



AFRICA



A Global
Innovation
Outlook
Report



MAKING THE CASE FOR AFRICA

Although IBM has been doing business in Africa for more than half a century, the reality of global integration is changing the way we think about the opportunities available to our company in Africa, about the continent's potential for growth and progress, and about the role that Africa can play in the global economy and society of the 21st century.

In the past, IBM's global activities were shaped by a very different model. When I joined IBM in 1972, our company was a classic "multinational," with mini-IBMs set up all around the world. Today, we have begun to embrace what we call the "globally integrated enterprise"—locating work and operations wherever they can be done best, based on access to skills and expertise, to open business environments and to favorable economics. In the new global economy, one simple rule prevails: when everything is connected, work moves. It flows like water to the places it will be done best, be that Bangalore, Austin, or Cape Town.

In other words, every country, every market, every enterprise—even every individual—is now working and competing on a platform that spans our entire planet. I can tell you that business leaders—and I talk with many of them regularly—recognize very clearly that the world is becoming "flat." We see it in our companies, our industries and the market at large. But I believe we need to broaden our perspective on what "flat" really means—because it's not only work that flows when everything is connected. So does competition. So does political stability. So does economic progress.

What are the implications of this new reality for Africa? It wasn't long ago that this question would have seemed irrelevant to a business audience. Most of the world considered Africa an economic backwater. Just a decade ago, economists would have scoffed at predictions of steady, five-percent growth for the continent. Civil war and corruption made the emergence of stable, open government seem doubtful.

Today, the conversation around Africa is changing dramatically. Many regions are thriving as trade with China and other nations increases at double-digit rates, democracy and open elections are more widely embraced, and infrastructure improvements connect Africans to the rest of the world. For these and other reasons, Africa became the logical focus for IBM's 2007 Global Innovation Outlook™ (GIO), one of our company's premier vehicles for collaborative innovation.

Every year in the GIO, we identify areas in which innovation can have a positive impact on business and society, and we convene a diverse collection of business, government and academic thought leaders from around the world. We've taken on topics ranging from the environment and health care to the future of the enterprise.

But our discussions on Africa have been our most dynamic and diverse to date. I believe the reason is that in the future of Africa we have a subject uniquely worthy of one of IBM's core values: "Innovation that matters—for our company and for the world." Inherently interdisciplinary, truly global in its potential and offering the opportunity to "leapfrog" to next-generation technologies, we confront the opportunity to transform not just a company, an industry or a nation, but a continent.

The results of our "deep dives" on Africa, reported in this document, cover eight factors critical to the continent's future: skills; value chain; infrastructure; wireless; informal economies; women; finance; and nongovernmental organizations. Each factor presents both challenges and opportunities.

As you read this report, I hope the exciting ideas that emerged from some of Africa's and the world's best minds will trigger your own thinking about how your organization—or you yourself—can get involved in the remarkable changes underway in humanity's original home. Prompted by this year's GIO, we are stepping up our own presence, working with key partners, and exploring the potential for game-changing innovation.

In the end, the reason for this is pretty simple: We believe that our company and our people can make a significant difference in accelerating economic progress in Africa, and that doing so will benefit both IBM and the entire planet. Speaking for my fellow IBMers, we are eager to join with others who share that hope in pursuing this historic opportunity.



Samuel J. Palmisano
Chairman and Chief Executive Officer
IBM Corporation



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OPEN FOR BUSINESS

Africa is poised to join—and change—the global economic landscape.

Theirs is a story full of potential. They represent nearly one-seventh of the planet's population, and are its youngest and fastest-growing segment, with nearly half (43 percent) under the age of 15. They sit on a treasure trove of natural resources that are the envy of the world. They are increasingly educated, connected and motivated to drive change. They are African, and they are ready to stake their claim as an emerging force in the global economy.

Across the continent, a burgeoning entrepreneurial spirit is taking hold, a thirst for economic independence. Africans are tired of being perceived as charity cases, and they are ready to apply their considerable business creativity to global markets.

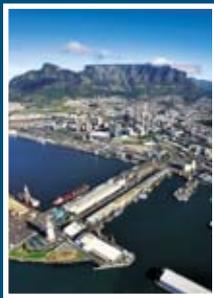
“There is dignity in being able to do it ourselves,” says Wendy Mukuru, the Kenya portfolio associate at the Acumen Fund, a nonprofit global venture fund.

Evidence of this new African entrepreneurial attitude is everywhere, even in the slums of Nairobi. Ecosandals Investments Ltd. is an employee-owned manufacturer of sandals made from used tires. Based in the Korogocho shantytown, it employs more than 30 people, sells its products all over the world, and reinvests every shilling back into improving conditions among Kenya's poorest people. Then there are the Barefoot Solar Engineers of Ethiopia, who travel to India to learn the craft of installing and maintaining solar panels, and return to electrify villages throughout their country.

There are thousands of these stories waiting to be told, stories that are starting to reach the outside world. Already several African nations are developing international reputations for specific economies of expertise. Kenya is becoming a wireless hotbed with the introduction of new mobile applications, such as Safaricom's mobile money-transfer service called M-Pesa. Nigeria has emerged as a global powerhouse in the energy industry, thanks to its deep reserves of crude oil. And South Africa is well established as the financial hub for the greater sub-Saharan continent.

Enticed by the potential for growth in Africa, the world at large is starting to take notice. China conducted more than \$55 billion in trade with African nations in 2006, a figure that is expected to double by 2010.

Africa's GDP
has averaged
5.4%
growth annually
over the past
decade.



Giant international firms—such as General Electric in the U.S., Sumitomo Group from Japan, and Intercontinental Hotels Group from the U.K.—are pouring hundreds of millions (sometimes billions) into Africa. There is an unmistakable sense that, in a few short years, Africa will look very different than it does today.

Amid all this dramatic change, however, there is need for caution. As much as African nations would like to leave their colonial legacies behind and embrace this new economic future, they must carry forward some instructive lessons from their troubled past. As the eyes of the world turn toward the continent, a world that is hungry for Africa’s resources and new markets to tap into, African nations must carefully manage the influence of the international community, diversify their economies, and invest in infrastructure to pave the way for future growth and wealth distribution.

In an effort to better understand the complex and delicate maturation of this fascinating continent, IBM spent several months bringing together the organizations that will play critical roles in the economic development of Africa. Through the Global Innovation Outlook, IBM met with business leaders, entrepreneurs, government officials, and representatives of the world’s most influential nonprofit organizations to explore opportunities for innovation that can accelerate Africa’s participation in the global economy. (For more on the GIO, see *About the GIO*, page 53.)

This report examines eight drivers of innovation that will shape Africa’s success: skills; value chain; infrastructure; wireless; informal economies; women; finance; and nongovernmental organizations (NGOs). Each innovation driver represents a piece of the puzzle that must be completed to bring Africa into the global economic fold on its own terms. Those African nations that can craft aggressive policy to nurture these drivers will quickly emerge as leaders within Africa and on the global stage.

Make no mistake, Africa’s problems—such as disease, corruption and the environment—run deep. They are daunting and complex. And specific suggestions on how to mitigate them are beyond the scope of this report. However, it is the shared belief of GIO participants that positive economic change offers concrete prospects for abating and even reversing many of the obstacles that have bedeviled Africa for decades. Hundreds of experts who attended the nine “deep dive” sessions across Africa and around the world came down solidly on the side of hope, inspired by the exciting economic change now taking hold.

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SKILLS

Unlocking a powerful 21st-century work force in Africa demands the engagement of the private sector.

Ask an outside observer which single resource is most critical to Africa's participation in the global economy, and you will receive a host of responses, including oil, solar energy, gold, and diamonds. But any African who intimately understands the needs of this continent will quickly respond with one answer: its people.

With more than 930 million inhabitants, almost half of whom are below the age of 15, Africa's people, particularly its youth, are the key to its future economic development. But at the moment, this is a resource that is being severely neglected. >

- “We haven’t invested in our systems of education in nearly 40 years,” says Kevit Desai, director at the Kenya Private Sector Alliance, an industry trade group based in Nairobi. “The university system desperately needs to be reformed and overhauled. It is not aligned with the needs of the private sector. When you go into the labs or the electrical engineering departments, there is a smell of ancientness.”

That Africa’s once-venerable higher-learning institutions are in disarray is not in dispute. In the four-plus decades since most nations gained independence, universities have been systematically ignored by authoritarian governments that felt threatened by the free exchange of ideas among the youth. And most nonprofit groups concentrate their funding on basic education, creating more demand for higher learning but less capacity at the university level. Today, lecture halls packed with more than 2,000 students and curricula more than a quarter-century old are common. And only a third of graduates from African universities find work.

