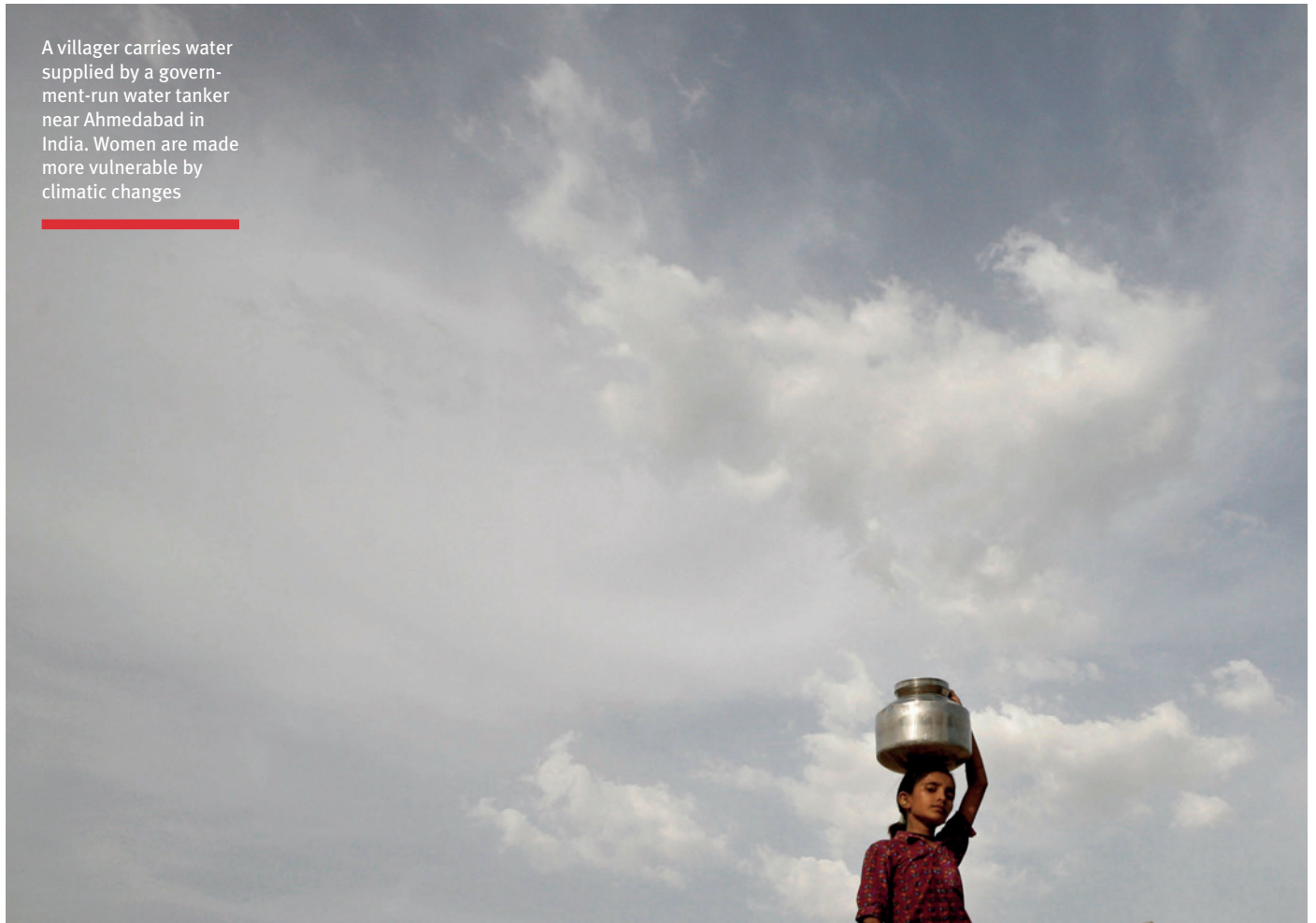


A villager carries water supplied by a government-run water tanker near Ahmedabad in India. Women are made more vulnerable by climatic changes



# The role of gender equality in global development

*Commitments to achieving the Millennium Development Goal targets on gender equality could be enhanced by identifying factors relating to women and girls, and prioritising the necessary investment and support to improve conditions*

**By** Helen Clark, administrator, United Nations Development Programme

**B**y 2015, the world is likely to meet the first target of the eight Millennium Development Goals (MDGs) of reducing, by half, the proportion of people living in extreme poverty around the globe. This is a good news story, which hopefully will be picked up in headlines across the world. Those headlines, however, may mask a deeper truth.

While significant progress is being made towards a range of development goals, including the MDGs, progress is uneven within and across countries. The first goal, MDG 1, will be achieved largely because hundreds of

millions of people have been lifted out of poverty in China. If China's figures are removed from the equation, the number of people living in extreme poverty increased by about 36 million between 1990 and 2005.

Accelerating progress on the MDGs requires focusing on actions and priorities that are known to be effective. High among them is investing in women and girls.

The United Nations Development Programme (UNDP) recognises gender equality as a catalyst for progress across the MDGs. That was reflected in its 2010 International Assessment of what it will take to reach the MDGs. The outcome document of the 2010 United Nations

MDG Summit stated the importance of gender equality to development: “Investing in women and girls has a multiplier effect on productivity, efficiency and sustained economic growth.” This means that promoting gender equality is not only the right thing to do in human rights terms – it is also critical to development progress.

Children born to women with some formal education are more likely to survive to their fifth birthday, receive adequate nutrition, and be immunised and enrolled in school. According to UNESCO, a child born to a mother who can read is 50 per cent more likely to survive past the age of five. In addition, educated women and girls are better able to make informed choices about their nutrition and sexual and reproductive health.

The G8 has the opportunity to make gender equality central to global development discourse. In May, the G8 leaders meeting in Deauville will focus on Africa and issues crucial to the continent’s progress, including health, food security, energy, climate change, education and trade. Gender equality and women’s empowerment play an integral role in each of these sectors. Some specific commitments by the G8 could promote both.

For example, the G8 could give further strong support to the Global Strategy for Women’s and Children’s Health, launched by UN secretary-general Ban Ki-moon last year. This initiative brings together stakeholders from the UN, government, private sector, foundation, academia and civil society. It has the potential to save the lives of more than 16 million women and children, prevent 33 million unwanted pregnancies, protect 120 million children from pneumonia, and ensure access for women and children to quality health facilities and skilled health workers.

#### Honouring commitments

Closely related to that, the G8 could actively implement the commitments made in the 2010 Muskoka Initiative on Maternal, Newborn and Child Health to support developing countries facing high rates of maternal and under-five child mortality, and with an unmet need for family planning. These are particularly pressing issues in Africa, which is off track on MDG 5 on maternal health. A UN report estimates that, while maternal mortality decreased by 34 per cent from 1990 to 2008, the annual rate of decline is less than half of what is needed to achieve the MDG target of reducing the maternal mortality ratio by 75 per cent between 1990 and 2015.

The G8 could show its leadership by agreeing to the requests of developing countries for more specific, targeted support to help meet the MDGs over the next four years, including those specially pertinent to women and girls.

The UNDP has created an MDG Acceleration Framework (MAF), endorsed by the UN Development Group, to help countries to focus and prioritise their MDG actions. It helps identify bottlenecks, sets out ways of clearing them and overcoming constraints, and brings development workers together in partnership to implement the resulting action plan. This gets to the heart of focusing critical human and financial development resources where they are most needed to deliver MDG results by 2015.

The MAF has already been rolled out in over 10 countries, several of which have chosen the MDGs specific to women and girls. For example, the MAF process in Uganda transformed the problem of maternal mortality from being perceived as a concern of the health ministry alone into one of broader development importance. A lack of health facilities and workers was a constraint on progress. As a result, the MDG Action Plan developed for Uganda proposes roles for a range of non-health ministries and entities to support its implementation.

In Ghana, the MAF process identified that women were either not empowered to seek medical support in delivering their babies or did not feel comfortable about

“The G8 could show its leadership by agreeing to the requests of developing countries for more specific, targeted support to help meet the MDGs over the next four years, including those specially pertinent to women and girls”

doing so. The government is now partnering with civil society organisations well placed to help communities address these issues and lower maternal mortality.

The G8 could explicitly support action to expand access to sustainable energy in developing countries. Like investing in women and girls, expanding access to basic, sustainable energy is a proven multiplier of progress across all the MDGs. It reduces the disproportionate burden of domestic work that women carry. It also reduces the amount of biomass being used, and is linked to improvements in education, health and income-generating prospects.

The G8 should lead the way in strengthening the global partnership for development, as envisaged in MDG 8. That should include supporting the conclusion of the Doha round of trade negotiations to improve market access for developing countries and to help strengthen their capacity to produce export goods. It is important to address the issue of women’s needs in international trade policies and frameworks. Agriculture is also a big issue, with women comprising the majority of the developing world’s farmers.

In global development partnerships, climate finance plays an increasingly important role. As women are made more vulnerable by climatic changes, the G8 leaders could be at the forefront of demanding that climate change responses are gender-sensitive.

Maintaining commitments for official development assistance (ODA) is critical. Well-targeted and predictable ODA can be catalytic in strengthening institutional and other capacities, and in attracting private investment and new sources of development finance. The Deauville Summit presents an opportunity for G8 members to demonstrate leadership by renewing their commitment to reach the ODA levels previously pledged, knowing that doing so would play a part in ensuring that more support finds its way to women and girls.

