

BHF Newsletter

E-News for Friends of the BHF: January 2004

Honorary Co-Chairmen: George F. Russell, Jr.; The Honorable John C. Whitehead

The Business Humanitarian Forum brings the resources, energy and creativity of the private sector to bear on the world's most pressing humanitarian problems, promoting economic development, human security and well-being.

HEADLINES

The BHF is Five Years Old!

The Business Humanitarian Forum celebrates its fifth year of activity in 2004. It was established at a meeting of leading figures from the humanitarian and business worlds in Geneva on January 29, 1999, with a ringing message of encouragement from UN Secretary General Kofi Annan. The participants in the founding meeting encouraged a major, on-going campaign to develop better cooperation between the business and humanitarian sectors. The result has been the expanding activities of the BHF, some of the achievements of which are cited below. This fifth anniversary represents a true turning point for the growing BHF, as shown by some of the news items that follow.

- The BHF, as the first organization specifically concentrated on the relationship of business to humanitarian efforts, has had a major effect in focusing world attention on the need for greater business involvement and support for humanitarian work. The need to work cooperatively and productively with the private sector has now been widely recognized, including by United Nations organizations, most recently in an initiative of the United Nations Development Programme (UNDP) for a Commission on the Private Sector and Development.
- The BHF has sponsored and co-sponsored major events in Geneva, Paris, Washington and Brussels bringing together leaders from the private sector and humanitarian organizations, has generated numerous articles, and has participated in a wide range of public speaking opportunities devoted to advancing its concept.
- The BHF has moved from conveying a general message about what the private sector should be doing, to creating actual partnerships between businesses and humanitarian organizations to create jobs, stimulate economic development and generate hope in some of the world's poorest regions.
- The BHF has developed a new model for business contributions in developing indigenous private sector production units in post-conflict and other poor countries where it is difficult to attract conventional investment. The pilot effort is in Afghanistan, where the BHF is carrying out projects with the cooperation of partner companies, UN agencies and the Afghan government. The BHF's growing list of creative projects in Afghanistan is moving forward to enhance that country's economic development, stability and self-reliance.

- The BHF held a conference in 2001 with the International Chamber of Commerce (ICC) in Paris on Problems for Business in Africa, to call attention to the fact that humanitarian issues, such as conflict and HIV/AIDS, are of direct concern to investors, and have a major effect on the investment climate in the region.
- As a member of the NEPAD (New Partnership for Africa's Development) Business Group, the BHF has maintained a focus on humanitarian issues of concern to private sector investors in Africa, notably combatting the HIV/AIDS epidemic through partnerships between businesses and humanitarian organizations.
- The BHF partnered with the Geneva International Centre for Humanitarian Demining (GICHD) to co-sponsor a Demining Workshop in 2002 to review and stimulate the role of business in developing technical solutions to humanitarian demining problems.
- The BHF set up BHF USA in 2002 as the first national BHF affiliate organization. BHF USA will pursue its own agenda, relating the business-humanitarian program to America's specific problems and identifying opportunities to bring the resources, energy and creativity of the American private sector to bear on humanitarian problems in the US.
- The BHF signed a Memorandum of Understanding on cooperation in developing private sector projects with the Bureau of Crisis Prevention and Recovery (BCPR) of the UN Development Programme. These projects are being developed especially in post-conflict countries like Afghanistan.
- The BHF has held numerous contact group meetings in Geneva, bringing together representatives of UN organizations, non-profit groups and the private sector to examine specific possibilities for cooperation in areas of mutual interest.

BHF Receives Generous Funding Support from George Russell

The Business Humanitarian Forum is proud to announce that it has received from Mr. George Russell, one of its Honorary Co-Chairmen, a multi-year commitment of funding support for the organization's on-going operations.

Mr. Russell's generous commitment will permit the BHF to move ahead energetically with its many projects, and to explore new ways in which the resources, energy and creativity of the private sector can be brought to bear on the world's humanitarian problems.

Mr. Russell's support is in the form of matching grants, and will essentially double other funding donations that are made to the BHF. This will create an additional incentive for foundations, companies and private individuals to support the BHF and its work.

George F. Russell, Jr. is Chairman Emeritus of the Russell Investment Group of Tacoma, Washington. He is Chairman of the National Bureau of Asian Research, and Co-Chairman of the EastWest Institute.