“After my graduation, I was lucky and got a job,” says Athman Fadhili, now an MBA student at the University of Nairobi. “But the skills I had learned at university were not fully utilized. And if I had gotten a job at a company that required real skills, the company would have trained me for maybe two years before I was ready to contribute.”

Fadhili is part of the so-called Cheetah Generation, a term coined by Ghanaian economist George Ayittey to characterize the fast-moving, hungry youth who are eager to learn and apply their skills to building a brighter economic future for Africa. While students like Fadhili freely share their disappointment with the status quo, they also come equipped with boundless optimism and a clear vision for the future.

“The private sector needs to articulate its needs to the universities and take a more active role in developing the curriculum,” he says. “If companies can redirect the investments they make in training programs, and instead funnel that into universities, over time they could get the training expense off their books, and hire well-trained graduates directly from university.”

The plea for more private-sector involvement in higher education is heard throughout Africa. And when there is a natural fit, an alignment of needs, it is a model that can be extremely successful. In Dakar, Senegal, for example, Compagnie Sucriere Senegalaise (CSS), the largest sugar producer in the nation, found it was spending up to two years to train agronomists after they had graduated from university. The company even resorted to sending employees overseas for training, but the return on investment was insufficient.

African leaders fear the EU’s “Blue Card” program will accelerate Africa’s brain drain.





Professor Venansius Baryamureeba

Dean, Faculty of Computing and IT
MAKERERE UNIVERSITY, UGANDA

Reaching Out

At Makerere, we didn't wait for the private sector to come to us. Through a new group within the university, called the Private Sector Forum, we have begun to reach out to businesses and offer up our students to solve problems at various companies.

We visit with particular organizations, explain the skill sets of our students, and offer businesses compelling and cost-effective solutions. In exchange, our students get the opportunity to work on real-world business problems. For example, we have worked with car dealers, supermarkets, educational institutions, and NGOs. This past June, our students took on more than 100 projects, including several that won international awards from the Institute of Electrical and Electronic Engineers (IEEE). The award winners included an online tuition-fees transfer system; a dynamic traffic-light simulator; and real-time mobile road-traffic monitoring.

Now that we have made these companies understand what is possible with our students, we envision many more of these relationships with the private sector in the future.





Mark Dean

Vice President Almaden Research Center and IBM Fellow
IBM CORPORATION

Makocha Minds

The first thing you're struck by when meeting with young African college students is their intelligence and enthusiasm. They are clearly on par with students from any other major university around the world. They can compete. But their books and equipment are old, and they have little support.

I'm helping IBM initiate a mentorship program called Makocha Minds to offer help in this regard ("makocha" means "teacher" in Swahili). We are pairing university students throughout Africa with IBM Fellows and Distinguished Engineers. The goal is to give the students a counselor who has been successful in their chosen industry. They can talk, interact, and get insights from their mentors. And when those students embark on careers, these mentors will help them make the tough decisions.

This makes sense for IBM because we need to grow our business in Africa, and to do that, we need talent. We're looking to be an enabler here, not provide a handout.



So CSS began working closely with the University Gaston Berger of Saint Louis, in northern Senegal, to develop curricula and build training facilities.

“It was a collaboration with the university itself,” explains Louis Lamotte, director at CSS. “It was the only way we could produce the results we wanted. Waiting until the students graduate, then retraining them, is a waste of time. It’s better to do it on the spot.”

Basic skills like agronomy are not the only thing the Cheetah Generation is learning in Africa. Cisco has opened up 234 IT training centers in Africa through the Cisco Networking Academy Program. The program is a classic example of how private enterprise can work together with local educational institutions and government, and has signed up more than 37,000 students since its inception in 1997.

“When I see the Maasai installing Cisco equipment in the bush, it makes me a believer,” says Waseem Sheikh, director of the Internet Business Solutions Group at Cisco.

Still, many students want more than just a job. They want to learn how to start their own businesses so that they can employ other Africans. In South Africa, CIDA City Campus is a progressive business school that has an entire school dedicated to teaching entrepreneurial skills called the Branson School for Entrepreneurship. Named after its benefactor, Virgin Atlantic founder Richard Branson, the school supplies its students with seed funding to get their businesses off the ground even before they graduate.

“I believe that entrepreneurs are made, not born,” says Dino Peterson, a student at the Branson School (CIDA City Campus South Africa). “They just need a little support.” With students as driven as these, the day when Africa is known throughout the world for its entrepreneurial prowess seems near at hand.

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 “When I see the Maasai installing
 Cisco equipment in the bush,
 it makes me a believer.”

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 — Waseem Sheikh, Director of the Internet Business
 Solutions Group, Cisco





VALUE CHAIN

Africans are beginning to capture more value from the continent's vast resources.

The Niger Delta is home to one of the deepest known oil reserves in the world. It pumps out 2.4 million barrels of oil a day, and supplies about one-tenth of the world's crude oil. And yet every year, Nigeria spends as much as \$1 billion importing fuel from other nations.

Stories like this have been all too common over the nearly 50 years since Nigeria, and most other African nations, gained independence. Africa's vast natural resources are the envy of the developed world, yet too often the bulk of their value ends up elsewhere. Diamonds are mined in Botswana, cut in India, and set in Belgium. Cotton is harvested in Uganda and milled in China. Coffee is grown in Rwanda and roasted in the United States. Raw materials from gold to cocoa are extracted, exported, and refined overseas. The finished goods are marked up and sold for hefty profits all over the world. Sometimes they are even sold back to Africa. >

- “You can produce more and more, but if you are not adding value, you cannot make more money,” says Thembisile Majola-Embalo, South Africa’s ambassador to the nation of Senegal. “This is a continent of so many primary materials. If we started focusing on adding value we would be having a much different discussion in 10 years’ time.”

At stake is the concept of moving up the “value chain,” and it has become an economic imperative throughout Africa. Despite the continent’s history of exploitation, Africa is cultivating a new awareness of the true value of its resources, and is endeavoring to keep more of that value close to home.

“Rwanda has looked at itself like a corporation would. They asked themselves what their comparative advantage was.”

—Robert Fogler, Managing Director,
Thousand Hills Venture Fund

For example, West Africa produces about 70 percent of the world’s cocoa. That cocoa goes on to fuel \$75 billion a year in global chocolate sales. But West African growers capture only about \$4 billion of that total. So Ghana has been aggressively investing in cocoa-processing facilities, with plans to expand its

processing capacity to 300,000 tons a year, up from 180,000 tons.

Efforts like these are not just about capturing additional revenues. Done right, these initiatives can stimulate entire economies and develop much-needed skills. Five years ago the Rwandan government embarked on a program to move up the coffee value chain. Working with grant money from USAID, Rwanda rebuilt infrastructure, developed coffee-bean washing stations, and trained farmers and tasters to deliver high-end specialty coffee.

The efforts paid off. Farmers were able to sell the coffee beans at significantly higher prices, and some of the coffee sells for \$26 a pound at retail. One variety of Rwandan coffee, called Blue Bourbon, won the prestigious “Black Apron Award” from Starbucks, and is featured at more than 5,000 stores. It’s an example of how industry, government, and aid can work together to spur economies.

“Rwanda has looked at itself like a corporation would,” says Robert Fogler, managing director at Thousand Hills Venture Fund, a venture-capital fund focused exclusively on Rwanda. “They asked themselves what their comparative advantage was. They are land-locked, and don’t have a lot of extractive industries. So they have focused on low-volume, high-quality products and services.”

There are dozens of examples of moving up the value chain in Africa. Botswana and Namibia are opening up major diamond-cutting and polishing factories. Uganda is a leader in organic cotton, and is now producing T-shirts and other textiles from that cotton.