G8 leaders understand that a country’s full potential cannot be achieved when half of its population is not treated equally. Sending that message clearly from Deauville will help set the tone for the international gatherings that are due to follow, from November’s High Level Forum on Aid Effectiveness in Korea to the Conference of Parties on Climate Change in South Africa at the end of the year, to the 2012 Rio+20 in Brazil.

In addition, the leaders of the G8 can advocate for gender equality to be respected as a human right and to be placed at the heart of all efforts to reach the MDGs, and ensure equitable and sustainable human development. ♦

# DSM: Transforming nutrition science into health benefits

## Triage theory by Prof. Bruce Ames Micronutrients for long-term health



There is significant scientific agreement that nutrition plays a key role in human health. This is true throughout the life-cycle: preparing the body for conception, continuing at the embryonic, as well as at the fetal, stage, and in all later stages in life. In all these different phases of the human 'life-cycle', specific nutritional needs require close attention to assure human health. The nutrient supply of the foetus can even have long-reaching consequences; a poor status at that phase may 'program' chronic diseases to occur a few decades later in life.

The science brought forward in the last decade has clearly re-emphasised not only the importance of nutrition for human health overall, but also the need to pay more attention to the various components of the diet. Scientists report that the intake of essential micronutrients – such as vitamins, carotenoids, polyunsaturated fatty acids, minerals and trace elements – is critical in the developing world, as well as in the developed world where food is generally plentiful, but where lifestyles have changed drastically. Risk groups with comparatively impaired dietary habits and inadequate micronutrient intake are identified in every age group.

Micronutrient insufficiency can range from 'severe deficiency', usually accompanied by obvious clinical symptoms, to a 'slight insufficiency', the harmful consequences of which are not immediately evident. The triage theory developed by Professor Bruce Ames elucidates that evolutionary pressure will favour short-term survival at the expense of long-term health, if a choice between the two is needed and the essential micronutrients are not available. To summarise, evolution has equipped mankind with a sorting apparatus that, when lacking, will redirect micronutrients for short-term health and reproduction, impacting DNA repair and healthy ageing.

The challenge is to ensure that the diverse nutritional needs of people around the globe are met in the different life phases. This is going to require joint efforts between industry, academia and government to develop and scale-up solutions and to set



## The challenge is to ensure the diverse nutritional needs of people around the globe are met in the different life phases

a stronger priority on the role of nutrition as part of political efforts in supporting public health. Educational tools must be established, starting in kindergarten, and reemphasised later in school, as well as in adulthood.

We need to make sure that a balanced diet is available for everybody, providing not just 'empty calories' but all macro- and micronutrients in adequate amounts, establishing food fortification and using dietary supplements where needed. Partnership approaches involving politicians, patient alliances, academia, regulatory bodies and the private sector are the most efficient vehicles to develop, implement and sustain effective dietary approaches and food programmes. Only joint efforts will contribute to achieving the Millennium Goals, as defined by the United Nations, such as ending poverty and hunger, and improving child and maternal health.





# Placing reproductive health centre stage

*The UN Global Strategy for Women's and Children's Health, launched last year, provides the impetus to invest in young people and to ensure that reproductive rights and the empowerment of women remain high on the development agenda*

**By** Babatunde Osotimehin, Executive Director, United Nations Population Fund (UNFPA)

**F**or the health of women and children, 2010 marked a turning point: a decisive moment – a call to action, and a realisation by the global community that to make a difference it could not be business as usual.

We had to be bold and steadfast to follow through on the commitments made to the Millennium Development Goals (MDGs) – particularly in the context of MDG 4 on child mortality, MDG 5 to reduce maternal mortality and achieve universal access to reproductive health, and MDG 6 to combat HIV and AIDS, tuberculosis (TB) and malaria; to rapidly scale up resources and make those critical investments that would make a difference to the lives of women, children and their families; to mobilise stakeholders at all levels and from all spheres; to hold ourselves transparently accountable for our actions taken and results achieved; and to push the boundaries to reimagine the possibilities for women and children.

#### **Moving forward with a worldwide strategy**

This sense of urgency generated a number of processes and high-level events – bringing together governments, philanthropic institutions and other funders, the United Nations and multilateral organisations, civil society and non-governmental organisations, the business community, healthcare workers and professionals, and academic and research institutions – that culminated in the launch of the UN Secretary-General's Global Strategy for Women's and Children's Health during the UN Millennium Development Goals Summit in September 2010. This strategy places women's and children's health squarely at the centre of the development agenda by galvanising global support for increased financing, greater accountability and innovative approaches.

The UN's 192 member states and a range of stakeholders, including developing countries, have welcomed the Global Strategy and committed an estimated \$40 billion to protect the rights, promote the health and save the lives of 16 million women and children by 2015, although there is still a gap of \$48 billion to meet the target results.

The Global Strategy is unique in its articulation of a rigorous accountability framework developed through the Commission on Information and Accountability – one of the critical pillars to measure how effectively the commitments by all partners to the Global Strategy are translated into tangible and improved outcomes for the health of women and children, particularly for the poorest and most vulnerable. Another event is planned to coincide with the UN General Assembly in September 2011 in New York, to reflect on the Global Strategy at one year,



highlighting progress, next steps, and providing a platform for the announcement of new commitments.

The G8 countries have played a laudable role in global health over the years and added further vigour to the Global Strategy for Women's and Children's Health with their commitment to increase investment in maternal, newborn and child health by promoting a comprehensive and integrated approach, underpinned by strong health systems. The G8 Muskoka Initiative on Maternal, Newborn and Child Health, announced at the 2010 G8 Summit, commits an additional \$5 billion with the aim of realising \$10 billion or more between 2010 and 2015 in support of women's and children's health. An innovative accountability framework has been established to track progress by each G8 country, with the goal of combining it with the Accountability Framework of the Global Strategy.

The 2011 G8 Deauville Summit provides the opportunity for the G8 to continue this momentum, rallying the international community to maintain the prominence of global health, and particularly women's and children's health, on the world stage. In this respect, the G8 countries can send a strong signal by ensuring that women's and children's health becomes a standing agenda

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We need to end discrimination and violence against women and unleash women's full potential and participation in society

”





item at each G8 meeting through to 2015, utilising the combined accountability framework as a basis to assess what has been achieved against the commitments made. As there are substantial gaps in financing of the Global Strategy for Women's and Children's Health, the G8 can play a critical role by fulfilling existing commitments, mobilising more resources and engaging other partners, including the G20, in support of the Global Strategy.

There are other issues that must be addressed more broadly, including the persistent inequities that block progress in women's and children's health. We need to end discrimination and violence against women and unleash women's full potential and participation in society. The evidence is telling in countries with similar levels of economic development: the higher the social status of women, the lower the maternal mortality rates.

### Focusing on youth and the future

In addition, we need to invest in young people. We have the largest-ever generation of young people in history, with nine out of 10 living in developing countries. The decisions young people make today about their relationships, sexuality and reproduction will have long-lasting effects on their future and that of the world's population. And they will grow up healthy if they have the necessary skills and knowledge to deal in a positive and responsible way with their relationships and their reproductive lives.

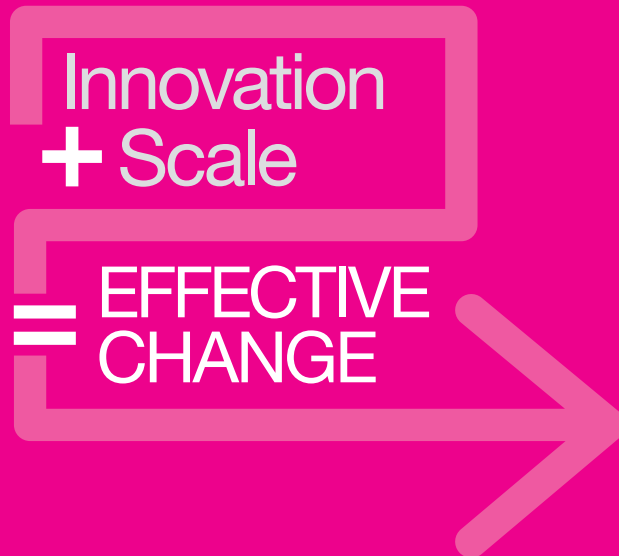
Moreover, when young people are educated and also have the skills they need to compete in the economy, they are major drivers of economic growth and social progress. We must listen to their needs and encourage their participation in society. We also need to recognise that girls' health matters because girls matter. Girls are endowed with human rights. What happens to a girl during adolescence determines her future – and that of her family, community and nation.

The decisions made by young people today – 90 per cent of whom live in developing countries – will have long-lasting effects on their future

UNFPA is the world's largest source of funding for population and reproductive health programmes. UNFPA supports countries in using population data for policies and programmes to reduce poverty and to ensure that every pregnancy is wanted, every birth is safe, every young person is free of HIV/AIDS, and every girl and woman is treated with dignity and respect.

From the beginning, UNFPA has been committed to the Global Strategy, which we believe is a catalyst for audacious change, not business as usual, providing the opportunity to place reproductive health, reproductive rights and the empowerment of women at the centre of the development agenda, both at the international level and in policies and programmes at the national level. UNFPA, along with UNAIDS, UNICEF, World Bank and WHO (also known as the H4+), has been tasked by the UN Secretary-General with building support and mobilising commitments at country level for implementing the Global Strategy for Women's and Children's Health. We have led consultations with developing countries with the highest maternal- and child-health burdens, working closely with the H4+ in this process. UNFPA will continue this critical work along with the H4+, to ensure that countries that have made commitments to accelerate actions for women's and children's health are supported in their ability to implement them, while also striving to secure new commitments.

