

The Role of Business in Sustainable Development

FRANCES REID: I would like to welcome you to our reception tonight on behalf of the Millennium Challenge Corporation which, for those of you who don't know, is a U.S. Government Corporation dedicated to developing new ways of delivering foreign assistance and, as symbolized by your presence here tonight, we have a great interest in looking at ways to creatively engage the private sector.

My name is Frances Reid; I'm the senior investment and risk officer for the Corporation and I take great pleasure in introducing you to Mr. Daniel Yohannes, our CEO. He, in particular, is the visionary who is really helping us to focus our efforts on expanding our contacts with people like you in the private sector and looking at other types of partnerships with NGOs, with Social Responsibility Funds and others to really expand the work that we can do in promoting free enterprise.

I would like to take this opportunity to move straight to Mr. Yohannes.

DANIEL YOHANNES: Thank you, Frances. I appreciate that introduction and your efforts and expertise as MCC's point person for greater private sector engagement. We are pleased to be joined by Cape Verde's Prime Minister, José Maria Neves; AES Corporation's Global Chief Operating Officer, Andres Gluski; and IFC CEO Lars Thunell.

Distinguished guests, ladies and gentlemen, welcome and thank you for joining us this evening. The Millennium Challenge Corporation is guided by one mission: to reduce global poverty through long-term economic growth. Our ultimate success in achieving this mission depends, in large part, on the partnerships we forge with so many of you gathered here this evening. I believe we can and should find ways to work together to align our mission and business interest with sustainable development objectives.

President Obama's strategy for global development recognizes that ending global poverty means investing in economic growth; promoting country-led development that engages government, civil society, and the private sector in the design and implementation of investments; demanding accountability from partner countries; and focusing on transparency and results. The Millennium Challenge Corporation combines the principles and practices that are at the core of the President's vision for development.

We are committed to transitioning countries from development assistance to private sector-led economic growth. We believe economic growth and increased incomes will pull communities and countries out of poverty toward self-sufficiency.

One of my top priorities at MCC is to involve the private sector in all stages of our operations throughout the world. We are building relationships with the private sector to analyze constraints to commercial activity, trade, and investment, so we can analyze solutions that will create investment-ready markets, identify commercial opportunities that MCC's support can help bring about, solicit advice on program design, seek co-investment or parallel investment, secure practical advice on designing innovative financing models for commercial needs, and encourage bidding on MCC's Compacts that would amount to about \$3 billion through 2011.

In addition, we are challenging ourselves at MCC to think more broadly and more deeply about what we mean by 'private sector engagement.' To us, this means engaging the traditional private sectors as well as the whole community of nongovernmental and nontraditional actors like social entrepreneurs and foundations. We are looking at this role of small and medium-sized companies play in development.

Often, these smaller firms are executing impressive niche strategies in emerging markets. We want to work with firms and foundations dedicated to social entrepreneurship. They see the value of maximizing their bottom lines and their ability to do good in the communities they work in throughout the world. We need to create a stronger climate for local entrepreneurship.

How can our investments help developing countries develop homegrown capacity and skills to compete, do business, innovate and create jobs?

We want to pursue more innovative solutions. We may not be able to come up with new products, but we may be able to come up with new processes. We can learn from successful development experiments others have undertaken and explore innovative ways to scale them up to long-term viability and sustainability. In all these ways, the Millennium Challenge Corporation is committed to the fullest definition of partnership to achieve the greatest impact we can in the fight against global poverty.

Tonight offers an opportunity to make connections as well as start and continue conversations to lay out a path toward greater cooperation. We want to work with you to discuss, strategize, and plan. Starting tonight, let us forge strong partnerships for progress that will benefit our missions and interests as well as the lives of the world's poor.

Thank you again for being here. And now it is my great pleasure to introduce the Prime Minister of Cape Verde; one of our partner countries where I will travel to next month to mark end of their first Compact.

With that, please join me in welcoming the Prime Minister of Cape Verde, José Maria Neves. Mr. Prime Minister, welcome. Thank you.

JOSE MARIA NEVES: I'm going to speak in Portuguese.

[Speaks in Portuguese; interpreter's remarks follow]

INTERPRETER: Distinguished guests, ladies and gentlemen...

The signature of the first Compact between Cape Verde and the Millennium Challenge Corporation, MCC, in 2005, represented a major landmark in the history of the relations between Cape Verde and the United States for the development of my country.