Craig Allen

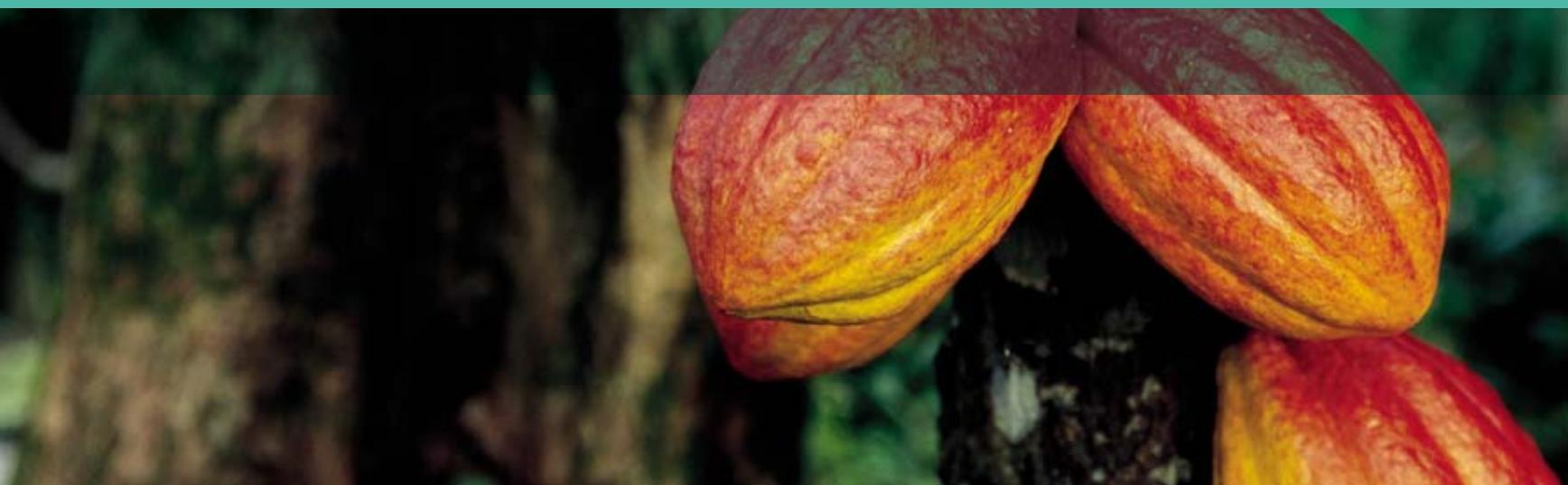
Senior Commercial Officer
EMBASSY OF THE UNITED STATES OF AMERICA, SOUTH AFRICA

The Basics of Beneficiation

Moving up the value chain, or adding value to raw materials, is also known as “beneficiation.” Beneficiation often involves labor-intensive processes—such as textiles, electronics, or furniture making—so investments in beneficiation often have broad economic effects in Africa. When done right, they employ large numbers of Africans and help alleviate poverty.

However, many African governments are more enticed by capital-intensive beneficiation projects such as steel mills, petrochemical refineries, and aluminum smelters. While such mega projects may significantly increase overall GDP, they do not contribute as much to long-term poverty alleviation or reducing unemployment, since fewer people are needed to run these facilities.

Some foreign governments have indicated that they are prepared to facilitate the transfer of capital, technology, and expertise to Africa for capital-intensive projects. Such a transfer would alleviate pollution in those nations and would increase GDP in Africa. But African governments should weigh the costs and benefits of any such proposals carefully to determine whether or not such investments are in their long-term economic interest.



50%
of Kenya's GDP
growth is directly
attributable
to technology
and telecom.



And this progress is not limited to just the extractive industries. Mauritius, the tiny island nation off the southeast coast of Africa, is rapidly becoming a major offshore banking center, thanks to some favorable taxation policies. And as Africa beefs up its Internet and telecommunications infrastructure with projects like the East Africa Submarine Cable System, there is a very real belief that its European-language skills and ideal time-zone situation will facilitate an outsourcing and call-center industry (see *Infrastructure*, page 18).

Still, not everyone believes that Africa's progression up the value chain is a foregone conclusion. "The relationship with China is actually deindustrializing Africa," says Teddy Brett, senior fellow at the London School of Economics, referring to the extractive nature of China's business dealings in Africa. "If we think that Africa should revert to its colonial role as a provider of raw materials, then the relationship with China is a win-win. But if we think that Africa should build a labor-intensive industrial sector in order to create more productive economies and to innovate, you have to question whether this relationship with China is a good thing."

This is a charge that the Chinese vigorously refute. "We always think about our corporate social responsibility," says Dakun Xu, senior advisor at CNPC Service & Engineering, a subsidiary of the China National Petroleum Corporation. "We help Africans to build schools, to build hospitals, to provide services for the local residents. We want win-win situations. That's in our own best interests."

The danger of exploitation is real, however, and a delicate balance must be struck to ensure existing revenue streams are protected while industries move up the value chain. But there is also a sense that with some deft governance African nations can parlay the interest in their natural resources into diversified economies, infrastructure build, and more value-added business. As Thousand Hills' Fogler says, "it all comes back to the vision and strength of leadership."



Dr. Faizel Mulla
Corporate Strategy Executive
PetroSA, SOUTH AFRICA

Proudly South African

I'm proud to report that Africa is increasingly refining its own natural resources. For example, PetroSA, the national oil company of South Africa, operates its own refinery in Mossel Bay, South Africa. The plant operates across the entire petrochemicals value chain, ranging from the exploration of gas to the refining and commercial sales of the finished product. The associated refinery processes are quite unique and complex, and it is one of the largest gas-to-liquid (GTL) plants in operation. In fact, it is one of only three synthetic gas processing refineries in the world.

This plant has helped make South Africa the largest producer of synthetic fuel in the world. And there are many other countries in Africa that could apply these same processes successfully, including Algeria, Egypt, Nigeria and Angola. While the cost of initiating these projects is considerable, the long-term economic impact makes them worth the investment.







INFRASTRUCTURE

Internet access and communications technology will spark the African services economy.

To much of the world, the numbers are jarring. Less than 20 percent of Africans have electricity. Less than 2 percent have telephone lines. And sub-Saharan Africa has just 350,000 kilometers of roads, far less than the U.K., an area 1/100th its size.

To say that Africa lacks infrastructure, generally defined as utilities and transport, is a gross understatement. And though the situation is improving, infrastructure remains one of the greatest, and most persistent, challenges this continent has faced over the decades. Poverty, poor governance, and massive geographical distances have conspired to stunt the development of roads and utility grids. And the effect of this underdevelopment is more than just inconvenient—it is also prohibitively expensive. >

- Because of the physical challenges of transporting goods across and out of Africa, import and export prices can be exorbitant. The World Bank estimates that even a 10-percent drop in transport costs would result in a 25-percent increase in total African trade. And the costs add up on the services side as well. African universities pay 100 times more than American universities for Internet service. Internet access throughout much of Africa is, when available at all, excruciatingly slow, unreliable, and costly.

According to the International Telecommunications Union's Digital Access Index, which measures quality, infrastructure, affordability, knowledge, and usage of information and communications technology (ICT) access, only one African nation, Mauritius, ranks in the top 70 countries, and the vast majority of Africa falls in the

"low-access" category. Numbers like these have African business leaders imagining what would be possible with even a small improvement in ICT infrastructure.

"The two pillars for Africa's transformation are energy and ICT," says Kevit Desai, director at the Kenya Private Sector Alliance, a trade group based in Nairobi. "If you look at our history, you see that information has always been one way, coming

to us through a radio or a television. It's never been interactive. But this interactivity of ICT could have a transformative effect on socioeconomic development."

Better ICT infrastructure would mean that Africa could partake in the knowledge economy in earnest, putting its talented and eager work force to work providing services—be it software development outsourcing or call centers—to the rest of the world. That is why there is a new recognition of ICT's importance and investment in its future.

One of the most important infrastructure projects in Africa today is the proposed development of the East African Submarine Cable System (EASSy). This \$235 million project, led by the World Bank, will run a high-speed cable up the Eastern seaboard of Africa, from South Africa to Sudan, and connect more than 20 coastal and land-locked countries in East and Southern Africa along the way. When completed, the project is expected to not only increase Internet access in those regions, but also significantly reduce the cost as it eliminates the need to use expensive satellite connections for access.

Better ICT infrastructure would mean that Africa could partake in the knowledge economy in earnest, providing services—be it software development outsourcing or call centers—to the rest of the world.



Mark Harris

General Manager
IBM SOUTH AFRICA

Industry and Infrastructure

In Africa, the lack of infrastructure can be viewed as an opportunity for innovation. It's well known that Africa has very little landline telecommunications infrastructure. And when mobile operators purchased wireless spectrum licenses from the governments, there were many sceptics.

But today, mobile operators cannot erect base stations quickly enough to cope with the demand, and there are still vast areas with high-density populations that present enormous opportunity for these operators. Along with the new telecommunications infrastructure, the energy supply is getting an upgrade. Diesel generators, solar cells, and wind turbines are being installed to power the wireless base stations, providing an energy grid for areas that were previously without it.