The clock is ticking, with less than four years until the 2015 MDGs deadline. The UN Secretary-General's Global Strategy provides a much-needed window to leverage for women, children and young people to live healthy and productive lives, including access to education, skills and social services. It is essential, therefore, that the G8 and other partners move forward and fulfil their commitments. This will allow every woman, child and young person to realise their dreams and live a dignified life. ♦



How south-based **BRAC**, the biggest development organisation in the world, is effecting change

## BRAC's healthcare initiative in Bangladesh

**Innovative** community health-worker model

**80,000** community health workers

Population reached **110** million

Providing maternal health services to **20** million rural and **5.7** million urban women

**40%** drop in national maternal mortality rate

**MDG 4 & 5 target already achieved** in the BRAC working areas

**BRAC Operations  
Around the World**





...[BRAC's] health programmes have been especially successful. By working with the government, BRAC is able to implement many of the health policies that the state itself is unable to achieve.

- *The Economist*

BRAC's community health worker network is big enough to rival many countries' government health programs.

- *The New York Times*

...[BRAC's] program, along with a government immunization initiative, has cut the mortality rate of Bangladeshi children ages 1 to 4 from 25% to 7%.

- *Forbes*

A woman wearing a red and yellow patterned headscarf is smiling and looking at a baby she is holding. The background is a cracked mud wall. The woman is wearing a red top and a blue bracelet. The baby is wearing a white onesie.

**Poverty is a complicated problem.** There is not one simple solution. But through empowering women and their families, **BRAC has been fighting poverty on all fronts.** BRAC today reaches more than **138** million people in Asia and Africa in this battle.

BRAC Communications/April 2011  
Photo: BRAC/Saiful-Huq Oni

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The new generation of commercial agribusinesses will help Africa to feed its entire population



# The changing face of African agriculture

*Africa has the ability to transform itself into a productive producer and exporter of food. This year's summit will focus on the public and private support that G8 countries can provide to assist African countries' agricultural development*

**By** Lars H Thunell, executive vice-president and CEO, IFC

**W**hen the world looks at sub-Saharan Africa, what does it see? For many, the picture is merely one of extreme poverty. They see too many struggling, fragile countries – bearing the scars of deep-rooted conflicts, unable to feed themselves. Such problem areas clearly exist, and they are worsened further by today's recent record food price increases that have brought higher levels of hunger and malnutrition, especially among those who were already living below the poverty line, often spending more than half their income on food. Without concerted action, these disturbing trends may worsen still, taking an even higher human toll.

The world clearly faces a food security crisis, much of it located in Africa. But within this crisis lies considerable opportunity. There is more to the present picture, and a different future is entirely possible. Recent experience shows that if African countries increase the productivity of their land and cultivate more of it, they can become net food exporters in the coming years. They can feed not just themselves, but other countries as well.

However, achieving this transformation will not be an easy task. It will take sound government policies that attract significant levels of private investment. It has been done before, on a large scale in Latin America and Asia, and it can be done again in Africa, reducing the need for emergency food aid.

Reframing the food security debate along these lines is one of today's great challenges of development facing the international community. As the G8 leaders gather in Deauville for their annual international policy coordination talks, good models of a private sector-based agricultural transformation must not be left behind. Simply put, they are too important to ignore.

Farmers produce enough to feed everyone on Earth today. But poor storage, distribution and other factors leave a billion people hungry. Left unattended, this tragic situation will only become more tragic in the coming years as the world population grows by nearly a third, reaching nine billion in 2050, with most of the increase occurring in the developing world.

To meet this rising demand and the shifts in consumption patterns resulting from growing incomes in China, India and other markets, global food production must increase by at least 75 per cent. However, doing so will be increasingly difficult, as the planet feels more effects of climate change, urbanisation and other factors, making necessary farmland and water harder to find.

If governments create the right investment climate, the private sector will respond, bringing its capital, management skills and new technologies to meet the enormous demand for more food.

The focal point will be on the developing world and the region with the greatest potential, Africa.

### Encouraging examples

World Bank research shows that Africa is now increasing its food exports faster than any other region, quadrupling its share of the developing world total since 2007. There are several promising signs.

As recently as 2005, some four million people in Malawi – almost a third of its population – required emergency food aid. The government took several reform measures, including introducing new subsidies of fertiliser, and saw maize production triple by 2007. Today, Malawi is self-sufficient in food grains, and exports them to other African countries. An IFC agribusiness client, Bakhresa Group of Tanzania, has expanded the national milling company it purchased via privatisation and now produces flour in Malawi that is sold domestically and abroad.

Neighbouring Zambia has also turned the corner. One of the world's top investment climate reformers, according to the latest IFC/World Bank *Doing Business* report, it now exports a broad range of grain, horticulture, beef, dairy and poultry products. On a recent visit, I saw for myself the difference being made in this increasingly sophisticated agricultural economy by our clients. One is Zanaco, a local financial institution in which Rabobank of the Netherlands recently acquired a controlling interest, and is putting a priority on agricultural lending. Another is Zambeef, a local agribusiness leader that is now expanding into other countries, such as Nigeria.

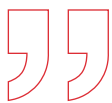
It is encouraging to see these positive steps, as well as the more strategic, business-friendly approaches other African governments are now taking to develop their vast untapped potential in agriculture.

Two long-term visions have recently been presented to the Davos-based World Economic Forum. Tanzania's Southern Agricultural Growth Corridor project intends to promote regional food security over the coming 20 years in an area linking the port of Dar es Salaam with Zambia and the Democratic Republic of Congo. Ghana's Northern Breadbasket Transformation takes a similarly far-reaching view, envisioning near self-sufficiency in rice by doubling the incomes of 250,000 poor farmers in the country's lowest-income region.

What makes such proposals different from others that have come before them? It is their clear engagement of the private sector as the change agent, using integrated



If African countries increase the productivity of their land and cultivate more of it, they can become net food exporters in the coming years



value chain thinking. They are centred on farmers but look beyond this, seeking substantial new private investment in infrastructure, inputs, financial services and all other factors needed to increase agricultural efficiency and production.

Is it overly optimistic to think that African countries could dramatically transform their agriculture sector in the coming decades, feeding not only themselves but much of the world? Not if one considers the experience of Brazil, which increased its soybean production in the Cerrado region fivefold between 1975 and 2005, with a coordinated programme of public and private investment, and is now one of the world's largest producers. Another example is India, which experienced famine in the low-income state of Bihar in 1966–67. Then it introduced the Green Revolution in rice, greatly increasing its yields over time. Today, India is one of the world's largest producers of rice, and one of the world's rising economic powers.

In both cases, as part of their overall agricultural policy mix, governments created the conditions that attracted new private investment, brought more farmland into production and increased yields. Africa can do the same, especially if it invests in food production and the related infrastructure, logistics and food processing necessary to recapture some of the 40 per cent of the food it produces that is wasted today.

A member of the World Bank Group, IFC is the world's largest global development finance institution focused on the private sector. In the last four years, the World Bank Group has increased its annual agriculture investment from \$4.1 billion to \$6.1 billion, about a third of which comes from IFC.

### Working together

IFC welcomes the G8's current emphasis on food security issues and is pleased to be part of the response through the Global Agriculture and Food Security Program (GAFSP) launched at the G20's Pittsburgh Summit in September 2009. Pooling new donor-grant resources to help support country-led agricultural investment plans, this initiative is housed at the World Bank Group and includes a private sector window to be managed by IFC. It will focus on launching and increasing high-impact products for small-scale farmers: risk sharing on credit, price-hedging instruments, inputs and infrastructure, among others.

Now is the time for all parties involved in GAFSP to honour their commitments. Let's do something together. The context is challenging. But positive outcomes are possible. I encourage all sides to come together around a common agenda, helping African countries develop their great commercial potential in agriculture. IFC stands ready to support the public-private partnerships needed to transform African agriculture, reframing the debate around food security issues, from one of crisis to opportunity. ♦

Brazil transformed its agricultural industry and its fortunes with soybean production





# The New International Intergovernmental **AIT** Charter



Representatives of twelve countries and one International Organization after the signing of the new Charter of the Asian Institute of Technology (AIT). The new Charter was signed on 25 August 2010 by the Foreign Minister of host country Thailand, H.E. Mr. Kasit Piromya and opened for countries and international organizations for signature.



H.E. Mr. Kasit Piromya,  
Foreign Minister of Thailand



H.E. Mr. Kazi Imtiaz Hossain,  
Ambassador of Bangladesh

The adoption and signing ceremony of the new AIT Charter, which took place at the Ministry of Foreign Affairs Thailand, will lead AIT to attaining full-fledged International Intergovernmental Organization status, the first of its kind in the field of higher learning. Besides Thailand, among those who attended the Ceremony and signed the Charter included Seychelles, Cambodia, Japan, Sri Lanka, Nepal, Pakistan, Sweden, Timor-Leste, Bangladesh, Philippines, India and the United Nations Development Fund for Women (UNIFEM). Indonesia signed the new AIT Charter on 20 January 2011.



