insights into complex infectious disease interactions, through research that engages environmental, biological, health, social (media and communications) and political sciences, law and ethics.

To support new research and implement new findings that would reduce the risk of epidemic infections requires political will, adequate tools for detection, intergovernmental and interdisciplinary cooperation, an educated constituency and functional health systems. Cross-disciplinary research and partnerships promoted by SEIB are an important component of this process.

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Financing democratic change in North Africa

The European development bank, the EBRD, aims to foster the shift to democracy in four Mediterranean Arab states through investment in the private sector

By Thomas Mirow, president, European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD) has now had more than two decades of dealing with the aftermath of revolution. Many lessons have been learned through hard-won experience. The bank was part of the international community's response to the fall of communism in 1989. It was set up to support the transition from central control to the free market – to help ease the traumatic shift from dictatorship to democracy.

In the light of recent events, the EBRD has been encouraged by its shareholders to extend its mandate to the Southern and Eastern Mediterranean region, adding in the first instance Egypt, Jordan, Morocco and Tunisia to the 29 countries in which it already invests. It will focus on trying to develop the private sector in the emerging Arab democracies. The emphasis will be on encouraging the growth of small and medium-sized enterprises – the drivers of job creation. The potential is huge in a country such as Egypt, where 25 per cent of the population lives on less than two dollars a day and where youth unemployment can be as high as 40 per cent. The EBRD has already begun technical assistance activities in all four countries and plans to begin its first proper investments later in 2012, once its shareholders have ratified the necessary changes to its charter and it has concluded that each of the four countries is applying the principles of multiparty democracy and pluralism successfully.

Across the whole of the Southern and Eastern Mediterranean region, the EBRD has the capacity to invest as much as €2.5 billion ($3.3 billion) per year eventually. And every euro put into a project attracts, on average, more than two euros of private-sector investment. These investments can make a real difference. But they can only assist the efforts that the countries themselves will need to make. The EBRD's engagement for this region will be on top of the commitments it has made to continue investing heavily in its existing 29 countries of operation.

Private-sector support

These sums sound like a lot, and indeed they are. But so are the demands of the people in the aftermath of revolution. Across the region, it was the lack of opportunities and the unbalanced economic growth that fuelled social discontent and the bottom-up demand for change. In Egypt, the economy has suffered greatly during times of turmoil. Companies are reluctant to invest because of the uncertainty. Tourists, a mainstay of the economy, are staying away. The revolution there has inspired strong demand for more jobs and higher wages – demands that are impossible for the new government to meet as the economy's capacity continues to decline. There is a need to manage expectations.

From the EBRD's experience in Eastern Europe it knows that change – the process of transition – is a very long and winding road. It is better to be straight with citizens – telling them that jobs cannot be conjured up overnight, but that real economic change requires patience and unfolds over generations. Even now, more than 20 years after the fall of the Berlin Wall, there remains a huge amount still to do in the EBRD's existing countries of operation.

In Egypt, Jordan, Morocco and Tunisia, the EBRD will focus on supporting the private sector. The region's most pressing economic problem is that it has been unable to develop a private sector that is independent, competitive and integrated with global markets. In fact, the countries of the region have relatively few formal private companies, under a third of the number per person in the existing countries of operation in Eastern Europe. The state is a dominating force in the economy. However, in the eyes of many citizens, those market reforms that have already been implemented have benefited only a few.

Strikingly, companies in the Southern and Eastern Mediterranean are often not part of global supply chains. There is also much

The region's most pressing economic problem is that it has been unable to develop a private sector that is independent, competitive and integrated with global markets

The Arab Spring has led to strong demand for more jobs and higher wages in the countries in which the EBRD proposes to invest

less intra-regional trade than there should be. In fact, inter-Arab trade is virtually at the same level as 50 years ago, in terms of the overall percentage of exports. There are too many non-tariff barriers, as well as too much regulation and poor infrastructure.