In addition, the success of the wireless market is attracting multinationals. These companies bring with them investment to build infrastructure. Some companies, particularly from China and India, are even building infrastructure such as transport and energy systems, in exchange for natural resources. Private industry is providing some much-needed answers.



Though EASSy is not without its critics, the project has spurred a wave of competing efforts, some from the private sector and some from private/public partnerships. If all the projects are completed, the result will be four cables supplying Internet access to East and Southern Africa, including a \$2 billion, 3.84-terabit-per-second cable managed by the New Partnership for Africa's Development (NEPAD), a GIO partner.

Innovative public and private partnerships such as these can make great advances in improving Africa's ICT infrastructure, but they're not the only answer. Gaining access to the Internet is only half the battle. Providing users with enough computing power to accomplish meaningful things is equally important. And grid computing could play a key role in serving this need.

The World Community Grid™ has been building the world's largest public computing grid for three years. The project solicits computer owners around the world to volunteer cycles from their PCs when they are not in use to tackle compute-intensive problems. Among the projects currently pooling this computing power is AfricaClimate@Home, an ambitious effort based in South Africa that is attempting to accurately predict the impact of climate change on various regions in Africa. It uses the power of 750,000 devices to render the climate models.

It's all part of the process of transforming Africa through the use of communications and computing power. And if done right, ICT can create new wealth and drive the build-out of other needed infrastructure upgrades, like roads and electricity. "I think the future of Africa lies in energy and ICT," says Venansius Baryamureeba, dean of the faculty of computing and IT, Makerere University in Uganda, a GIO partner. "We cannot compete with China or Japan in manufacturing, but with the right investment in infrastructure, we can carve a powerful niche in the services industry."

Reducing transportation costs by 10% could result in a **25%** increase in African trade.





Hon. Edward Baliddawa
Chairperson ICT Committee
UGANDA PARLIAMENT

The Public/Private Partnership

The implementation of the Rural Communication Development Fund (RCDF) in Uganda is a good example of a successful private/public partnership. This fund was set up by our government to encourage service providers to offer communication services to remote areas of Uganda that would otherwise be economically unattractive.

The fund is disbursed on a competitive basis, both for the best technical and most sustainable proposals. The winning bidder for a specific service is granted a subsidy of 30 percent of the total cost of the project. The result of this deliberate government effort to increase ICT penetration in rural Uganda has had a multiplier effect on the number of small businesses that have sprung up. For instance, one community might have had an RCDF-subsidized pay phone or Internet café. But other businesses are built around it, like retailers or food services.

This is a great example of how private entrepreneurs and the government can work together to use the power of ICT to mitigate the challenges of our people.







WIRELESS

Mobile technology is transforming Africa in unforeseen ways.

It's not uncommon to hear experts posit that emerging markets have the opportunity to skip over entire generations of expensive telecommunications infrastructure and become leaders in wireless communications. But what most of the world doesn't realize is that Africa is already a leader in wireless communications.

In the last four years, the number of wireless subscribers in Africa has skyrocketed from 10 million to more than 200 million. Nearly 75 percent of all telephones in Africa are mobile phones. In Tanzania, 97 percent of the people say they have access to a mobile phone, while only 28 percent say they have access to a landline phone. And the wireless applications and content are highly sophisticated, in some cases unprecedented.



- “The lack of infrastructure in Africa can be a strategic advantage,” says Hayaatun Sillem, manager of international affairs at the U.K.-based Royal Academy of Engineering, referring to the fact that Africa has only 2 percent of the world’s global telephone network, despite being home to 12 percent of the world’s population. “African use of mobile phones has been far more innovative than in Europe, largely because meeting the specific needs of Africa requires innovation.”

“African use of mobile phones has been far more innovative than in Europe, largely because meeting the specific needs of Africa requires innovation.”

— Hayaatun Sillem, Manager of International Affairs,
Royal Academy of Engineering, U.K.

Indeed, the many challenges unique to Africa—huge geographic distances, widely dispersed populations, little existing telecommunications infrastructure—have conspired to create a wireless hotbed. The African wireless network is quickly becoming the equivalent of the interstate highway system in the United States: a massive network build-out that facilitates countless corollary businesses along the way. Fears that Africans living on less than \$2 a day wouldn’t sign up for wireless service have evaporated.

And the creativity that Africans are applying to the mobile platform is instructive to the wider world.

For example, airtime is such a valuable commodity in many African nations that mobile minutes have become a kind of de facto currency, traded and bartered in exchange for goods, services, or cash. Taking its lead from how the market was already using its service, Safaricom, a Kenyan wireless provider, launched a service called M-Pesa (“mapesa” means “money” in Swahili). Essentially a mobile money-transfer service, M-Pesa allows Africans to send money by text message to their friends, family, or business partners. The recipient can then take the text message to a local M-Pesa agent and withdraw cash.

It’s a testament to the power of a network platform. Like the Internet itself, wireless technology, when made available to large numbers of people, evolves rapidly. And the changes wireless networks have brought to Africa have been nearly all good. Small changes in the way Africans conduct business in a wireless environment can have far-reaching effects on economic development. For example, studies show that South African farmers with mobile access to market prices realize 30 percent greater profits than those who don’t. These kinds of market efficiencies are then reflected in cheaper consumer prices, completing the beneficial economic cycle.



Emma Kaye

Chief Executive Officer
GATE7 NEW MEDIA, SOUTH AFRICA

Mobiles for Life

Mobility has huge socioeconomic, educational, commercial, social, and individual significance in Africa. And often, a positive impact on any one of these factors can contribute to the development of another. For example, I work closely with a self-sustaining nonprofit called Cell-Life, based in South Africa. Cell-Life uses a combination of therapeutic counselors and mobile devices to allow doctors and clinics to monitor HIV/AIDS patients remotely, and provide more effective care. Here's how it works:

Antiretroviral therapy is a complicated—and constant—drug therapy to combat the effects of HIV. It requires 95-percent adherence to be effective, must be taken several times a day, and necessitates a complete lifestyle change. Through Cell-Life, doctors in the public health system are able to monitor and manage the care of even the most remote patients, check their side effects, and confirm they are sticking to their drug and dietary requirements. The Cell-Life solution uses all open-source software.

In five years, the service has grown from one site with 200 patients to 11 sites with more than 15,000 patients. I believe that with improved health, there is greater opportunity for improved wealth and quality of life.





Anthony Carter

Former Senior Director for Business Development
MOTOROLA

Mobile Power

The mobile handset represents freedom, prosperity, and sophistication to consumers in Africa. But it also represents economic opportunity. Motorola has leveraged this entrepreneurial spirit through an innovative program in Uganda and other countries called Motopower.

Motopower is a service that allows for the charging of Motorola phones at charging-station kiosks, since many villages don't have electricity that is widely distributed. The program in Uganda is specifically focused on women entrepreneurs, and it sets them up with a charging-station kiosk at no charge. The women don't receive payment for the charging service, but they are able to sell other goods, such as food and jewelry, to the many visiting customers. The program has several kiosks operating throughout Uganda, and Motorola has plans to expand it throughout sub-Saharan Africa. It's a great example of how mobile technology can be leveraged to provide upward mobility in Africa.



“A farmer who produces 100 kilograms of carrots wants to make sure he gets the right price when he sells them,” says Daniel Annerose, the CEO and founder of Manobi Corporation, a wireless operator focused on providing services and content to rural communities in Africa. “If he has the right price, then he will be able to invest in electricity, he will be able to send his kids to school, he will be able to do all that we dream to do. What matters is that he has the right content at the right time.”

There are many ancillary effects to the wireless build-out, particularly on the infrastructure side. Ironically, in their effort to circumvent Africa’s poor infrastructure by building wireless towers, mobile phone operators are finding they need to upgrade much of the electricity and broadband Internet offerings to keep up with demand. The MTN Group, a wireless operator based in South Africa, is installing fiber optic cable in Nigeria to help boost the speed of its data services. Motorola is using wind turbines and photo-voltaic cells to power base stations throughout Namibia. Those resources are built for profit, but have undeniable social benefit as well.

Then there is the wireless industry itself. From the locally based wireless operators, to the retail outlets that sell phones, to the villagers who lug car batteries through villages offering handset recharging, the mobile revolution is having a measurable economic impact throughout Africa. Some experts estimate that a 10-percent increase in mobile penetration translates into nearly half a percent of GDP growth.

Of course, challenges remain. The cost of running the networks is exceedingly high, and those costs are passed onto customers, resulting in rates that far surpass those in the developed world. But taken as a whole, the wireless revolution is about as close to an entirely positive economic development as you will find in Africa. And this is merely the beginning.