Mr. Ouk Sophoin, (Chargé d'affaires),  
Embassy of Cambodia



H.E. Mr. Pinak Ranjan Chakravarty,  
Ambassador of India



H.E. Mr. Kyoji Komachi,  
Ambassador of Japan



H.E. Mr. Naveen Prakash Jung Shah,  
Ambassador of Nepal



H.E. Mr. Sohail Mahmood,  
Ambassador of Pakistan



H.E. Ms. Linglingay F. Lacanlale,  
Ambassador of the Philippines



H.E. Mr. Philippe Le Gall,  
Ambassador of Seychelles



H.E. Professor J.B. Dissanayaka,  
Ambassador of Sri Lanka



Mr. Sven Malmberg, Minister (Chargé d'affaires),  
Embassy of Sweden



H.E. Mr. Joao Freitas de Camara,  
Ambassador of Timor Leste



Ms. Moni Pizani, Representative in Thailand  
and Regional Program Director of UNIFEM



H.E. Mr. Mohammad Hatta,  
Ambassador of Indonesia



# *Education for a Secure Future*

## *Asian Institute of Technology meeting challenges of the 21st century*

The reestablishment of the Asian Institute of Technology (AIT) as an International Intergovernmental Institute of Higher Learning marks the end of one era and the beginning of a new one. Ever since its establishment as the then SEATO Graduate School of Engineering in 1959, AIT has been partnering Asia's future. From being honored with the Magsaysay Award in 1989, and the Friendship Order of the Government of Vietnam in 2006, the Institute has played a significant role in capacity building thereby contributing to the Asian miracle.



With the era of the SEATO Graduate School having ended, AIT has now embarked on a new path. "Times have changed, and AIT must change as well," were the remarks of the Foreign Minister of Thailand, H.E. Kasit Piromya, while signing the New Charter of AIT on 25 August 2010. Not content to be restricted in Thailand; AIT's centers in Vietnam and Indonesia are in the process of being upgraded. AIT plans to establish satellite campuses in six to seven countries in Asia.

AIT has tied up with Nobel laureate Prof. Muhammad Yunus to establish a Yunus Center at AIT, which promotes social business to make a positive impact in the field of poverty alleviation. The hugely successful Poverty Reduction and Agricultural Management (PRAM) program implemented in Laos - where practicing officials work on poverty alleviation and receive a Bachelor's degree in return, is being sought after by other countries.

The ASEAN Regional Center for Promotion of Millennium Development Goals (MDGs) ARCMDG at AIT has been endorsed by the UN Secretary General H.E. Mr. Ban Ki-moon as the world's first Regional Center of Excellence for MDGs. Another center, the Corporate Social Responsibility (CSR) Asia Center at AIT, promotes the concept of CSR in South-East Asia.

Apart from providing education through the three schools of Engineering and Technology, Environment, Resources and Development, and Management, AIT has a training arm in the form of AIT Extension, and a consultancy service called AIT Consulting.

AIT's research focus is on Sustainable Development in the Context of Climate Change (SDCC). The Center of Excellence in SDCC was inaugurated by Ms. Noeleen Heyzer, Executive Secretary, UNESCAP. Speaking at the inaugural was Magsaysay award winner and AIT alumnus Mr. Yu Xiaogang, who remarked that his activism came courtesy the knowledge of Sustainable Development that he gained as an AIT student. AIT is host to the 3R (Reduce, Reuse and Recycle) Regional Knowledge Hub, supported by the Asian Development Bank (ABD), UNEP and UNESCAP. AIT also hosts UNEP's Regional Resource Center for Asia and Pacific (AIT-UNEP RR.CAP), a joint center with AIT; Regional Integrated Multi-hazard Early Warning System for Asia and Africa (RIMES); and the Asia office of Télécoms Sans Frontière.

With partners all over the world, a five decade long history of excellence in education, research and capacity building, AIT is responding to today's global reality with a New Charter that positions itself as an ideal place to take on the challenges of the new century.



**AIT**  
Asian Institute of Technology

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# The role of the Asian Development Bank

*Reducing poverty in Asia continues to be a key challenge. Both the G8 and the Asian Development Bank are focused on their mission to assist populations in extreme need and to generate sustainable growth across the region*

**By** Haruhiko Kuroda,  
president, Asian  
Development Bank

**D**eveloping Asia has rebounded strongly from the global crisis. Today, it remains the fastest-growing and most dynamic region in the world. The region's real gross domestic product climbed from about \$3.3 trillion in 1980 in purchasing-power parity terms to an estimated \$24.5 trillion in 2009, increasing seven-and-a-half times compared with three times for the world economy as a whole.

Despite this progress, the Asia-Pacific region remains home to about two thirds of the world's poor. About 1.8 billion people in the region today live on less than \$2 per day. Progress in meeting the Millennium

Development Goals (MDGs) is far too slow: almost two billion people live without basic sanitation and nearly half a billion without safe drinking water; infant mortality in some countries is more than 10 times higher than that in developed countries; and rising food prices are now putting severe pressures on Asia's poor. Recent estimates by the Asian Development Bank (ADB) show that a 10 per cent increase in local food prices could push an additional 64 million people into poverty in 25 countries. This could seriously undermine the gains already made to reduce extreme poverty over the last decade.

The region cannot reduce poverty and inequality without adequate growth. As we navigate our way in this





Additional investment in infrastructure will be a vital component in the drive to raise living standards across Asia

post-crisis world, it is clear that the development landscape has shifted, and we must consider new pathways to Asia's growth. With a slowdown of growth and exports in the industrial world, Asia now needs to rebalance the sources of growth with regional and domestic demand. This will contribute to the resilience of Asian economies and global market realignment.

Over the long term, rebalancing growth and reducing poverty will depend heavily on investments in infrastructure. Roads, water supply, sewerage systems, power and telecommunications are vital for the production of goods and services. They also facilitate trade, reduce business costs, connect people to markets, and create jobs and opportunities for the poor. The current infrastructure deficit in the region continues to be a bottleneck to growth, a threat to competitiveness and an obstacle to poverty reduction. A recent study puts a price tag of \$8 trillion on the region's infrastructure needs over the next decade.

The region's environment, too, faces daunting threats. The decline in forest cover and the steady rise of greenhouse gas emissions are a major challenge. As a result, the region has become more vulnerable to extreme weather, rising sea levels and other phenomena that are related to climate change.

The recent tragic events in Japan demonstrate that even developed countries are not fully immune to the fury of nature. Poor communities, and particularly women and children, will nonetheless continue to be hardest hit. Given the large geographical and intergenerational impacts of a business-as-usual development path, environmentally sustainable growth must be considered a national, regional and global public good.

One can hardly consider Asia's future without touching on regional cooperation and integration (RCI). The recent crisis has strengthened Asia's commitment to bring RCI

to the next level. ADB believes that the potential of RCI in further accelerating economic growth, reducing poverty and economic disparity, raising productivity and employment, and strengthening institutions has not been fully harnessed.

#### ADB's response

To maximise development impact and efficiency in partnership with others, ADB's long-term strategic framework, Strategy 2020, focuses on five core areas of operations: infrastructure, environment, RCI, finance-sector development and education. These areas are tightly linked to ADB's three strategic development agendas of inclusive economic growth, environmentally sustainable growth and regional integration.

**Inclusive growth:** The private sector has a role to play in generating and sustaining economic growth. Under Strategy 2020, ADB aims to scale up support for private sector development and operations to reach half of its annual operations by 2020. To help ensure that growth is more inclusive, ADB will also increase support for transport, energy, water and other infrastructure and for basic public services, such as education and health care. This helps to widen the circle of opportunity so that all members of society can participate in, and benefit from, economic growth.

**Environment:** ADB promotes environmentally sustainable growth, including efforts to tackle climate change, with dedicated funds for this purpose. Financing for clean energy has grown to more than \$1 billion a year, and ADB plans to double that to more than \$2 billion per year by 2013. Its support for environmentally friendly technologies, such as clean and renewable energy sources and energy-efficiency improvements, helps to build climate resilience in highly vulnerable sectors and communities.

**RCI:** ADB is active in helping to build stronger links among member countries in trade and finance, and cooperation in economic surveillance. Asia has made considerable progress in economic and financial cooperation, and the recent global crisis has added a sense of urgency. Asia needs to do more to promote intra-regional trade, which can complement domestic demand as an additional source of dynamism in the post-crisis world. ADB continues to support financial market integration and investments in regional infrastructure to promote regional connectivity.

#### The G8's focus

Tackling poverty remains Asia's key challenge. MDG targets at the global level cannot be achieved unless they are achieved in Asia. Thus, the G8's focus on Asia should not diminish. Despite their own fiscal challenges, G8 countries need to keep their global commitments and increase their official development assistance to combat poverty in the region.

As with the MDGs, the climate change battle will also be won or lost in Asia. Reducing the emission of greenhouse gases has global benefits and, therefore, requires global efforts. Strong G8 support in advancing the Cancún agreements and for climate-change efforts by the countries of developing Asia is vital.