In 1975, Cape Verde was considered by many to be a new possible country, such where the constraints like the dramatic absence of natural and human resources. The insularity. The drought. [unintelligible] scarcity. And also the certification. And the extreme exiguity of fertile soil. And the enormous vulnerability, both environmental and economic. From the beginning, we were conscious of the enormity of the challenge to build the country basically from nothing. Nevertheless, the spiritual strength that we inherited from our [unintelligible] for the struggle of independence.

[unintelligible] He stated that independence was only worse if the people would believe in better with more dignity afterwards. Amilcar Cabral also stated that after independence, the leaders should govern with decency, honesty, and patriotism in order to serve the common good.

And that was the path that Cape Verde followed. Designing the public agenda centered in the betterment of the quality of life of its people. And mobilizing the partnerships all over the world to make the country viable and build a more dignified life for all. The international community soon understood the strategic importance of the options of the government in Cape Verde and investing in its people, and decided to support the country in its efforts to build the foundation for its development.

And the gains add business: Cape Verde is now a possible country. Today, we are understating an ambitious program in transforming Cape Verde into an international service center: In fields of tourism, banking, transportation, information technologies, of cultural and maritime industries.

To accomplish these objectives: Modernizing the infrastructure, water and sanitation, energy, roads, airports, telecommunication, to firmly engage development in developing the human [unintelligible] and strengthening the entrepreneurship. [unintelligible] an environment that is favorable to business development. The MCA Cape Verde partnership has been a fundamental contributor in the process of implementation of the strategy of economic and social transformation.

Cape Verde is about to conclude a five-year journey in the implementation of its first compact with highly positive results. The Millennium Challenge Account contributed for the construction of agriculture infrastructure, allowing

the integration of new technologies of production and promotion of agribusiness activities, access to credits, and thus promoting new dynamics of growth.

New jobs. Medical, economic, and social changes in the agricultural regions. The regions and the port of Praia that are either being built or modernized under the Compact have an enormous impact in the establishment of competitors and instilled new dynamics in important economic sectors. The MCA Cape Verde has been a stimulating force for change and innovations at the administration level as well. The e-government that we greatly developed with the support of MCA allowed us to create an integrated system of budget management, which ensured that public resources are managed in a rigorous transparent and accountable manner.

Of the citizens' house [unintelligible] to see about an integrated platform of public services, which allows the set up of a business in one hour – and before this would take weeks or even months – and the licensing in 48 hours, instead of the 52 days that it would take in the past.

The citizens' house also makes available electronic payment systems for sectors and better service. The MCA [unintelligible] also favored the approval of new judicial norms which has the law of public acquisitions in securing a rigorousness transparency and equal opportunity for enterprise.

And the citizens in access of public markets, and also the law of microfinances, which allow the modernization of the institutions in the sector that are now under the supervision of the Central Bank.

The entire MCA Compact is being executed with the assistance of national institutions and experts. The ministry of finance operates as its physical agent and has a role of financial controller. The MCA at Cape Verde utilizes the same financial system used by the government. As a result, the national capacities in the public management have been greatly reinforced.

This means that the MCA contributes for a substantial improvement of the positive impact in the development of the entrepreneurship and the private sector: in the economic growth, crop creation, the improvement of family income, and poverty eradication.

There is a change in the public administration. There are changes of beliefs, habits, and behaviors. Cape Verde is increasingly modern. Cape Verde is the first country to qualify to present the second proposal for MCA funds and inspire the international recognized socio-economic indicators that place Cape Verde in the category of country of middle income. With the progress that we achieved, a range of vulnerabilities, both structural and terminated, still persist. But, nevertheless, we are doing our homework and facing the crisis that the world is facing with success.

Today, we have an environment of confidence and potential of these growth and development of Cape Verde. We know that the development of our country must include first the consolidation of liberty and democracy. We know

that the sustainable development is only possible with economic development and justice in the distribution of wealth.

We know that development is only possible with a shared vision, with a great investment in the people, and the realization of the common good – which means the development of Africa. It demands a new government ethic. And, as Amilcar Cabral once said, “Decency, honesty, and patriotism.”

Cape Verde is one of the African countries on track to achieve the Millennium Development Goals. We know that the realization of these goals depends primarily on us, on our efforts. Because as the African proverb says: “No matter how hard is the work from your weaver, it will not cook your rice.”

We know that the partnerships are crucial to make these goals attainable. This is why Cape Verde deserves a second Compact. A second Compact must be innovative and creative. More investments, interventions to poverty will possess of economic transformation. The modernization of the society.