Wireless subscriptions
in Africa have increased
2000%
in the last seven years.







INFORMAL ECONOMIES

Tapping the economic power of Africa's thriving informal sector.

It has been described in countless ways over the centuries: shadow market, traditional sector, under the table, off the books. Whatever it's called, the informal economy has been around as long as business itself.

Though difficult to quantify, experts estimate that Africa's informal economy accounts for almost three-quarters of nonagricultural employment in sub-Saharan Africa. This includes the thousands of individuals and small businesses that keep the local markets humming: the auto mechanics; the garment salespeople; the cigarette rollers. These creative, successful businesspeople are true entrepreneurs who are generating real income. In some African nations, this unregulated economic activity constitutes as much as 40 percent of the gross domestic product. >

- “Africa has formal economies, and they are growing, but the real energy remains in the informal economies,” says Kelvin Balogun, business and strategy director for Coca-Cola in East and Central Africa (see *Formal Help*, page 34). “These merchants have limited education and understanding of business models, but they figure it out for themselves. They are the real Africa.”

Balogun’s enthusiasm for the informal sector is understandable.

For decades, the informal sector has kept countless Africans alive, allowing them to ply their trades, feed their families, and provide valuable services to their fellow citizens. In light of this, it is worth asking if these businesses should even be asked to transition into the formal, tax-paying economic structure.

“The informal sector is a poverty trap, so it’s very important to enable the informal sector to become formal.”

— Allen Hammond, Vice President of Special Projects and Innovation, World Resources Institute

Whenever a large informal sector is present in a region, it is usually an indication that the regulatory environment in that region is too onerous for small businesses to operate.

That may mean it takes too long to register and launch a business.

Or it may be because the tax environment is financially burdensome.

There is also the issue of trust: Many Africans fear their governments will squander tax dollars or over-regulate business and, as a result, they deliberately choose to operate off the books.

But the impact of these decisions is damaging to the overall health of the economy. For instance, informal businesses are artificially limited in their ability to grow. They have trouble accessing financing. And should an informal business dream of one day integrating into the global economy, international business partners would require it to satisfy the accountability standards upheld by formal companies (see *The Power of Policy*, opposite).

“The informal sector is a poverty trap,” says Allen Hammond, vice president of special projects and innovation at the World Resources Institute. “So it’s very important to enable the informal sector to become formal.”

Informal-sector businesses don’t provide job protection or employee benefits. There are no health or safety controls, insurance, unions, or retirement benefits. Perhaps most important, informal businesses do not contribute to the tax revenue of the state, which forces governments to raise taxes on legitimate businesses, creating a vicious cycle of bad tax policy. And those lost tax revenues are not available for the many critical infrastructure improvements needed to further economic development.



Tebogo Khaas
President
SOUTH AFRICA SMME FORUM

The Power of Policy

Informal businesses aren't just street vendors and mom-and-pop shops. Quite often they are real small businesses, in the manufacturing or retail industries, that employ a fair number of people. Yenza Engineering is a 100-percent black-owned automotive component manufacturer in Port Elizabeth, South Africa. It began life as an informal business supplying after-market parts to local mechanics. But it yearned to sell to the major original equipment manufacturers in South Africa, like BMW, Mercedes, and GM.

To do this, Yenza needed to formalize. The company worked with Tshumisano, a government-led cooperative charged with making South Africa's automotive industry more competitive. Tshumisano runs a program called the Automotive Components Technology Station, where it helps companies in the industry to upgrade their technology. It worked with Yenza to meet the stringent quality standards of the OEM community, and even shouldered 40 percent of the costs to upgrade its technology. Today, Yenza is a formalized business, with several secure contracts with the major OEMs in South Africa.





Kelvin Balogun

Business and Strategy Director, East and Central Africa
COCA-COLA

Formal Help

By avoiding taxes and undercutting formal companies, informal businesses disrupt the natural economic evolution of an area. And because many formal players trade with the informal sector, distributing their goods through the informal channels, the informal sector can artificially restrict the growth of the formal sector as well. So formal businesses have an incentive and a role to play in transitioning the informal sector to become formal.

For this reason, some formal businesses have methods to assist their informal counterparts in accessing capital or knowledge to grow and become formal over time. These companies pool their informal distributors together and establish informal trading cooperatives. They then do business with these informal cooperatives, including extending credit lines to them. As the cooperatives become larger and more successful, they are more disposed to accessing the benefits of the formal economy by becoming formal themselves.

There is now a growing body of evidence that over years, these methods, when properly structured and stewarded, ultimately ease the entry of informal distributors into the formal sector.



But there have been great strides in addressing this challenge, and the results are being seen throughout Africa. Three African countries were included in the World Bank's top 10 list of economic reformers. In a report entitled *Doing Business 2008*, Kenya, Ghana, and Egypt were all honored for their efforts. Kenya, for example, launched an ambitious license reform program last year that eliminated 110 business licenses, streamlined the start-up process, and cut the time and cost of obtaining building permits. Tanzania, Rwanda, Burundi, and Uganda were all noted by the report as countries that had significantly eased the burden of formalizing businesses.

In addition, some in Africa are beginning to think of the business world as a continuum, rather than a stark choice between formal and informal economies. "Let us not move them into the formal sector, but rather somewhere in between," says Faizel Mulla, corporate strategy executive at PetroSA, South Africa's national petroleum company. "There is no incentive for them to move right now. But if we offer them tools, programs, and some level of infrastructure that small businesses need, then maybe that would allow them to go formal."

Mulla was part of a working group at a GIO deep dive in Cape Town that worked out a new middle ground between informal and formal businesses they designated the "legal informal" sector. This innovative design involved something of a tiered approach that offered informal businesses tools, training, and other incentives in exchange for registering with the state. At first the business entity would not be required to pay taxes, but over time, and with access to better financing and support, the company could grow large enough to begin contributing to state revenues.

Though the challenge of transitioning informal businesses into the formal economy is decades old, there is a sense of momentum in the right direction. African nations are making progress toward policy reform, and with the enticement of engaging in the global economy, more and more informal businesses are seeing the benefits of going formal.

75%
of nonagricultural
employment
is generated by
Africa's informal
economies.







WOMEN

Women are the driving force behind Africa's entrepreneurial spirit.

Consider the story of Bridget Meyer, the Zambian woman who began exporting African baskets, cloth, and pillows back in 1991. Like so many African businesses, it started on a shoestring budget in a bedroom. Today, the company, called Toka, maintains two warehouses in Zambia and employs more than 400 African weavers.

The role of women in the economic development of Africa is increasingly well documented. And while there is still a long way to go in terms of fully supporting and enabling women in African business environments, awareness is being raised and progress is being made. "African women are born entrepreneurs," says Bola Olabisi, CEO of the Global Women Inventors and Innovators Network (GWIIN). "They don't just talk about business; they get out there and do it."



- This new understanding of the importance of women to Africa's economies is something that was repeated in one deep dive after another. It is fueled in part by an influx of overwhelming statistics. For example, in Africa, women account for more than 60 percent of the rural labor force, and contribute up to 80 percent of food production. And more than 80 percent of those women are working, unregistered and unrecognized by the government, in the informal sector.

Given numbers like these, you might wonder how it could be possible to under-represent such a large economic constituency. But despite the obvious contribution of women in Africa, their cultural barriers remain significant.

"I personally think that some of the problems that we have in Africa come from the male domination in leadership positions," says

Mmabatho Matiwane, acting CEO of the South African Women's Entrepreneur Network (SAWEN), a government agency designed to foster support of women entrepreneurs.

"The fact that the thinking and the participation of this group gets oppressed means that we lose out on the dynamism that the feminine

aspect can bring to the economy. It's a matter of political and economic education."

Fortunately, the balance is starting to tilt. Thanks to a concerted effort by a government-funded agency called the Forum for Rwandan Women Parliamentarians (FFRP), Rwanda now has the highest number of women parliament members in the world—a full 50 percent in the Chamber of Deputies; 35 percent in the Senate; and 34 percent in the Cabinet. Numbers like those put most developed countries to shame.

Dr. Ngozi Okonjo-Iweala, the former finance minister of Nigeria, was recently appointed managing director at the World Bank. Okonjo-Iweala also did a stint as the foreign minister of Nigeria, the first woman to hold those positions. And in 2005, Ellen Johnson-Sirleaf was elected president of Liberia, the first female head of state anywhere in Africa.

Groups like SAWEN have certainly played a crucial role in raising the profile of African women, both in politics and business. But there is still much work to be done. In particular, while microfinance is generally available, female entrepreneurs find it extremely difficult to obtain the "mesofinancing" they need to grow their businesses.