In trying to shift the balance away from state domination, the EBRD will bring important lessons from its existing countries of operation. After the collapse of communism, there was a rush to privatise state-owned companies, often with mixed results. However, efficient privatisation is better than rapid privatisation. There is evidence that speed risks bringing incorrect implementation and inadequate supporting institutions, and the danger that the process will be hijacked for personal gain. This must be borne in mind in relation to privatisations in the emerging Arab democracies.

Private enterprises, on the whole, perform better than state-run firms – but can only happen against a backdrop of well-regulated, efficiently supervised markets. Therefore, an important part of the EBRD's approach is to engage in policy dialogue with governments to bring this about.

Economic inclusivity

Again, the task of making a case for the market economy, for the private sector, has rarely been harder. Over two decades ago, when the Berlin Wall fell, the majority of the newly freed peoples embraced the idea of capitalism. They knew that their old system had failed. The countries of Western Europe felt confident about extolling the market as the best way to run an economy: it had delivered growth. Now, of course, that self-confidence has been damaged by the global financial crisis of the past four years.

In Tunisia and Egypt, the success of many private-sector firms is questioned not because there is an alternative such as communism, but also because it has become tainted by cronyism. When these countries tried to shift the emphasis from the state to the private sector, it was often well-connected insiders who benefited and became wealthy. The EBRD's efforts will be towards ensuring a much broader, well-governed, transparent and responsible private sector.

The EBRD's philosophy, as an institution, is simple. By concentrating on building up the private sector and market economies, it also builds up the number of people who feel they have an important stake in their country's future. It is a way to build sustainable market-oriented economies and, in the long term, to foster democracy.

Transition is difficult and setbacks are common. Vested interests must be overcome and new, more efficient systems of governance have to be created. The EBRD understands the challenges and stands ready to work closely with others committed to the same goals of assisting the people in the emerging democracies in the Arab world to build a better, fairer and more secure future. ■

SPONSORED FEATURE

BANSEFI, leading the way for financial inclusion in Mexico

BANSEFI helps people on low incomes across Mexico to gain access to secure, dependable financial services

Carlos Montaño
CEO, BANSEFI

Reforms in the regulatory framework set in place during the past 10 years have provided the foundation for the construction of a solid financial system in Mexico. A better financial system, together with responsible handling of fiscal policy throughout this time, have made the Mexican economy more resilient and capable of withstanding external shocks in a much better way than other economies.

The financial system plays a key role in the prospects for growth in any economy. The Mexican banking system still faces the enormous challenge of making services available to most of the population. In many areas of the country, financial services are still provided by informal schemes, making the otherwise common and safe task of saving a risky and uncertain one.

The legal framework aims to regulate the financial intermediaries currently providing these services, making trustworthy financial services available to all. To make this happen, development banks have played a key role, focusing on the attention of people on low incomes, typically underserved by the private financial sector. Financial inclusion is a priority for the Mexican government and is part of the main agenda of the G20 summit this year. Helping to achieve the goal of enabling every person to have access to financial services is one of the reasons the National Saving Bank and Financial Services (BANSEFI) exists. This development bank has become a key player in fostering financial inclusion in the country.

BANSEFI has become an essential tool for the Mexican government in achieving financial inclusion. BANSEFI has expanded the frontier of financial services to reach the low-income population, a market niche that the private banking sector has not fully reached. One of the main goals of BANSEFI is to be the first point of access to a financial system when no other financial intermediaries are present.

To offer access to financial services to this clientele, BANSEFI has created a network of 494 branches, spread out over the entire country. They offer financial products and services such as savings, remittances (both local and international), micro-insurances, and acts as a window for receiving payment of services (eg, utility bills).

The size and reach of this network is complemented with the joint venture between the members of the Popular Financial Sector and BANSEFI, known as L@Red de la Gente ('The People's Network'). This commercial alliance includes 287 financial intermediaries, increasing the number of offices to more than 2,300. L@Red de la Gente is the largest financial network in Mexico, with more presence than any other commercial bank.

