

Rt Hon Hilary Benn MP
Secretary of State for International Development
Department for International Development
1 Palace Street
London SW1E5HE

5 April 2006

Dear Secretary of State,

DFID White Paper 2006: Business Action for Africa

We are grateful to have the opportunity to comment on *Eliminating World Poverty: A Consultation Document*. As a network of over 100 businesses and business organisations created to build on the momentum of the Commission for Africa, we have a strong interest in DFID's strategy for transforming the ambitious 2005 commitments into practical action.

May we start by congratulating you on the speech that you gave at the start of the White Paper consultation process, and for choosing growth and poverty reduction as your first theme. You rightly noted that, all too often, campaigners fail to highlight the primary importance of growth to generating jobs and income growth for poor people. DFID's understanding of the centrality of the private sector to this process was made clear in your speech, as well as in your publication *Working with the Private Sector to Eliminate Poverty*.

However, it was a disappointment that this emphasis was not reflected in your letter of 9 March, sent jointly with the Prime Minister and the Chancellor of the Exchequer, to Business Action for Africa. While the importance of partnership with civil society and parliamentarianism was highlighted, no mention was made of the private sector.

Nevertheless, we have been heartened by the recent interaction that we have had with DFID. Indeed, DFID's welcome participation in our network as a sponsor has clearly demonstrated its willingness to engage constructively with the business community.

In our view, the primary opportunity presented by the White Paper is to place your analysis of growth and the role of the private sector more explicitly at the heart of DFID's strategy. Creating the right conditions for private sector development and investment – reducing the risks and costs of doing business – must be central to DFID's efforts. A priority must be the indigenous small-scale private sector, including in the agriculture sector where the majority of poor people are located. Nor should we forget the major beneficial impact larger businesses can have on growing economies.

To that end, we urge you to consider adding a separate section into the White Paper on private sector development, setting out DFID's strategy in this area. In addition, we would like to see an understanding of the role of the private sector mainstreamed across the document. This is a perfect opportunity to recast the language of development, from the negative focus on "aid as charity" – so often employed by the NGO and donor community – to a constructive focus on growth and opportunity: "aid as investment" and "aid for trade".

We have included, as an Annex, some thoughts on one of the key questions raised in the consultation document, *What determines economic success and promotes economic growth in poor countries?*

We look forward to reading the final White Paper document.

Yours sincerely,

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Penny Hawley, Director General, **Biscuit, Cake, Chocolate and Confectionery Association**

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Gary Campkin, Head, International Group, **Confederation of British Industry (CBI)**

Richard Laing, CEO, **CDC Group**

Simon Gilbert, Manager External Affairs, **De Beers Group**

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Jeremy Reynolds, Senior Vice President & Head of Corporate Communication, CEMEA, **Visa**

Annex: What determines economic success and promotes economic growth in poor countries?

There are six priority areas that businesses (in Africa and across the G8) have identified for catalysing private sector-led growth, and for deepening opportunities for poor people to escape poverty.

A. Governance and Transparency

Good governance is the foundation of economic growth and poverty reduction. We are therefore pleased that the importance of effective states is set to be a key theme of the document. Clearly, effective states are critical to putting in place the conditions for private sector-led growth.

Business Action for Africa believes that support should be given to the African Peer Review Mechanism as an innovative framework by which to plan, measure and assess reforms. In other regions, a similar drive must be given to initiatives to increase transparency and improve governance.

Corruption is a global problem, but it hits the poorest hardest. Business must play its full part in tackling corruption: companies must take a stance of zero tolerance to bribe giving. Under the banner of Business Action Against Corruption, work is being taken forward in Africa to strengthen the capacity of the public and private sectors to tackle corruption.

A number of the participating companies in Business Action for Africa are lead members of the Extractive Industries Transparency Initiative (EITI). Business Action for Africa welcomes the increasing adoption of EITI within Africa and calls upon, and will aim to actively encourage, more countries and companies to work together to increase transparency across other sectors.

B. Climate for Business

African governments must continue to improve the “investment climate”: tackling the barriers to and reducing the costs of doing business. This is particularly important for the small-scale enterprises – that are hit hardest by a weak operating environment.

Business Action for Africa welcomes the proposed AU/NEPAD “Investment Climate Facility” (ICF) as an important private sector-led initiative to address these issues. Three participating companies recently announced their financial support for the ICF.

We also welcome the Infrastructure Consortium for Africa, and the renewed emphasis that is being placed by donors on tackling the continent’s infrastructure bottlenecks. This must now be translated into action on the ground – by securing the public resources needed, generating a strong supply of bankable projects, and promoting effective private sector participation.

C. Trade

Trade has the potential to be a powerful engine for Africa’s development but only if action is taken on three areas – a review of agricultural subsidies, increased access to developed country markets and support for improving Africa’s capacity to trade. Given the disappointing progress made at Hong Kong at the end of 2005, a concerted effort is needed over this year.

African governments, for their part, must work to enhance intra-African trade. Recognising the need for business to join the debate, Business Action for Africa will continue to campaign for a

more favourable trade regime for Africa. At the same time, a number of members are driving forward work on a specific, critical area – improving customs administration to facilitate international and regional trade.

D. Enterprise and Employment

A vibrant and successful private sector is key to sustainable growth. Encouraging Africa's entrepreneurial spirit and business skills – from its family farms and small firms to its larger companies – is important for growth and job creation.

In addition to DFID's work at the policy level to enhance the investment climate, there is an opportunity for DFID to help the private sector respond to a good investment climate and use "smart" forms of funding to accelerate and magnify the response from the private sector. DFID's innovative work on the Business Linkages Challenge Fund has been welcomed and the proposed Africa Enterprise Challenge Fund (AECF) seems to provide further opportunities to back private sector initiatives that combine commercial returns for the private sector with positive development outcomes.

More must be done to help small and medium sized enterprises access capital, skills and training, as well as opportunities to trade, including in the agriculture sector where the majority of poor people are located. Business has an important role to play and there is a growing body of good-practice in supporting enterprises through company supply chains. Technical assistance and aid for business training are also a key ingredient.

Larger foreign and domestic companies can also play an increasingly important role in sharing their technical skills with the African business sector, and thus build capacity and improve the viability and competitiveness of the sector.

Youth unemployment is a particular issue in many African countries, and must be tackled as a priority.

E. Human Development

Strengthening education and health systems is central to enabling people to participate fully in the economy, and is vital to long-term business growth. Specific attention must be paid to tackling HIV and AIDS, Tuberculosis and Malaria, and their devastating impact on people's lives, on business and on the economy. Business has an important role to play to complement the efforts of African governments and donors.

It is now widely recognised that the African Diaspora has an important role to play in building capacity on the continent. More should be done to maximise the potential of Africans living in the UK to fill skills gaps and contribute effectively to development programmes.

F. Perceptions of Africa

The language of intergovernmental debate – of debt, aid, poverty and conflict – dominates the way Africa is discussed externally, reinforcing perceptions of a continent of problems. Africa often appears to be seen as one large risky country, with little understanding of its diversity.

But Africa deserves increasingly to be seen as a continent of opportunity. Africa's new business leaders, and most investors in Africa, feel this growing sense of confidence.

Business Action for Africa is taking forward practical actions to help address negative perceptions of Africa and to stimulate more accurate and balanced reporting on Africa in international media, with attention given to business reporting on the continent.