Hiring female business leaders in Africa is not only the right thing to do—it's a smart business decision.



Joanne Thomas Yaccato
President and Founder
THE THOMAS YACCATO GROUP

Money to Grow

As a result of my work in Africa with the International Finance Corporation (IFC), a member of the World Bank Group, I can tell you African women consumers share the same complaints of their sisters around the globe—companies don't take them as seriously as men. Case in point:

Muni Shonibare owns a successful, 150-employee furniture company in West Africa with considerable growth potential. Her clients include Shell, Texaco, the Abuja Hilton, and others. However, bankers in Lagos would not finance a woman-owned business with ambitious expansion plans. Enter Access Bank.

Access Bank is a member of the Gender Entrepreneurship Markets (GEM) program. GEM is an IFC-initiated program specifically designed to help businesswomen overcome gender barriers and grant them access to much-needed capital by working with local banks. With support from GEM, Access Bank gave her an \$800,000 loan for her expansion plans.

Now that they have begun to take women seriously, Access Bank is being rewarded with customer loyalty and a referral network previously unimagined. Other African countries are now seeing the light in terms of new market opportunities and through GEM, banks in South Africa, Tanzania, Ghana, Uganda, and Kenya are lining up.





Bola Olabisi

Chief Executive Officer
GLOBAL WOMEN INVENTORS AND INNOVATORS NETWORK

Networking 101

As often happens in Africa, Tomilola Awoniyi, a mother from Nigeria, launched a small business simply by meeting the needs of her family. After giving birth, Tomilola discovered that most of the infant formula available in the shops was not sufficient for the growth and well-being of her child. As such, she created her own formula at home, using spices and ingredients of high nutritional value.

After researching and developing her product, Tomilola began to commercialize it on a small scale. Members of her community heard about her product and began to buy it from her. It was then that Tomilola found the Global Women Inventors and Innovators Network (GWIIN) to help take the business to the next level.

GWIIN provides resources to women entrepreneurs to help grow their businesses. Initially, Tomilola made posters and sold her formula in old empty containers. Through GWIIN, she learned about packaging and marketing her product and won a "Product Development Award." As a result, Tomilola gained greater exposure and began to invest in her own packaging.

Today, Tomilola is in a position where she is creating jobs by employing staff and is now supplying her formula, LIZVIC Special Pap, to many boarding schools in Nigeria and across sub-Saharan Africa.



“My biggest challenge is finance,” says Priscilla Motlhako, an entrepreneur based in South Africa. “I still battle to get financing as a black, female entrepreneur because I do not have enough collateral. So where does that leave me? I’m going to go to the people that are not going to complicate my life, who will finance me based on my business case.”

This lament was not uncommon, nor was it the only challenge voiced by African women throughout the course of the GIO deep dives. Mentorship and skills development are also sorely needed. More than ever, African women are seeking the experience, tools, technology, and role models to make their business visions a reality.

In this regard, the private sector must play an important role if women in Africa are to continue to advance. Though there are many instances of women-owned small businesses on the continent, there are still precious few examples of African women who have risen through the ranks of the corporate world, or who have grown businesses that are globally competitive. As Africa develops, hiring female business leaders is not only the right thing to do—it’s a smart business decision.

“African women are traders by nature, they know how to make things happen,” says Bola Olabisi. “And as they start to see role models emerge, the world will see that African women are quite capable of leading their nations into better economic situations.”



85%
of African microfinance
clients are women.

SE RESERWEBANK

A SUID-AFRIKAANSE RESERWEB





FINANCE

Access to capital hinges on new definitions of risk and collateral.

Throughout much of Africa there are no landowners. In fact, many Africans own few assets of any kind. They have no purchase histories, credit cards, or credit scores. Mattresses are their bank of choice. Consequently, the continent has very few traditional lenders.

That is not to say that Africans don't have access to capital. Foreign direct investment into Africa reached a record \$15 billion in 2005. Remittances, an important source of capital inflow that comes from Africans living abroad, are estimated to be more than \$17 billion a year. And then there is the phenomenon of microfinance. Fueled by the popularity of Nobel Prize-winner Muhammad Yunus' Grameen Bank, there are an estimated 800 microfinance institutions in Africa, lending to nearly 10 million people. >

- Microfinance has been nothing short of a revolution in Africa, but there is still an urgent need to innovate when it comes to financing small businesses and entrepreneurs. “Microfinance is a very important part of the financial hierarchy in Africa, but it is not targeted at the kind of small- and medium-sized enterprises that need \$100,000 to \$2 million to start or grow their businesses,” says Barbara James, former managing director of the African Venture Capital Association. “There is a financing gap for these SMEs.”

James is referring to an important area known as the “mesofinance” gap, the fallow ground of finance that falls between micro-loans and retail-banking loans. Mesofinance includes the small-business loans that help businesses scale up rapidly in the developed world. But mesofinance loans are scarce in most of Africa, due to the lack of traditional collateral and a near-total absence of data from which to calculate a borrower’s risk factor.

Microfinance institutions compensate for these shortcomings by lending very small amounts at extremely high interest rates, sometimes 30 percent or more. And retail banks are loath to lend money to a customer base it doesn’t fully understand. “There is an ignorance of the customer base in Africa,” says Bill Carney, a serial entrepreneur and professor at the Instituto de Empresa in Madrid. “We’re just not doing our marketing homework. We’ve got MBAs and PhDs studying this stuff and all they can do is throw money over the wall. Where’s the market segmentation? Where is the customer benefit and value proposition that we would be talking about in any other market?”

Many experts agree with Carney that the next step in the evolution of finance in Africa is the aggregation and analysis of credit data. Though

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 Microfinance has been nothing
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that data is just now starting to be collected, there are already several databases, of varying levels of completeness, in existence. Besides those from microfinance institutions themselves, wireless carriers and money-transfer businesses such as Western Union collect valuable data. That information could be aggregated and reconciled (a process in which even the world’s most successful banks

are currently engaged) into a central database. After some analysis, viable risk trends and customer segmentation could emerge.

The other half of the finance equation in Africa is rethinking collateral. Most Africans do not own their land; only 10 percent is privately owned. So banks in Africa are forced to find other ways



Frannie Léautier
Managing Partner
THE FEZEMBAT GROUP

Honey Money

Lending in Africa requires new ways of evaluating risk. Because property ownership, assets, and other types of collateral are scarce, investors and lenders must change their thinking. A good example of this is Kenya-based Honey Care Africa, a socially responsible small business dedicated to profitably selling honey products and uplifting the living standards of the rural poor.

The company uses microleasing and collective collateral to spread risks amongst a group of otherwise risky borrowers, supported by capacity and skills development to better guarantee the investment. Honey Care Africa, which itself borrowed money to start the business, pools rural farmers into collective risk baskets, loans the equipment needed to start producing high-quality honey (which costs around \$160), and trains the groups on methodology and business management. The equipment is leased against future earnings.

The company now generates about \$110,000 in revenues a year, and works with more than 2,500 farmers, each one earning nearly twice their previous income.





Jessica Jackley Flannery

Co-Founder
KIVA.ORG

Small Loans, Big Costs

Providing tiny loans to impoverished entrepreneurs can be extremely difficult and costly. Loan officers—who find and train microloan borrowers, administer funds, collect repayments, and manage each borrower relationship—are the lifeblood of the microfinance institutions (MFIs) with which Kiva.org partners. Understanding loan officers' work can help shed light on how MFIs really operate, and why, for example, their costs (and interest rates) look so high at first glance.

For instance, Kiva researched one of our MFI partners in Uganda, and found that loan officers traveled an average of 20 kilometers or more to reach borrowers, primarily via public transport, motorcycle, or bicycle. Often, the distance traveled is so great and the journey so long that they must stay in the village overnight and return the next day. Journeys like this happen almost daily, because collecting smaller loan repayments on a frequent basis (every 1–2 weeks) is crucial to first-time borrowers' success.