This is also the time for both the developed and developing parts of the world to bring an orderly workout of global imbalances, not only to sustain future growth, but also to help avert future crises. As the world is likely to see an uncertain period of sluggish demand in advanced economies, Asia should step in with increased consumption and investment to drive global growth. A shift to a more balanced growth model in Asia will help to support the G8 recovery – and provide a sound basis for future global growth. ♦



A 10 per cent increase in local food prices could push an additional 64 million people into poverty in 25 countries



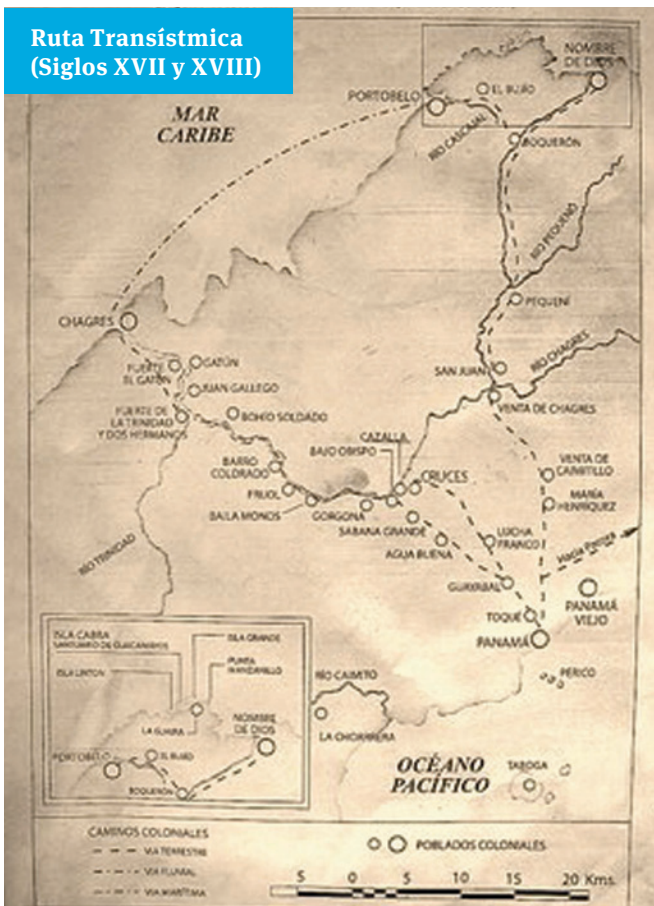




# Panama: where the world meets

*Its history, current developments and prospects for the future*

Ruta Transístmica  
(Siglos XVII y XVIII)



Throughout the centuries, Panama has been a place of transit for both people and merchandise. The land named after its abundance of butterflies and fish and its native deciduous tree plays an important role in trade development and worldwide communication.

During the colonial period, the Atlantic and the Pacific were united by the construction of two overland routes, “El Camino Real” and “El Camino de Cruces”, and the isthmus was transformed into the trade route between Spain and its colonies. The city of Portobelo became the principal location for trade, as well as the starting point for the colonising expeditions of the New World.

Centuries later, Panama’s geographic position has preserved its importance as the crossroads of the world. During the 20th century and the early years of the 21st century, the value of Panama’s geographic position has further appreciated with the construction of the Panama Canal. This key conduit serves global trade through 144 routes, and is used by 14,000 ships annually. Commerce is also supported by modern ports on both the Atlantic and Pacific coasts, considered among the most efficient in Latin America, and connected through railroad and highway systems.

With the objective of maintaining and expanding the competitiveness of Panama’s geographic position, the government has made an investment of \$5.2 billion to expand the Panama Canal. The mammoth project includes the construction of two new sets of locks, which will facilitate the passage of Post-Panamax vessels with capacities of 12,000 TEUs (Twenty-foot Equivalent Unit), a huge feat when compared to the Panamax vessels with capacities of 4,500 TEU that currently



transit the Canal. This expansion is taking place simultaneously, as the private sector studies the construction of new ports on the the country's two coasts.

Panama uses the US dollar as its local currency; this in turn eliminates exchange risk. Meanwhile, the development of the banking center, with financial integration and assets totalling over \$70.9 billion, enables competitive interest rates. These key strengths, coupled with the multimodal communication system, have facilitated the evolution of what was originally regarded as the famous Portobelo fairs into what is now known as the largest free trade zone in Latin America, and second in the world after Hong Kong. The Colon Free Zone, as it is called, generates over \$20 billion annually through its import and export activities.

In the financial sector, the national government is making compelling progress in establishing transparency. It has implemented new conditions to exit "grey" lists of organisations such as the OECD, as it moves towards becoming an international financial services hub. Some of these actions include: reducing its corporate tax from 30 per cent to 25 per cent, reducing personal income tax, and raising value-added tax to 7 per cent. Panama has already signed 10 Double Taxation Conventions with the following countries: Mexico, Barbados, Portugal, Qatar, Netherlands, Spain, Luxembourg, Singapore, South Korea and Italy, as well as a Tax Information Exchange Agreement with the United States of America, and it is currently negotiating with others. This progress, along with the country's achievement of "investment-grade status" from Moody's, S&P, and Fitch Ratings, due to the stabilisation of public finances, has and will continue to attract more foreign investment.

Panama has a stable macroeconomic environment as a result of the cautious management of public finances and the implementation of measures to achieve public-debt sustainability. These methods have served as the base in the development of an ambitious public investment programme. Along with this action, Panama's higher exports of goods and services, and steady influx of foreign investment have all added to an average real growth rate of 8 per cent a year.

Panama was one of the few countries worldwide to achieve economic growth in the midst of the financial crisis.

Panama is regarded as the hub of the Americas due to excellent flight connections, linking the entire Latin American region. The Government is expanding this core strength with a \$80 million investment to modernise the passenger and cargo terminals of the Tocumen International Airport, the country's largest airport. In order to increase tourist traffic, there are three new international airports under construction in the interior of the Republic. Simultaneously, highways are being expanded and new roads are being built to extend land routes and facilitate the transport of passengers and cargo. A massive infrastructure project dealing with the reorganisation of the capital city's roads has been undertaken at an estimated \$1.5 billion, with the goal of increasing connectivity and enabling smooth travel for the population, while also improving the business environment.

Also under construction is the first section of the modern metro system, which will carry passengers from 13 stations along a 13.7 km track through the heart of the city. This initial subway route has an approximate cost of \$1.8 billion, and will serve to reduce transit time, lower the national consumption of fuel, and significantly reduce the emission of gases that cause global warming. Panama also has a world-class telecommunications system with the lowest rates in Central America, due to its open market, and supported by various submarine fibre-optic cables connecting it with the rest of world.

Panama's forecast looks very promising in the coming years, thanks to its successful management of its public affairs, the expansion of its investments, and a steady increase in the exportation of goods and services. The country's gross domestic product will continue to grow steadily at favourable rates, while decreasing the unemployment rate. The economic expansion will allow the government to continue its monetary transfer programs and support to control the rising energy costs, aimed at helping low-income households, thereby ensuring that the fruits of the economic growth reach and benefit the entire Panamanian population.



# The need for a balanced economic governance system

*The 'big three' are at the table already, but the smaller countries of Latin America and the Caribbean need the chance to contribute to global concerns in a way that will foster their economic development while taking into account the challenges they face*

**By** Luis Alberto Moreno, president, Inter-American Development Bank

Since the onset in 2008 of the global financial and economic crisis from which the world is emerging, the G20 has become the premier forum for global dialogue and policy coordination on international economic issues. The G20 has been instrumental in helping the world confront the crisis. It prevented financial contagion, coordinated macroeconomic policy and bolstered international financial institutions. In 2010, the shareholders of the Inter-American Development Bank (IDB) – including the countries in the G8 and the G20 – approved the biggest capital increase in the bank's history.

## **Balanced economic governance**

As global leaders discuss the new post-crisis situation at the G8 summit in Deauville, it is clear that the world needs a balanced economic governance system that enables small and vulnerable countries to contribute to the ongoing debate. The G20 can surely fulfil this role and thereby ensure global economic stability.

Even though Latin America and the Caribbean are well represented in the G20 with Argentina, Brazil and Mexico, the smaller countries in the region must also have a say in the global governance system. The IDB is committed to fostering an agenda for the G20 that includes such smaller countries and addresses the following challenges.

## **Risks to development**

Global imbalances and macroeconomic policy coordination have been a key focus of the G8 historically, and of the G20 since 2008. Both must consider the vulnerabilities of developing countries and the imperatives of their economic development.

Many Latin American countries are experiencing the consequences of large capital inflows caused by an expansionary fiscal and monetary policy in the US and by the official or unofficial peg that several countries maintain to the depreciating dollar. Others, particularly in the Caribbean, suffer from a dearth of capital.





Such abrupt capital swings pose serious risks to development. A lack of foreign direct investment hampers a country's growth potential by depriving it of needed capital. But large, sudden and short-term inflows – often speculative in nature – also create problems. They appreciate a country's currency, reducing the competitiveness of exports of certain sectors. A flood of cheap foreign money may fuel excessive lending and generate asset bubbles. Moreover, the speculative capital rapidly flowing into developing and emerging countries can be withdrawn just as swiftly if the monetary and fiscal conditions of major economic powers change.

Although policymakers in the region are implementing measures to deal with these increased inflows, such excesses heighten the risk of boom-and-bust cycles, which usually lead to severe development setbacks.

There is no quick fix that the G8 or the G20 can apply to correct the current global imbalances. As the recovery takes hold, markets should gradually adjust the imbalances. Developed and emerging economies with big current-account surpluses and export-led growth models should consume and import more. Countries with excessive debt should save more and ramp up their exports.

But the markets alone cannot bring about this correction. The imbalances are too big and the recovery is too fragile. A solid global financial safety net needs to be woven, to provide comprehensive coverage for liquidity risks, and a clear and predictable path to economic adjustment and debt restructuring to those countries that need it.

#### **A far-reaching agenda**

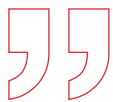
As the global crisis subsides, the development agenda must be implemented, particularly with regard to regional infrastructure. Additional dimensions need to be added, particularly for climate change and international trade.

The Latin American and Caribbean region shares the global concern presented by the threat of climate change. Most of the debate focuses on reducing greenhouse gas emissions. There must also be a focus on climate change adaptation and mitigation. Studies indicate that climate change could lead to shortfalls in food production and deteriorating food security in Latin America and the Caribbean. Adaptation and mitigation interventions must be scaled up so that this region and others can cope with these shocks.

Specific solutions to the challenges posed by climate change must include the preservation of the Amazon and



An open and predictable rules-based international trading system will be key to economic development



Latin American and Caribbean farmers could experience food-production shortfalls due to climate change

other tropical forests, and an appropriate climate change adaptation programme in vulnerable countries, such as island countries, including those in the Caribbean; and tropical nations, such as those in Central America.