BANSEFI has recently begun another commercial alliance via a correspondence bank. This began with DICONSA stores. These are community-owned shops, created by the government to sell food, basic products and agricultural supplies in Mexico's poorest rural communities. This network is made up of 25,000 stores that are located throughout the country. As many as 236 stores have been approved as BANSEFI correspondence outlets by the National Banking and Securities Commission. Many more are perfect candidates to enlarge BANSEFI's network, as they are placed precisely near the segment of the population intended to be reached by basic financial services.

In its 10 years of existence, BANSEFI has created the largest financial network in Mexico, with a presence in 2,380 municipalities (97 per cent of the municipalities). No other network has as wide a reach as BANSEFI. Last year, BANSEFI, through its financial network, made payments of more than 1.5 million international remittance transactions, for a sum close to $600 million. In addition, the Institution manages 11.4 million accounts and $15 billion in assets.

Helping low-income families

An outstanding result in financial inclusion for the Mexican government was achieved last year when BANSEFI created 6.5 million-worth of debit cards that were linked to bank accounts for the same number of people.

With financial inclusion high on the Mexican government's agenda, it was considered crucial to make all the people who are beneficiaries of the most important social programme in Mexico ('Oportunidades') account holders. They now receive their cash transfer through a debit card from BANSEFI. By opening these 6.5 million accounts, these low-income families now have a safe and reliable tool to save and make basic transactions in shops and via the ATM network.

In addition to the Oportunidades programme, BANSEFI distributes other government transfers, amounting to more than $3 billion during 2011. Transparency and accountability are enhanced by the use of this tool. The positive effects are also found in reduced transaction costs, as Oportunidades' recipients do not have to travel miles to collect their benefits. Now the challenge is to provide further financial education to maximise the benefits of financial inclusion.

An important component of financial inclusion is financial literacy. BANSEFI has deployed a major programme of financial education for its network partners and customers. The aim is to have informed customers who will take better financial decisions and make the most of the financial services offered by the BANSEFI network.

BANSEFI offers financial education workshops to members of the popular financial sector who, in turn, will be able to replicate

Mexicans needed a reliable way to conduct financial transactions

financial literacy courses with their customers. BANSEFI also uses mobile units to give financial workshops in hard-to-reach towns. As part of the strategy of financial education, BANSEFI created a microsite called Finances for Everyone (www.finanzasparatodos.org.mx), where educational financial videos and information on financial planning, savings, credit, insurance and other services can be found.

BANSEFI has an ambitious agenda that seeks to consolidate and extend educational activities and financial inclusion by developing innovative and effective financial products that meet the population's needs, supplemented by the use of new technologies to expand the geographic coverage of financial services. To reach this goal, BANSEFI will foster the expansion of correspondence banking. This will significantly increase the BANSEFI network, while lowering the cost of opening full-service bank branches. BANSEFI will also work towards the use of mobile financial services that will facilitate transactions in areas where the cost of transporting funds are relevant. As more and more people use mobile phones and coverage increases throughout the country, the use of such technologies will reduce transaction costs and benefit millions of Mexican families.

BANSEFI, as the financial inclusion leader in Mexico, has shown remarkable achievements in offering access to financial services to the population, and especially to low-income families. Carrying out the BANSEFI agenda will keep Mexico on the right track, and technology will enhance financial inclusion in the country.

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The contribution of social business

The establishment of a new economic framework, in which markets are accessible to all, can bring greater prosperity and tackle a range of social ills

By Muhammad Yunus, Yunus Centre

I am a strong proponent of free trade. Encouraging people and countries to exchange goods and services with one another will, in the long run, lead to greater prosperity for all. But like all markets, global markets need reasonable rules that allow all participants an opportunity to benefit. Today's global markets, unfortunately, are only partly free. Some of the restrictions and distortions that have been left in place have had devastating consequences for poor countries. The imbalances caused by this semi-free trade are distorting markets, raising the prices of commodities and making consumption more difficult.