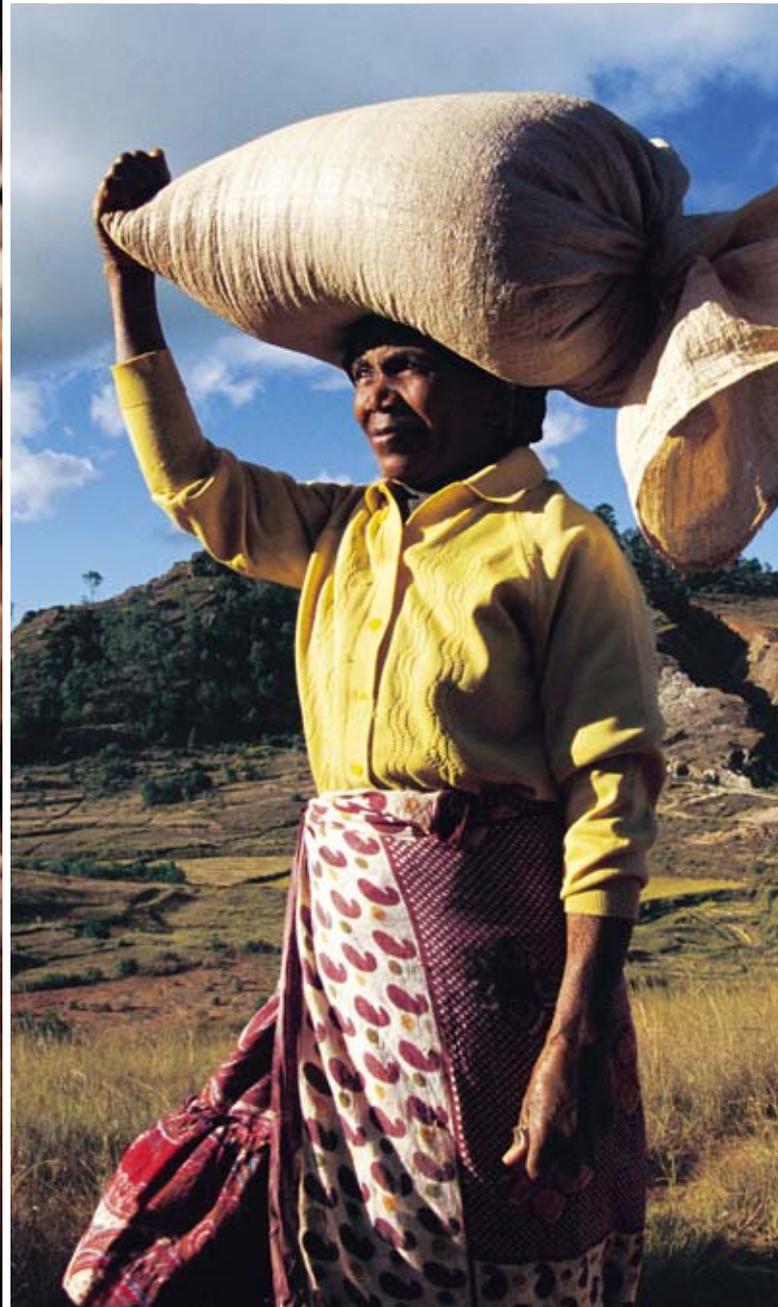
to secure their loans. Some will pool borrowers together, a concept called “collective collateral” (see *Honey Money*, page 45). Others will lend against future production from a cow or goat. “There are banks that are taking risks, lending against proceeds, like how much tea you pick,” says Wendy Mukuru, the Kenya portfolio associate at the Acumen Fund, a nonprofit global venture fund. “And it’s not just banks that are providing these services. It can be churches, synagogues, or mosques. It can be grocery stores. These can all be providers of financial services.”

In addition to rethinking risk and collateral, African lending institutions desperately need to reduce their costs of doing business. Providing loans in Africa can be prohibitively expensive (see *Small Loans, Big Costs*, opposite). But help is on the way. IBM is working with the Grameen Foundation to expand an open-source microfinance software platform called Mifos. The technology allows microfinance institutions (MFIs) to automate and streamline the lending process, which can result in lower lending costs and better data on lenders.

Financing in Africa has made tremendous strides in just the last 10 years, and as the market matures, both knowledge and efficiencies will be gained. There is every reason to believe these trends will result in a groundswell of economic activity, because, as Barbara James notes, “All the innovation and energy in the world will not get you very far without access to finance.”



Only
10%
of the land in Africa
is legally owned.





NONGOVERNMENTAL ORGANIZATIONS

Is foreign aid helping or hurting African economies?

It's certainly not a new question. Ever since African nations first gained their independence, there have been those who believe that aid is not the right way to spur economic growth. More than 40 years and \$560 billion in aid later, Africa is still the poorest continent on Earth. And the chorus of critics has grown ever louder, especially from within. >

- “Nongovernmental organizations (NGOs) are one of the big problems of Africa,” says Bitange Ndemo, permanent secretary, Ministry of Information and Communication, Kenya. “If indeed Africa is to grow, we must first forget about this free money. You confuse people when you tell them to work hard on one hand and then fund NGOs to offer the same services for free.”

This sentiment was echoed in every GIO deep dive, in every part of the world. It came from business leaders, politicians—sometimes even the NGOs themselves. And the reasons for this NGO backlash are varied.

For one thing, there has been demonstrably little in the way of economic stimulation. Many believe that NGOs create economic dependencies that are difficult for African countries to move beyond. And because of the huge sums they contribute to operating budgets in many nations, NGOs are given an enormous amount of power in directing policy in Africa—some at odds with the systems of capitalism espoused by the business world.

But whether NGOs are good or bad for Africa is hardly worth arguing. A more important question is: What useful lessons are NGOs and private enterprise learning from one another? In recent years there has been a significant shift in the relationship between NGOs and private enterprise. The two sides are coming together, recognizing each other’s strengths, and realizing they have the same goals in mind, albeit different paths.

“Historically, NGOs have harbored a considerable amount of suspicion toward business,” says Jean-Pierre Lehmann, founding director of the Evian Group and professor of international political economy at IMD Business School in Lausanne, Switzerland. “But you cannot generalize about business. There are exploitative businesses, and then there are those businesses that can be part of the answer, not the problem. For this we need to mix the business with the development need.”

This is precisely what is beginning to happen. Though still in its early stages, an unprecedented amount of collaboration is now occurring between NGOs and private enterprise in Africa. This is due to market demands for corporate social responsibility and a new awareness from nonprofit groups that for-profit companies can have a positive impact.

For example, Oxfam International, the powerful consortium of international NGOs, has taken a new stance on the private sector. The organization’s official position, as stated on its Website, is that “the private sector plays a central role in development, impacting on or contributing to poverty reduction in many different ways.”

Since the 1960s,
more than
\$560
billion
in aid has been
donated to Africa.





Harry Broadman
Economic Advisor, Africa Region
WORLD BANK

Efficient Aid

In the past, there have been inefficiencies in the way that aid has been dispensed and used. There's a lot of evidence for that. And there's a lot of blame to go around both on the part of the suppliers, like the World Bank, and the recipients, who often struggle with weak institutions and corruption. None of this is unique to Africa; you find it in every developing region. And sometimes the money just doesn't go where it's supposed to go.

Governance around aid in Africa is one area where the World Bank's Africa Action Plan (AAP) will focus its efforts. Oftentimes, we see different donors giving the same aid to the same countries for the same problems. This inefficient process wastes money and the government's time. The AAP is focused on better coordinating that process. So before we take action on a particular program, we first find out what others are doing to improve the distribution and use of aid in Africa.

Other AAP actions include creating an African private sector, closing the infrastructure gap, supporting regional integration, improving the health and education systems, and more; and the World Bank holds itself accountable for each action in the plan.



As such, Oxfam is working closely today with private companies to help develop “pro-poor” strategies and practices. Major global enterprises, like consumer goods giant Unilever, are working with Oxfam to understand the effects of their value chains in poor nations. Unilever estimates that two-thirds of the value generated along their chain is distributed to participants other than Unilever.

In addition, a new breed of NGO is emerging. U.K.-based Opportunity International, with the tagline “Giving the Poor a Working Chance,” is an example of an NGO that is run more like a business than a nonprofit. The organization works with the private sector to develop and invest in microfinance banks that are self-sustaining. These banks are not charities. But they mobilize deposits and lend against the collective savings of their customers, creating a flow of wealth in areas that previously had none.

It’s all part of a shift in the way NGOs are approaching poverty issues in Africa. Because, as Hubert Danso, vice chairman of the Africa Investment Advisory Group, says, “The new mantra is that there is no quicker way to deliver aid or support to the poor than through a paycheck.”

While some GIO participants were unrelenting in their criticism of NGOs, it is clear that these organizations will play a critical role in enabling economic growth in Africa. Traditional aid has been an integral part of the Africa landscape for as long as most can remember, and it will always have a role to play. It has fed starving children,

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 In recent years there has
 been a significant shift in the
 relationship between NGOs
 and private enterprise.

safely housed refugees, and provided clean water and medicine to countless Africans. It represents the sympathies and best intentions of the human race. But with new, economic-oriented NGO models beginning to emerge, there is the distinct hope that Africa’s dependence on financial aid can eventually be eliminated.