The second compact would create new opportunities for the development of human capacity, for the private sector consistent in other institutions. [unintelligible] establishment of new partnership to finance development. We think upon the determination that characterizes this new challenge. We know that we will continue to win. With partners, there’s great and infinite desire to succeed in building the future.

Finally, the Government of Cape Verde wishes at this occasion, to thank our development partners, [unintelligible] fundamental for the stage and for [unintelligible], and of countries of medium income. Of the United States, the United Nations system, the national financial institutions.

In this occasion, I would like to specially thank the Millennium Challenge Corporation, and particularly Mr. Daniel Yohannes, for your personal commitments placed in this titanic struggle for the development and reduction of poverty in the world.

With the cooperation of our partners, and particularly from the MCC, we will work in the next few years to achieve all the Millennium Development goals. We are determined in demonstrating to the world that development is possible in our country. This is the contribution that Cape Verde wants and can give to the international community.

Thank you very much.

FRANCES REID: Thank you very much, Mr. Prime Minister.

One of the kinds of partnerships that MCC is very much interested in is the opportunity to learn lessons from other people who’ve pioneered in areas in which we have a great interest. And one of the outstanding institutions

in that regard is the International Finance Corporation and we are very pleased to have here Mr. Lars Thunell who is the chief executive officer and executive vice-president of IFC.

LARS THUNELL: Thank you very much and thank you very much for the invitation to come here today.

And I think its very timely talking about partnerships. We very much appreciate the partnership that we have with the Millennium Challenge Corporation. We actually worked on a – I think a joint project for a credit bureau in Cape Verde. So to be here with the Prime Minister is also something that is very honoring.

And we have good relationships for many, many years with the AES and have done a number of projects across the world. Over here, for this week, I think to really think about the Millennium Development Goals, and where are we after ten years, and what do we need to do for the next five years.

And I kind of have five points that I wanted to kind of talk to you about a little bit. The first one I think is that, yes, weve made progress. That's been significant reduction in poverty around the world. But if we look at where has that happened, it has really happened in the bigger middle-income countries; China, Brazil, India, and it has happened when the private sector has been involved.

It has happened when you got growth into their economy. It has not happened when the private sector has not been involved. We have looked, for example, on working now with the Chinese government in the rural parts of China. There, they still have a lot of poverty. Actually, they have six hundred million people in China still in poverty. We have worked in – are working with the Indian government in the seven low-income states who are getting one percent of the foreign direct investments into India.

That's where were working in the low income states, in the IDA countries. We have re-shifted the investments of IFC. So today, 50% of our projects are in the low income countries, in the IDA countries because that's where we need to now channel funds. That's where we need economic growth. That's where we need development. That's where we need to reduce poverty. So I would encourage us all to look at those. This is not for the private sector by itself, that often goes. We're talking to our friends from AES who said, "Yeah, we love Brazil and we love India and we love China, but how about the others?" And I think that is something where we, as a multilateral, can help.

The second point is technology. I think we should use technology. There is actually an opportunity to leapfrog and jump ahead and use technology in a way because you don't have the old systems. And we heard the prime minister talking about e-Government; I think that's a very good example. Mobile phones have revolutionized the world for poor people. It has actually brought those people into the world economic system and allowed them to participate in transactions.

It's actually interesting. This was before my time, when the first mobile phone project was brought to our board. The discussion, "Was it a luxury good, or not?" And today, we know it's probably the best vehicle to increase interaction and reduce poverty in the world.

The third thing is financial inclusion. Again, we heard Daniel Yohannes talk about SMEs. How do we get microfinance? How do we get funds to those? How do we get funds to the small farmers? How do we allow for payment systems that can handle the small transactions? That is a major challenge. And we should remember – and that's why I think the combination of technology and banking is so powerful.

Today, I think, in the world you have about four and a half billion people with access to mobile phones. You have about two billion people with bank accounts. So if you can use the mobile phone – that is now what we are working with many countries trying to do – I think that can be a real breakthrough.

The fourth thing is infrastructure. There is a tremendous need for infrastructure. We know that there are needs of roads, ports, trucks. Forty percent of the food produced in Africa is destroyed on its way to the consumer because – very often because of lack of the infrastructure. We know that a child dies every fifteen seconds because of lack of clean water. We know that 2.3 billion people are without sanitation on the planet, and so on, and so on.

So there is tremendous need. And how will we finance these things? Well, in the good old days, the government could afford to do it, but as we look forward after the financial crisis, I think a combination of public and private money will be necessary. And this is really what I think partnership is all about, its bringing the public sector and the private sector, governments and the entrepreneurs together. And this is what I would like to encourage everybody here.