An open and predictable rules-based international trading system will be the key foundation for the region's economic development. Multilateral solutions are required to enable developing countries to access the necessary regulatory and physical infrastructure so they can reap the full benefits of international trade.

G8 and G20 leaders should also urge trade negotiators to pursue multilateral solutions as a complement to the current proliferation of preferential trade agreements. A successful conclusion of the Doha Round is critical to provide a deeper multilateral normative framework to regional agreements, and to address key systemic issues that can be dealt with effectively only at the multilateral level, such as the reduction of agricultural subsidies.

#### **Having their voices heard**

Latin America and the Caribbean have strong representation at the G20 through the presence of Argentina, Brazil and Mexico. But the region's smaller countries face economic and social development challenges different from those experienced by the "big three".

For example, the countries of Central America and the Caribbean have been especially hit by trade shocks resulting from the 2007-09 recession in the US and continued low growth in most European countries. As is the case with Andean countries, Central American and Caribbean countries are not represented in the G20.

To help these countries gain a voice in global governance, the IDB started organising regular regional meetings at the technical level to facilitate the exchange of views among its member countries.

In short, the global concerns of the G8 and G20 need to be addressed in accordance with each country's individual circumstances: one size does not fit all. As a developing region, Latin American and Caribbean countries are interested in a more comprehensive development agenda.

They need the opportunity to contribute to dealing with global concerns in a way that fosters their economic development and takes into account the specific challenges they confront. The IDB stands ready to give them a voice at the global table, and thereby enhance the global legitimacy of the G8 and G20. ♦



# Taking a different approach to finance

*As the protracted recovery from the global economic crises continues, Islamic finance offers an alternative to established Western banking and investment practices, highlighting the importance of social, as well as financial, development*

**By** Ahmad Mohamed Ali, president, Islamic Development Bank Group

The global economy has been shaken by both the financial and sovereign debt crises. This has adversely affected trade, the economy and the lives of millions of people. Global economic and social progress has also been challenged by food insecurity and climate change. Between 50 million and 64 million more people are living in extreme poverty as a result of the global financial crisis. All countries must therefore actively increase their economic growth and social spending to improve well-being and social progress.

## Factors affecting development

Assessing the role of Islamic finance in social progress requires a clear understanding of social well-being. Social progress can be promoted through improvements in several indicators, including the income of families and individuals, particularly of the poor; levels of health, education and vocational training; employment and self-employment opportunities; a sense of economic and personal security; levels of poverty and social exclusion; the extent of equity and justice; the extent of social cohesion; and environmental sustainability.

Clearly, progress in the economic, financial and social realms is closely linked – partly because economic prosperity is among the most important determinants of sociological change, and partly because the resources produced by economic growth enable social-policy expenditures. In this process, the availability of finance in accordance with the moral and social preference of society is extremely important, because it contributes directly to social well-being and indirectly through enhanced financial inclusion. The Islamic approach to social progress

“By reducing the severity and frequency of financial crises, Islamic finance has great potential for promoting sustained investment in social sectors”

emphasises the need for balanced development, which covers both material and spiritual development.

Islamic finance is part of a larger Islamic system that signifies a complete set of beliefs, moral norms and legal principles that guide individual and collective behaviour. Islam stresses justice and strictly prohibits interest in all its forms. Instead, it promotes the sale of goods and services undertaken to acquire mutual gains in economic dealings. Islam also calls for avoidance of *gharar* – the prevalence of excessive uncertainty in contracts and economic dealings. Universal moral values are supported by this system: Islam strictly prohibits deception and cheating, and emphasises mutual cooperation for all good and beneficial activities. A closer look reveals that Islamic modes of finance keep finance tied to real economic activity. This link helps to keep the growth of credit in tandem with the growth of the real sector.

Islam also prohibits trading in debt. This carries the potential of encouraging lenders to carefully evaluate the debt proposal and the ability of the borrower to repay. This prohibition helps limit the possibility of easy debt rollover and, thereby, performs the dual function of curbing the rise of debt in financial markets and promoting greater financial stability.

Despite regulatory controls, the unbridled accumulation of debt is a major weakness of the present financial system. Combined with consumerism that flourishes on excessive debt, this systemic weakness leaves fewer resources for meeting the basic needs of the many, and less saving for productive investment – and investment in the social sector is generally the first victim in a financial crisis. Thus, by reducing the severity and frequency of financial crises, Islamic finance has great potential for promoting sustained investment in social sectors. Investment in health, education and other social aspects of development ensures the continuity and progress of societies in the long term. Today's debt, if not productively used, will be a serious burden on future generations.

Islamic finance accords due recognition of the importance of the voluntary sector and the rich contribution to society that *zakah*, *awqaf*, *sadaqat* and other philanthropic initiatives can make to social progress. These are only some examples of minimum compulsory, as well as other purely voluntary, institutional arrangements to meet the basic needs of food, shelter, education and health of the poor. This should help ensure social progress of all strata of society. The combination of for-profit and non-profit sectors of Islamic finance can lead to better socioeconomic development. However, this potential can be realised only if Islamic finance is practised in its true





spirit and form. Its misuse, like the misuse of any system, can prevent the attainment of its benefit in full.

The advantages of Islamic finance are not limited to Muslims to the exclusion of others. Its systemic benefits are public in nature, available to all, irrespective of religion, race, nationality or gender. In terms of access to finance and also as a business proposition for the users and suppliers of finance, Islamic finance is open to all without discrimination. By using simple rules, it promotes justice and sharing risks, and rewards fairly at micro, as well as macro, levels.

#### **Economic advancement**

The Islamic Development Bank Group (IDBG) activates the entire spectrum of Islamic finance – including public finance, development finance, private philanthropy, microfinance, *zakah* and *awqaf*, thereby enhancing the impact of socioeconomic development.

The IDBG uses Islamic modes of finance in its development-financing operations. It helps to establish Islamic financial institutions with the aim of creating an Islamic financial sector that contributes to the economic advancement of its member countries, and also realises benefits for social progress at the global level.

The IDBG has been active in education and health sectors since its inception. In the past three decades, its intervention in these sectors has increased considerably, representing about 13 per cent of its total financing to 2010. An important new initiative is the creation of the Islamic Solidarity Fund, with a target capital of \$10 billion. The fund was initiated at the 2005 summit

Islamic finance recognises the link between financial advancement and social progress, including areas such as education

of the Organisation of the Islamic Conference (OIC) and entrusted to IDBG for implementation, with the aim of increasing operations for poverty alleviation, improving capacity building, eliminating illiteracy, and eradicating diseases and epidemics in the OIC states.

The IDBG has several innovative projects and strategic interventions for social-sector development. It has established, in cooperation with government entities and financial institutions, the Awqaf Properties Investment Fund (APIF), with the objective of reviving and reintegrating philanthropic and social-service trust institutions to promote development through this voluntary sector. APIF has financed projects in different countries. The resulting cash flows from these IDBG projects will help finance general charitable programmes for the poor and guarantee the availability of long-term income for charities.

Another innovative undertaking is the microfinance development programme to enhance access of the poor to Islamic finance (\$500 million over five years). The IDBG has already approved several operations under this programme for member countries in Africa, the Commonwealth of Independent States and the Middle East. It is also establishing the first Islamic microfinance institution in Bangladesh and studying the modalities of establishing an Islamic microfinance fund in Indonesia. These pilot projects will serve as test cases for developing similar models in other jurisdictions.

All indications are that Islamic finance can make a valuable contribution to social progress. ♦



# Towards a renewed G8

*Three challenges on the agenda this year – Africa, development and security – are significant not just for their scope, but because they raise questions about the G8's role. Tackling them will involve reaching a new equilibrium for the group*

**By** Abdou Diouf,  
secretary general,  
La Francophonie

**F**aced with the limitations and red tape of the multilateral system born from two world wars and the Cold War, the great powers have created influential groups tasked with taking the initiatives required by increasingly rapid changes in the world.

The G8 is one of those groups that has played a major role during the transition period that began with the fall of the Berlin Wall. But today it faces new challenges.

Of all the issues on the agenda for the G8 in 2011, three stand out, both in terms of their scope and the

way that they question the group's current role: Africa, development and security.

Africa is a rapidly growing continent. Its primarily young population, expected to reach two billion between 2030 and 2050, is becoming more and more urbanised. It aspires to political and economic changes, in ways that are wide open to foreign products and investments. However, Africa remains a supplier of raw materials and has poorly qualified labour forces. And in order to use one to promote the other, it must overcome three major challenges – energy, communication and training.





On its own, Africa cannot gather the capital and savings it requires. And while contributions from G8 members have been dropping, funds have been flowing in from emerging countries that have good reason to turn towards Africa: the need for raw materials and renewable assets, market research for products intended for mass consumption, and weakly structured and regulated legal and business environments. Despite its financial weight and its declarations, the G8 is losing its ability to control the development models being put in place owing to this influx of new contributions: the Washington consensus was sought in the past, but has not been replaced.

Development, which is needed the most in Africa, as the continent that has highest number of least developed countries, has become more important than ever. How can African countries meet the requirements for infrastructure funding, particularly those needed for the diversification of their businesses and economies in a globalised world? How can they supply enough food for urban populations and fight poverty in rural populations? How can they ensure the health and education of the masses, not only to meet the Millennium Development Goals, but also to display sheer pragmatism, when pandemics linked to poverty, ignorance and the lack of basic healthcare can spread like wildfire?