Hence the world needs a new economic framework. The most important feature of this new global economic architecture will be to bring the half-built theoretical framework of capitalism to completion by including the second type of business that I am championing – social business – in the marketplace. Once it is included in the framework, social business can play a very important role in solving the financial crisis, the food crisis, the energy crisis and the environmental crisis. It will also provide the most effective institutional mechanism for addressing the unresolved problems of poverty and ill health.

What do social businesses provide that neither government nor private firms can? One social business is a recent initiative, the Grameen Danone joint venture, which sells yogurt fortified with micronutrients to poor households in the villages of Bangladesh.

Innovative ideas such as edible yogurt cups or biodegradable cornstarch cups that can be buried in pits behind the Grameen Danone yogurt factory in Bogra, can allow the containers to decompose and thus help deal with the problem of waste and environmental degradation. Environment-related social businesses such as the Grameen Veolia venture, which sells clean water to poor people suffering from arsenic contamination, or clean, renewable energy technologies, community-based natural resource management schemes for the poor in rural areas and disbursement of knowledge, are only a few of the boundless opportunities that can be made possible with social business and microcredit, as well as a bit of imagination and ingenuity.

Doing so obviously violates the basic concept of the capitalist system, which is profit maximisation. I have never followed existing road maps. My only concern was to see if my path was taking me where I wanted to go. Maximising profits may be very important for most entrepreneurs, but my businesses are a great source of my happiness. If you had done what I have done, you would be happy, too.

Prototype development is the key. In designing a prototype, all one needs is a socially oriented creative mind. That could be each one of you. No matter what you do in your life, make it a point to design or be involved with at least one social business to address the problem that depresses you the most. If you have the design and the money, go ahead and put it into action. If you have the design but no money, contact your friends – together you will find the money if you have a sustainable business plan.

An appealing concept

The concept of social business has attracted attention from diverse and important groups of people faster than I expected. People like the idea of business solutions to social problems. They see the limitation of their business in reaching out for solutions to existing human problems; and at the same time they see the technological capacities they have within their companies to make an impact on people's lives.

Through the concept of social business they can position their experience and technology against the real-world problems face to face, and engage in finding a solution that is sustainable.

It is the idea of devising a sustainable business solution to existing human problems that most attracted our partners. If the outcomes are satisfactory, the basic modalities of the entire world of business will change. Entrepreneurship is the power to change. The best way to spread the power of social business is to engage young people and nurture them as social entrepreneurs. Today's youth have that power.

Entrepreneurship is a credible alternative to getting a 'good' job or being a victim of 'the system'. But entrepreneurs need access to markets so they can see what works and what does not. It is not a very difficult task.

A movement of social business entrepreneurs must be nurtured by creating exchanges (in the sense of markets) with guaranteed access for youth.

Young people can be engaged if you demonstrate to them that they have the power to create change. They have a voice through their participation in the exchanges that have a direct impact on their communities.

The way to spread the power of social business is to engage young people and nurture them as entrepreneurs

An organised effort is needed to nurture a movement that includes sharing great and successful models in the mainstream.

Social businesses should be introduced that involve youth by creating a global social business fund that provides loans and equity for improving the economy in the developing world. It could support programmes such as agricultural credit; local, national and international marketing; storage; the introduction of new technology; insurance; and price and wage guarantees. Social business has the potential to address all these issues in one go. Employment and entrepreneurship can be created and technology under the command of businesses can be used to solve problems that have been traditionally considered the exclusive responsibility of governments.

The need for massive subsidies and transfer payments by governments can be reduced by creative social businesses. The G8 can be a great platform for creating support for social business around the world. The developed countries have enormous amounts of technology at their disposal to make this happen. The citizens of the world have the creativity and knowledge. All we need is our dedication and determination to achieve it. ■

Community-based natural resource schemes offer many opportunities for social business. Here, a solar power system provides light in a remote village