We've seen many people from different types of organizations that as we move forward to focus on that partnership. It's not always easy because we're not used to each other's cultures, we're not used to each other's processes, but I think that is what is needed as we move forward and if we're going to make that progress over the next five years and really make a dent into poverty.

Early today, I had the opportunity to sign a very good example, I think, of this type of project. This is a project for Haiti that was signed by the U.S. government where we had the Secretary of State Clinton signing on behalf. With that, we had the Inter-American Development Bank, we had IFC and we had the Korean Textile Company called the SAE. And it's all about creating manufacturing jobs in textile industry and in industrial zone in Haiti.

And I think that's the type of projects where we can all come together. So that's what I would like to really look forward to working with many of you in that regard for the truth. And, again, thank you very much for the presence and for the opportunity to come tonight. Thank you.

FRANCES REID: Thank you very much for your words. And I would now like to take the opportunity to introduce someone who represents another type of partnership that MCC has engaged in, Mr. Andres Gluski from AES, one of the worlds leading power companies and a partner of MCC in El Salvador. And I would like to welcome you.

ANDRES GLUSKI: Well, thank you very much. And its a real honor to be here and I want to thank the Millennium Challenge Corporation for inviting me. Also, Mr. Prime Minister Jose Maria Neves, thank you very much for your presence.

Let me talk a little bit about AES. AES is a large power company. As said, we are in thirty countries, though, so were not only in the big countries, were also in the small countries like El Salvador, which Lars had mentioned. We have about 40,000 megawatts of installed capacity, which is the size of most midsized countries, and we serve eleven million customers directly, which means we provide electric distribution services to about fifty-plus million people.

Now, in the case of AES, as was mentioned, you know, we do business in countries where it's difficult to do business and it's very important to have public/private partnerships. As Lars mentioned, we have been in a lot of countries together, specifically, for example, in Africa. We're together in Cameroon. That's one of our largest projects there. We're also in Nigeria, in Africa. We're also in Latin America. In Latin America, were the thirty-fifth largest corporation and the thirteenth most profitable company. So, in a sense, we've been able to grow and be in many countries through partnerships with the host governments and with the multilateral agencies.

And this is very important. And as we move forward, were seeing that these markets are increasingly attractive and vehicles for growth. Now, looking specifically at our partnership with the Millennium Challenge Corporation and in El Salvador, we service about eighty percent of the distribution needs of El Salvador. Its about 1.2 million customers.

The partnership that we developed was in the northern part of the country. And there, the project is one of bringing electricity to 24,000 people and increasing electrification from 72 percent to 94 percent in one of the poorest parts of the country. And I would say other than providing potable water, electricity is one of the greatest assets to improve people's lives.

And in a company like ours, where we make investments of 30 to 40 years because that's what it takes to pay back a power plant or distribution company, the truth is the private sector can only do well if the country does well. I don't know of a single case where a private company in our business did particularly well in a country which did not do well. And that is why we take these partnerships very seriously.

We also take social responsibility programs very seriously. So looking at this specific program that were doing together in northern El Salvador, you must realize this is one of the poorest areas of the country where the average education level is fourth grade. On the other hand, its one of the regions that has the greatest, lets say, forestry,

and most arable land in the country. So we're undertaking this project. It's affected directly 6,500 people. It's also created 2,500 jobs in an area that very much needs them. So it's really been a wonderful experience. It's been very positive for us, very positive for our people.

And being in 30 countries, we'd also like to take this experience into other countries. And if there's also ways that we can do this with the IFC, we'd be also extremely pleased, to go hand in hand in this project or the African Development Bank or the Inter-American Development Bank as well. So, in closing, I'd really, again, like to thank our partners, the Millennium Challenge Corporation for allowing us to work together in this program.

We think this is something that can be replicated elsewhere, replicated on a bigger scale. And not only is it good for the community, but it's also very good for our people. One of the things we found that social responsibility program is one of the greatest motivators for our people. We, in El Salvador in particular, we had a program that reached 50,000 school children to teach about electric efficiency and electric safety and involved our people going directly to the schools and teaching classes. And we did the same also in Sao Paulo in Brazil and reached 100,000 children. So this is another example I think of working together, of the importance of partnership, especially I think in our business.

FRANCES REID: Thank you very much. And, again, on behalf of our CEO, Mr. Yohannes, and the rest of us from MCC, we really truly would like to welcome you. And there are number of us here, and we're very much looking forward to talking to you about your ideas about how we can cooperate. Thank you very much.