The G8 has had the instruments it needed, with the International Monetary Fund, the World Bank and development agencies. Year after year, it has made commitments. Yet there have always seemed to be good



Transporting water in western Afghanistan. Development and security are two of the major challenges on the agenda

reasons why there was no follow-through, despite many crises and an obvious increase in inequalities.

For the past 10 years, its experts and research teams have been working at finding innovative funding solutions and now have a full range of available options. Yet only a handful of experiments have been carried out, successfully one might add. Why is the G8 not moving forward? Why does it continue to be vague about additional funding? The answer is significant, since broad implementation of new resources will require a serious change in the architecture of aid, as emerging countries continue to be a part of new funding solutions.

Development remains strongly linked to security, a major issue for countries that have been used to peace and a well-regulated political environment. From the end of the Cold War until 11 September 2001, the G8 tolerated too many local conflicts, as horrible as they were, that did not directly affect G8 countries. But for the past 10 years, the G8 has been viewing the situation differently, in the world in general and in Africa in particular. Within this continent lies an entire reserve of people likely to become soldiers for many different causes, in all parts of Africa.

On the one hand, Africa aspires to growing democracy; on the other hand, it has become a hub for traffickers of all sorts and a base for piracy. Although the G8 has forces many times greater and better equipped than any agitators or ringleaders, it no longer knows how to control groups that are constantly changing, in

“ We need a serious change in the architecture of aid, as emerging countries continue to be a part of new funding solutions ”

context where paths are continually shifting, alliances are made and broken, and traditional instruments no longer provide the required information.

If the G8 is to remain primarily responsible for monitoring and controlling the movement of assets, money and people, then it will need to understand how systems work. First, it is having difficulty predicting new threats, anticipating how they may develop and coordinating counter measures. This is because the systematic deregulation that it supported in the 1990s resulted in this open environment. It is largely responsible for this new reality, and it must come up with new instruments that will help to regulate the situation.

If it wishes to act effectively with respect to these vital issues, the G8 will need to take a hard look at countries that have become major players on the international scene, and that did not have a central place in the multilateral system between 1945 and 1973. Its efforts to organise management at two levels – sovereignty-related issues at G8 meetings, and issues related to financial, economic and sustainable development at G20 meetings – must meet Africa’s expectations, which have been clearly expressed. These efforts must actively contribute toward finding new states of equilibrium where there is engagement by members of the G20, as well as by other countries aspiring to emerging status and those wishing more than ever to rise above poverty. ♦



# Vers un G8 renouvelé

*Les 3 défis qui sont à l'agenda cette année (l'Afrique, le développement et la sécurité) ne sont pas seulement importants par leur ampleur, mais aussi par les interrogations qu'ils soulèvent sur le rôle du G8. Les affronter impliquera la création d'un nouvel équilibre pour le groupe*

**Par** Abdou Diouf, secrétaire général de la Francophonie

**F**ace aux limites et aux lourdeurs du système multilatéral né de deux conflits mondiaux et d'une guerre froide, les grands acteurs ont suscité des groupes d'influence chargés de prendre les initiatives exigées par les changements toujours plus rapides de l'ordre mondial.

Le G8 est un de ceux qui ont joué un rôle majeur durant la période de transition commencée avec la chute du Mur de Berlin. Mais aujourd'hui il doit faire face à d'autres questions.

De tous les sujets inscrits à l'agenda annoncé du G8 en 2011, trois dossiers retiennent l'attention, tant pour leur portée que pour la façon dont ils questionnent le rôle actuel du groupe: l'Afrique, le développement et la sécurité.

L'Afrique est un continent engagé dans une croissance accélérée. Sa population, majoritairement jeune et qui doit atteindre 2 milliards entre 2030 et 2050, est de plus en plus urbanisée et aspire à des changements politiques et économiques, dans des contextes très largement ouverts aux produits et aux investissements extérieurs. Mais l'Afrique demeure un fournisseur de matières premières et de forces de travail faiblement qualifiées. Et elle doit, pour employer les unes à la valorisation des autres, faire face à trois défis majeurs, en matière d'énergie, de communication et de formation.

Or elle ne peut réunir seule les capitaux et l'épargne nécessaires. Et, face à la baisse relative des apports des membres du G8, des capitaux affluent, venant des





pays émergents qui ont de bonnes raisons de se tourner vers l'Afrique: besoin de matières premières et de biens renouvelables, recherche de marchés pour des produits de masse, espaces juridiques et commerciaux faiblement structurés et réglementés. Malgré son poids financier et ses déclarations, le G8, du fait de cette nouvelle donne, voit baisser ses capacités de contrôle en ce qui concerne les modèles de développement mis en œuvre : le consensus de Washington a vécu, il n'a pas été remplacé.

Pour autant la question du développement, qui concerne avant tout l'Afrique, où se trouvent la majeure partie des pays les moins avancés, est plus prégnante que jamais : comment financer les besoins en infrastructures, particulièrement celles nécessaires à la diversification des économies et au commerce dans un monde globalisé? Comment faire face aux besoins alimentaires de populations urbaines et combattre l'appauvrissement des populations rurales? Comment veiller à la santé et à l'éducation du plus grand nombre, non seulement pour se conformer aux Objectifs du Millénaire pour le Développement, mais surtout pour faire preuve du pragmatisme le plus élémentaire, quand les pandémies liées à la pauvreté, à l'ignorance et à l'absence de soins de santé primaire peuvent se propager de façon fulgurante?

Le G8 avait les instruments en main, avec le Fonds Monétaire International, la Banque mondiale et les Agences de développement de ses différents membres. Année après année, il a pris des engagements, mais d'excellentes raisons l'ont conduit, malgré plusieurs crises et l'accroissement manifeste des inégalités, à repousser leur exécution.

Depuis dix ans, ses experts, ses équipes de recherche travaillent sur les financements innovants



et disposent désormais d'une panoplie complète en ce domaine: mais seules quelques expériences ont été menées, d'ailleurs avec succès. Pourquoi le G8 n'avance-t-il pas et reste-t-il également imprécis sur l'additionnalité de ces financements? La réponse est d'autant plus essentielle qu'une mise en œuvre large de nouvelles ressources exigera une profonde mutation de l'architecture de l'aide, à la mesure de la participation des pays émergents à ces nouveaux financements.

La question du développement reste fortement liée à celle de la sécurité, enjeu majeur pour des pays habitués à la paix et à une vie politique bien réglée. Après la fin de la guerre froide et avant le 11 septembre 2001, le G8 s'est résigné à trop nombreux conflits locaux, si horribles soient-ils, car cela ne le touchait pas directement. Mais depuis dix ans, il regarde de façon bien différente la situation, dans le monde bien sûr, en Afrique encore plus. Celle-ci recèle une réserve d'hommes susceptibles de devenir les combattants de toutes les causes, de toutes les migrations.

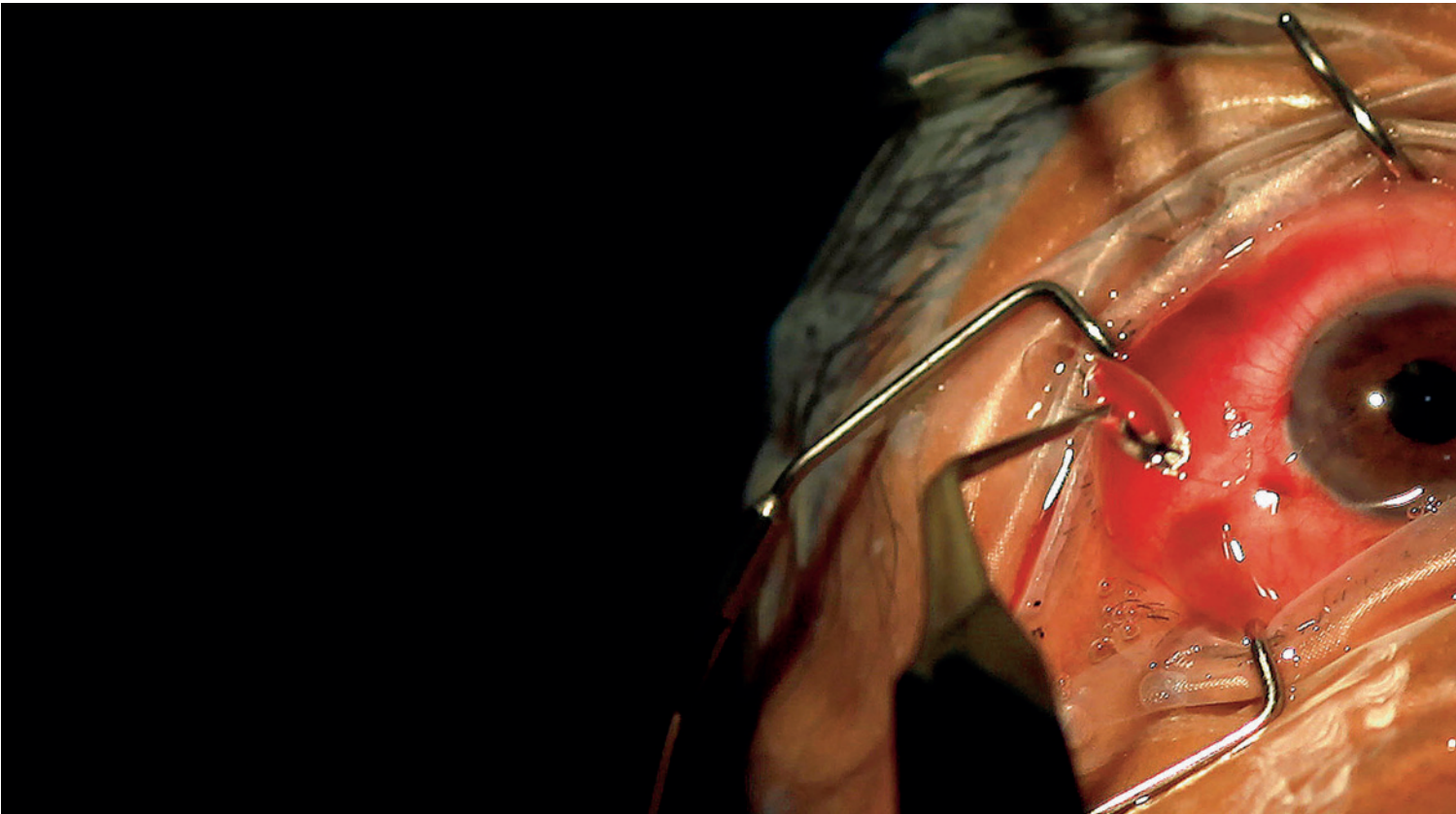
En effet, dans le même temps, l'Afrique est animée par une aspiration démocratique grandissante et elle est devenue la plaque tournante de tous les trafics, la base de toutes les pirateries. Le G8 qui dispose pourtant de forces incomparablement plus grandes et mieux équipées que n'importe lequel des agitateurs ou chefs de bandes, ne sait en fait plus comment contrôler un ensemble en perpétuelle mutation, où les trajets ne cessent de se modifier, où les alliances se nouent et se dénouent, où ses instruments ne lui donnent plus les informations requises.

