LAUNCH OF THE

UNDP GROWING INCLUSIVE MARKETS INITIATIVE REPORT

"CREATING VALUE FOR ALL: STRATEGIES FOR DOING BUSINESS
WITH THE POOR"

ADDRESS
BY
KWAME PIANIM

LA PALM ROYAL BEACH HOTEL, ACCRA
16TH OCTOBER, 2008

Mr. Chairman, Director-General of the Private Enterprise Foundation
UN Resident Co-ordinator and UNDP Resident Representative in Ghana
Members of the Diplomatic Corps
Distinguished Ladies and Gentlemen

It is a pleasure and honour to be invited to launch the Report on "Creating Value For All: Strategies For Doing Business With The Poor" and I wish to thank Mr. Daouda Toure, the UN Resident Co-ordinator for the opportunity. I also want to commend the UNDP for taking forward the recommendations of the UN Commission on the Private Sector and Development, by undertaking the Growing Inclusive Markets Initiative, I am indeed proud to be associated with the outcome of the Initiative.

Faced with the challenge of enhancing the capacity of the private sector to create the jobs and income required to build a more equitable and prosperous society, the former UN Secretary-General Mr. Kofi Annan, established the Commission on the Private Sector & Development in July 2003. Co-chaired by Canada's 21st Prime Minister, Paul Martin, and Mexico's former president Ernesto Zedillo, the Commission was tasked to address two main issues:

- How can the potential of the private sector and entrepreneurship be unleashed in developing countries?
- How can the existing private sector be engaged in meeting that challenge?

In carrying out its assignment, our Commission was not unmindful of previous efforts made to re-energize flagging international development efforts. A former Canadian Prime Minister, Lester Pearson, chaired the Commission on International Development. The outcome in 1969 was Partners in Development. The main focus then was to halt flagging enthusiasm on the part of donors to get resources to poor counties for development. The need then as George D Woods of the IBRD, the initiator of the Commission, put it, was "for exceptional action on a sufficient scale" that was to help two thirds of humanity over the next two decades break grounds for successful modernization and greater stability. This focus here was an aid strategy to ensure resource flow to get most poor countries aim for self-sustaining growth by the end of the twentieth century. This was to be achieved by donors aiming for total aid flows of 1% of GNP and 0.75% of GNP in official aid flows. This was the world community envisaged as partners for development.
1980 witnessed a second bold attempt with the Willy Brandt Commission. This was largely an appeal to world leaders and citizens of all walks of life to help in the "shaping of our common future" by address the widening North - South inequalities. It concluded that "The search for solutions is not an act of benevolence but a condition of mutual survival."

The challenges posed by the Millennium Development Goals, the urgency to reduce poverty, and the seemingly shared global determination and commitment to "freeing the entire human race from want" as articulated in the Millennium Declaration, demanded that new and innovative partnership arrangements embracing the corporate world, national governments, international development partners and civil society be put in place for an "all-hands-on-deck" assault on global poverty.

The only global institution that has unique insights and experience in wealth creation and cost effective production and distribution of goods and services is the private sector. The private sector was viewed as focused, result-oriented, and not having conflicting objectives in the pursuit of long-term profitability. Its profit focus serves a social purpose; the continued employment of millions of people, and the production and distribution of goods and services that has transformed global living standards. It is this unique force for productivity enhancing growth that we set out to tap and mobilize for igniting and sustaining development towards facilitating the realization of the MDGs.

The Secretary General of the UN, Kofi Annan, in setting up the Commission on Private Sector and Development was informed by the increasing role of foreign direct investment as the global engine of growth in the last decades of the twentieth century: fdi as a remover of some key constraining factors for growth in developing countries:

- Provided access to capital
- Access to technology and innovation as well as served to diffuse technology and innovation and sound practices to indigenous medium and small enterprises.
- Provided access to markets in their homes of origin as well as advocacy for market access.
- Together with medium indigenous enterprises which they helped pulled up, facilitated the growth of indigenous businesses through sub-contracting to small and micro firms which helped improve
their quality and their access to banks. A major potential factor for reducing informality.

These were the growth accelerating factors of the private sector that the Secretary General sought to create a forum to harness and mobilize for the accelerated growth effort needed to reduce poverty around the globe.

We did not seek to demand of corporate society to change its business practices and processes in order to take on this development outreach. The task was to be mutually beneficial and impact positively on the bottom-line of companies. We were not asking them to become NGOs nor charitable institutions. While they might be motivated by feelings of corporate social responsibility, we did not expect these sentiments to be solid foundations upon which one could erect sustainable collaboration.

We were of the view that the practical, actionable, and quantifiable partnership arrangements envisaged for the involvement of the private sector in the global development agenda by helping to ignite and sustain the wealth creation process were to be first and foremost:

- Market-oriented and mutually profitable; the companies must get reasonable returns on their activities. In line with the GIM Initiative; Development must work for business while Business is working for Development.
- Scaleable. We must move beyond the "Fair Trade" approach that must of necessity remain small and cannot be replicated because of the subsidy element.
- Sustainable. The initiatives must include incentives for all partners.

We also sought ways to create synergies between micro, SMEs, formal and informal sectors and between foreign and indigenous entrepreneurs to unleash the growth generating potential of the indigenous private sector for development.
The Commission's work focused on how businesses can create domestic employment and wealth, free local entrepreneurial energies and help achieve the Millennium Development Goals. The Commission’s response to these are outlined in the report Unleashing Entrepreneurship: Making Business Work for the Poor. The report made recommendations for policy reforms and other initiatives that can spur entrepreneurial ventures to serve and employ the poor in developing countries; it underscored the fact that such enterprises are critical to the eradication of poverty in the developing world.