“We have become dependent states and most of our governments look for handouts. That has got to change,” says His Royal Majesty King Adamtey I, the Suapolor, or traditional ruler, of the Se (Shai) state in Ghana. “We want to be partners. We don’t want to be seen as those who only receive.”

ABOUT THE GIO

In 2004, IBM took an unprecedented step: We opened up our annual technology and business forecasting processes to the world with the first Global Innovation Outlook.

We gathered our top researchers, consultants, and business leaders, armed them with the latest insights on emerging technical trends and socioeconomic shifts, and created a platform upon which our entire innovation ecosystem could join together to surface new and unforeseen opportunities for business and societal innovation.

The GIO is rooted in the belief that, in the early days of the 21st century, the very nature of innovation has changed. It is increasingly open, collaborative, multidisciplinary, and global. This shift means that the truly revolutionary innovations of our time—those that will create new markets, redefine old ones, and maybe even change the world for the better—require the participation and investment of multiple constituencies. The GIO challenges some of the brightest minds on the planet—from the worlds of business, politics, academia, and nonprofits—to collaboratively address some of the most vexing issues on earth.

This collaboration begins with a series of open, dynamic conversations called “deep dives.” To date, more than 40 deep dives on six continents have brought together close to 550 influencers from dozens of countries. These free-form conversations, fueled by a diverse mix of expertise and perspectives, are inevitably candid and spirited. Collectively, they result in an explosion of ideas that spark new relationships, policy initiatives, and market opportunities for all involved. Previous topic areas have included the environment, health care, and transportation. For copies of reports from previous GIOs, please visit www.ibm.com/gio.

The GIO meetings on Africa brought together 123 ecosystem partners from 24 countries. Contributors include representatives from the following companies and organizations:

Acumen Fund	Global Women Inventors and Innovators Network	Siemens
Africa Online	Government of Uganda	Sirinket Adventure Safaris Ltd.
African Investment Advisory	Harvard Business School	Sociedade Interbancária de Serviços
African Path	Henley Management School	South Africa Department of Foreign Affairs
African Venture Capital Association	Huawei Technologies Co., Ltd.	South Africa SMME Forum
AfriCap Microfinance Fund	IBM Corporation	South Africa Women's Entrepreneur Network (SAWEN)
Anheuser-Busch Companies	ICBM	South African Embassy, Beijing
AppsTech	Institute of West-Asian and African Studies	Stanford University
Association of African Universities	Instituto de Empresa	Taleveras Group
Association of Uganda Micro Finance Institutions	Instituto Euro-Atlântico	Telnet
Attijariwafa Bank	JPMorgan Chase	The Beijing Axis
AVCJ Group Ltd.	Kenya Ministry of Information and Communication	The Coca-Cola Company
Banco Espírito Santo	Kenya Private Sector Alliance	The Fezembat Group
Beijing Foreign Studies University	KfW Bankengruppe	The Thomas Yaccato Group
BeninMwangi.com	Kiva.org	The Wharton School of the University of Pennsylvania
BrightHouse	K-Rep Development Agency	ThirdWave Networks Holdings Incorporated
Carleton University	Les Grands Moulins de Dakar	Thousand Hills Venture Fund
CFAO	London School of Economics	U.S. Commercial Service, South Africa
China Civil Engineering Construction Corporation	Makerere University	Uganda Ministry of Finance
China Development Bank	Manobi	United Nations Industrial Development Organization
China Foreign Affairs University, Department of Diplomacy	MEDA Investments Inc.	University of Hawassa
China Institutes of Contemporary International Relations	Ministry of Commerce of the People's Republic of China	University of Nairobi
China National Petroleum Corp	Ministry of Scientific Research, Senegal	University of Pretoria
China National Textiles Import and Export Corporation (Chinatex)	Motorola	University of South Africa (UNISA)
CIDA City Campus	National Geographic Society	University of the Witwatersrand
Cilicorp	National University of Rwanda	Visa International
Cisco Systems	NEPAD Business Group	World Bank
Compagnie Sucriere Senegalaise	OECD	World Economic Forum
Computer Frontiers	Opportunity International	World Resources Institute
Cornell University	Oxford University	Xinhua News Agency
Digital IQ Corporation	Partnership Africa Canada	
Embassy of the Republic of Kenya, Beijing	Peking University	
Endeavor Global	PetroSA	
ESKOM	Princeton University	
Evian Group at IMD	Promosoft	
Fantsuam Foundation	Reuters	
Faritec	RMB Private Bank South Africa	
FedEx	Royal Academy of Engineering	
Fletcher International	Safmarine	
Gate7 New Media	Senegal Ecovillage Microfinance Fund	
	Shell Group	

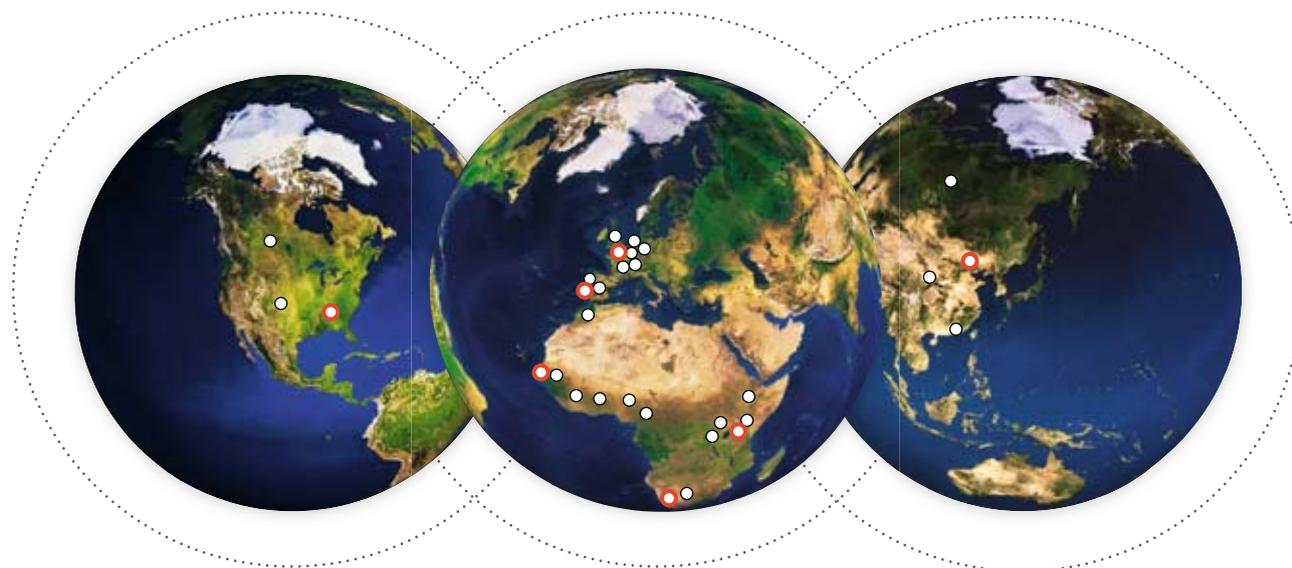
● GIO PARTICIPANT COUNTRIES OF ORIGIN

DEEP DIVE CITIES ●

Belgium
Cameroon
Canada
Côte d'Ivoire
Ethiopia
France
Germany
Ghana
Hong Kong S.A.R.
Kenya
Morocco
Netherlands

Nigeria
People's Republic of China
Portugal
Russia
Rwanda
Senegal
South Africa
Spain
Switzerland
Uganda
United Kingdom
United States of America

Atlanta
Beijing
Cape Town
Dakar
Lisbon
Nairobi
Paris



Pursuing a truly global perspective on the economic evolution of the African continent requires a broad spectrum of input. IBM convened nine GIO Deep Dives in seven cities across the globe. Above are the locations of the Deep Dives and the countries of origin for our GIO Participants.



The kind of economic change taking place in Africa today has the potential to affect every company, organization, and individual on the planet. As such, steering that change in positive directions requires adaptability, innovation, and the collaborative participation of many constituencies. Through the Global Innovation Outlook, IBM is already working on market initiatives and thought-leadership projects together with business leaders, policy makers, academia, and the nonprofit sector. We hope you will consider doing the same.

For more information about the GIO and its outcomes, please visit our Website at www.ibm.com/gio.



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