Force est de constater que, si c'est encore à son niveau que se trouvent les principaux moyens de surveillance et de contrôle des mouvements, qu'il s'agisse des biens,

“ Il faut une mutation de l'architecture de l'aide, à la mesure de la participation des pays émergents à ces nouveaux financements ”

des fonds ou des personnes, il a besoin de comprendre comment les circuits s'organisent désormais. Partant, il lui devient difficile de prévoir les nouvelles menaces, d'anticiper leur développement et de coordonner les contre-mesures. Parce que, par la dérégulation systématique qu'il a soutenu dans les années 1990, il a créé ce monde ouvert, il a une part forte de responsabilité dans cette nouvelle réalité; et il doit inventer de nouveaux instruments pour contribuer à la réguler.

Sur ces dossiers essentiels, le G8, pour agir efficacement, doit prendre en compte les pays qui, devenus des acteurs majeurs au sein de la communauté internationale, n'ont pas la même pratique du système multilatéral mis en place entre 1945 et 1973. Ses efforts pour organiser une gestion à deux niveaux – les questions liées à la souveraineté au G8, les questions financières, économiques et de développement durable au G20 – doivent en particulier répondre aux attentes, clairement exprimées, de l'Afrique. Et ils doivent faciliter activement la recherche de nouveaux équilibres dans laquelle sont engagés les membres du G20, d'autres pays aspirant au statut d'émergent et ceux qui veulent plus que jamais sortir de la pauvreté. ♦



# Business with empathy for a better tomorrow

*Social business initiatives are achieving results in tackling the problems that free market capitalism has been unable to solve – persistent poverty, lack of access to healthcare and education, epidemics and environmental destruction*

By Muhammad Yunus, Yunus Centre

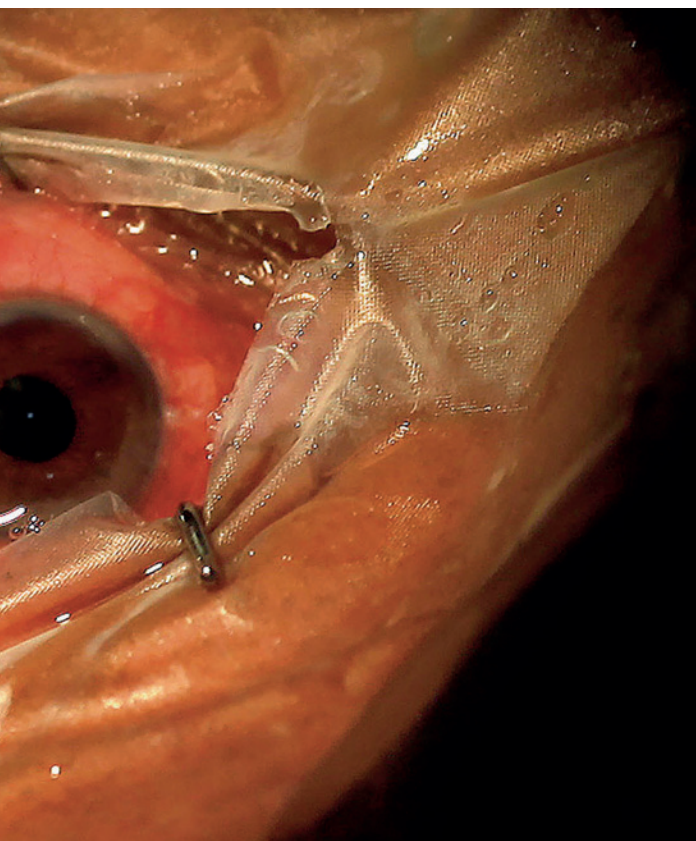
**W**hen free market capitalism became the dominant model for the globalised world, people came to think of themselves as one-dimensional economic actors who were out only to earn as much profit as possible. But look at what this approach has cost. Children work in dehumanising conditions in sweatshops; cities are choked in smog; and crisis after crisis rocks the globe – food, energy, environmental and oil crises. We can instantly transmit messages halfway across the world, but we cannot feed all the hungry children in our communities.

Sadly, because free market capitalism offers only a narrow vision of ourselves, we have allowed suffering, abuse, exploitative business practices and environmental degradation to become commonplace.

When I thought about how to reinvigorate the capitalist system with a definition that encompasses our innate empathy for our fellow human beings, I came upon the idea of 'social business'. This is a young, vibrant field that has enormous potential for meaningful impact and growth. I define social business as a non-loss, non-dividend company – 'non-loss' and 'non-dividend' mean that the social business makes only enough to repay its investors and/or expand. Thus, by their very nature, social businesses contribute to global development and social progress at the same time.

Social business initiatives are taking off at a steady pace as multinational corporations and dynamic young people are caught up in the promise of this exciting venture. Probably the most famous example right now of a social business is Grameen Danone, a joint venture with dairy products company Danone Group that





One Grameen project involves an eye care hospital that charges less for poor people, delivering high quality inexpensively through high volume

started in 2007. Grameen Danone produces and sells yogurt fortified with micronutrients to poor households in villages of Bangladesh. Apart from ensuring that rural children have access to an affordable product that helps them combat malnutrition, the Grameen Danone yogurt factory in Bogra also helps the local economy by providing steady work for cow farmers, as well as for the women who go out and sell the yogurt in the countryside.

Another example is Grameen GC Eye Care Hospital. This social business charges less for poor patients than for wealthy patients, and is based on a system that delivers high quality inexpensively through high volume. The hospital also has highly trained technicians who do most of the examination and preparation work, so that ophthalmologists can focus on the operations.

Dozens of other social business proposals are cropping up, such as the one submitted by the ID Group for two social businesses. One will open a workshop to produce functional clothing for children up to five years old in Bangladesh, providing technical training to the rural poor and generating employment. The other social business will be a daycare centre for children. I am excited about these and the many other social businesses in the works.

One of the biggest hurdles a social business must face on the road to launching and running it successfully is obtaining financing. To connect investors with social businesses, a social stock market is needed where only the shares of social businesses will be traded. An investor will come to this stock exchange with a clear intention of finding a social business with a mission of his or her liking. Anyone who wants to make money will go to the conventional stock market.

Unfortunately, the current legal and regulatory systems do not provide a place for social business. Whereas profit-maximising companies and traditional non-profit organisations – foundations, charities and non-governmental organisations (NGOs) – are recognised institutions covered by specific rules on organisational structure, governance, decision-making principles, tax

treatment, information disclosure and transparency, social business is not yet a recognised business category. The sooner there is a defined legal and regulatory structure for social business, the easier it will become for entrepreneurs and corporations to create a multitude of social businesses to tackle the human problems that plague society.

Climate change affects developing countries in particular, and its impacts threaten the incomes and livelihoods of millions of people. The effectiveness of social business will be diminished without a clear understanding of how poor people will deal with the risks due to climate change. Strategies need to be developed for agriculture, forestry and livestock to make poor people less vulnerable to climate stresses and shocks. Grameen is working with Crédit Agricole to develop an initiative that would provide micro-insurance to extremely poor people in disaster-struck areas. The challenge lies in getting a concept of insurance – traditionally aimed at the richer echelons of the population – to be extended to, applicable to and feasible for extremely poor people with very low incomes.

A properly performing social stock exchange requires rating agencies, standardised terminology and definitions, impact-measurement tools, reporting formats and new financial publications, such as the 'Social Wall Street Journal', and new electronic media, such as 'Social Bloomberg'. Governments must work together in creating legal frameworks for social business, which are capable of solving problems anywhere in the world.

In my decades of experience working among the poor in Bangladesh, I came to the conclusion that capitalism as it exists now cannot be effective in tackling such unresolved problems as persistent poverty, lack of access to healthcare and education, epidemic diseases and environmental destruction. This is where social business can come in and help do the work that the present version of free market capitalism, governments, NGOs and other enterprises have yet to finish. Social business is a dream and an action plan for a better tomorrow for all. I hope you will join me in my journey towards that future. ♦

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