Mr Chairman, distinguished ladies and gentlemen, I am told that the Growing Inclusive Markets Initiative was inspired by the work of our Commission and having gleamed the report, I am glad to say that the GIM Report does give meaning to the Commission’s report and translates it into a number of strategies and actions for making business work for the poor.

The main focus of the GIM Report is how the private sector acting as the 'engine of growth' for emerging markets and economies can include the poor in business as consumers, employees and producers. A universal conviction held by the international community that involvement of the poor in business can help ameliorate poverty and the unequal distribution of wealth and bring the world closer to achieving the MDGs.

The report explores the opportunities for creating businesses that brings value for everyone, the cardinal point is that the poor must participate not only as consumers but as employees and self-employed. The report lists four main benefits that accrue from involving the poor in business. Not only are the needs of the poor met through the provision of the food, treated water, improved sanitation and health related services and energy supply but the very provision of these services to the poor makes them more productive to partake in business as employers, employees and consumers. This in turn increases the income of the poor to produce and patronize goods and services that target majority of them. Through increased awareness and better information as well as enhanced training opportunities the poor therefore become empowered as individuals and a constituency to confront their future and destiny.

The report highlights the fact that doing business with the poor is profitable. This is because the poor have potential for consumption, production, innovation and entrepreneurial activities that are largely untapped. If these potentials are effectively utilized, it can lay the foundation for long term growth by developing
new markets, driving innovations, expanding the labour pool and strengthening value chains in most developing countries. The findings of the report are significant to both government and private sector in the sense that it provides them the opportunity to know the major constraints most businesses face when doing business with the poor and makes recommendations for addressing the challenges.

Mr. Chairman, as we launch the report in Ghana today, I wish to reflect on how far we have come, as country on the road to a private sector-led pro-poor growth.

With the launch of "the Golden Age of Business" in 2001, Government signaled its intention to share its responsibility of being the main agent of economic change with the private sector by creating a business supportive environment. In terms of policy frameworks we have the GPRS II which reflects the national vision for a private sector-led development, the implementation of a National Medium-Term Private Sector Development Strategy translating the vision into actionable and time-bound activities to ensure a world class business environment for Ghana is in progress. We have done well with stabilizing the macro economic environment and in reforming the business policy and processes. Inflation has been held in check, business processes have improved and there is credit expansion to the private sector credit albeit, expensive. However there still remain huge challenges for Ghanaian businesses in the infrastructure sector-energy, transportation, telecommunication and ICT.

We need to balance reforms with addressing the key challenges which affect firm level competitiveness; access to cost effective factors of production; land, capital and labour, infrastructure, technology and innovation, to mention a few. It is at the firm level that we can engage with and impact on the poor as employees, producers and consumers and this is where the GIM Report comes in, it offers us insights on how to do this. I wish to highlight a few areas of the report for our consideration, especially as we move into PSDS II:

(i) removing constraints in the market environment through regulations that facilitate competitive businesses, reducing red tape and ensuring a functional and inclusive financial market.

(ii) ensuring that the poor are provided access to the legal system, upgrade transportation, electricity, and water and data transmission infrastructure.
(iii) establishing information hubs so as to gather and share market information and act as brokers between local and regional business.

(iv) strengthening entrepreneurship capacities of business by training and offering technical advice to business that employ the inclusive market approach.

(v) improving consumer awareness and educating consumers so as to strengthen demand for pro-poor products.

(vi) supporting and financing inclusive business models by using calibrated incentives.

(vii) establishing the platforms to engage the private sector as a partner in economic development.

Distinguished ladies and gentlemen, we can and should promote an inclusive business model as it makes business sense; it is a win-win strategy for all, government private sector and the poor, it promotes profit and growth, minimizes collective action problems and gives businesses and the citizenry a strong and legitimate voice in policymaking.

This report, "CREATING VALUE FOR ALL: STRATEGIES FOR DOING BUSINESS WITH THE POOR" is undoubtedly a must read for all; government, private sectors operators and development practitioners.

We in Ghana now stand at crossroads where prudent and pragmatic management of our national development agenda can see us break out of the poverty trap. Unfortunately for us, the benign international environment that helped push us to the bottom range of the international development ladder has now been ushered into un-chartered waters. The aftermath of the global financial crises and slow down in growth means more than ever, that we have to look inwards for inner strength to stay on course. We need to build upon and leverage our sub-regional markets as the source of our growth impulses. We need to use government procurement as leverage for unleashing the entrepreneurial talents of our indigenous private sector. It is now even critical to manage better our new found oil resources to transform the non-oil sectors of our economy. Without a science and technology sensitive and productivity oriented indigenous private
sector in innovative partnership arrangements and a new national alliance for growth, the going will be tougher in the emerging uncertain and not too benign global economic environment.

How do we encourage the private sector to be able to articulate their problems, identify the constraints and become a better policy formulating partner of the government? How do we leverage upon the knowledge and social networking of our farmers in order to modernize our agriculture and make it the platform for our national transformation agenda?

Fortunately, the book we are launching today has strategies and lessons from other countries that we can learn from in order to make the path to middle income status less difficult and uncertain.

I have the singular honour and pleasure of formally declaring it duly launched in Ghana and I commend it for your bedtime reading and adaptation of some of the lessons for our national accelerated growth agenda in these turbulent and uncertain times.

I thank you for your kind attention.