BHF Moves to New Offices

The BHF has moved to expanded office spaces in a new building constructed by the Swiss authorities for non-profit organizations in Geneva. The move helps us to centralize our operations and make them more cost-effective, and will permit us to augment our staff as required. Our e-mail and website addresses remain the same as previously, but our mail address and phone/fax numbers have changed. Notification of this change is being sent separately by e-mail. Until the new building's conference facilities are finished later this spring, we will continue to hold some of our contact group meetings at our former offices. The address for each meeting will be indicated on invitations.

The BHF would like to thank the Centre for Applied Studies in International Negotiations (CASIN) and the Geneva International Centre for Humanitarian Demining (GICHD) for their generosity in hosting the BHF's office facilities up to now. This has permitted the BHF to develop its mission and the scope of its work to the present scale and has been due in large measure to the interest and support of Dr. Jean Freymond, Director of CASIN, and His Excellency Cornelio Sommaruga, Chairman of the GICHD, both of whom were among the founders of the BHF and continue to be active in its work.

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Visit to Kabul

A BHF team visited Kabul in mid-December for meetings with representatives of the Afghan Government as well as UNDP, WFP, USAID, Asian Development Bank, The Asia Foundation, and other humanitarian assistance organizations. Progress was noted on a number of BHF projects, especially with regard to the BHF's plan to rehabilitate the Kabul flour mill for local production of high-quality flour.

BHF Makes Presentation to IFPMA

On January 19, the BHF was invited to make a presentation on its work to one of the periodic meetings in Geneva of the International Federation of Pharmaceutical Manufacturers Associations (IFPMA). The presentation focused particularly on the BHF's "Afghan Generics" medicines factory project, a model for cooperation between a

trade association -- the European Generic medicines Association (EGA) -- and private local investors, as well as the project the BHF is developing in cooperation with the Swiss Red Cross for clinics in Swaziland for the prevention of mother-to-child transmission of the HIV/AIDS virus. The group also discussed the need for a short training program for international officials on how to work effectively in partnership with the private sector. The BHF provides a relevant venue and is currently considering creating such a program at its Geneva facilities.

BHF Chairs Aid and Trade Conference

The President of the BHF was invited to chair the annual "Aid and Trade" conference in Geneva January 28-29, and to make the opening address to the conference. The "Aid & Trade" conference focusses on the relationship between businesses, investment and humanitarian assistance, and is a useful meeting-ground for business representatives and aid workers.

BHF Addresses Conference at Woodrow Wilson Center

BHF Managing Director Eleonore Kopera made a presentation at a conference on post conflict reconstruction in Afghanistan and Iraq held at the Woodrow Wilson International Center for Scholars in Washington on January 29. She described the BHF's efforts in Afghanistan and the model the BHF has developed for partnerships between businesses and local investors that provide locally-owned enterprises, jobs, and economic development in post-conflict situations.

Article from "*Africa Invest*"

In its role as a member of the NEPAD Business Group, BHF was invited to contribute a special article to the publication "*Africa Invest*" on the theme of how humanitarian problems in Africa are of direct concern to potential investors. The article is repeated here for the information of our readers:

Invest Africa Part I: International Perspectives

*by John J Maresca**

The Business Humanitarian Forum (BHF), a non-profit association based in Geneva, Switzerland, has developed a new approach to private sector development in areas that are not normally attractive to investors. The BHF has a number of such projects under development in Afghanistan, one of the world's most difficult investment climates, and is considering similar projects in Africa.

The BHF approach harnesses the interests and skills of the private sector, together with the legitimising abilities of international organisations and a strong dose of its own entrepreneurial energy, to put these projects together. The flexible BHF model can be

adapted for virtually any purpose, anywhere in the world, and is well suited to the situation in Africa.

Attracting investors to unfamiliar areas is always a challenge. Investors lean towards investments they understand, where the risks are low and the potential for profit is high. Countries or regions that are unfamiliar and carry special risks will normally be the last choice for traditional investors and conventional investment vehicles.

Like any other region seeking investors, Africa is subject to this general rule, and those interested in expanding investment in Africa should start by recognising this negative factor and by asking themselves how they can offset it. The development of a strong, indigenous private sector is crucial to the overall investment climate in Africa, and will contribute to attracting further foreign investment in the future.

One starting point must be to recognise, and to work with, the clear motivation of businesses. Businesses are run for profit, and while they may make philanthropic donations, their central concerns are consistently those which will have an effect on their profit margins. This means that negative factors such as political risk can be clearly outweighed if the prospects for profit are high. Certain business sectors, such as oil or diamonds, or the extractive industries in general, do bring high profits, and therefore routinely attract investors in spite of negative factors. But foreign investment in these areas is not always ideal, and cannot alone make an economy viable. Nor is it healthy for the assets of a country to be primarily foreign-owned. The problem of attracting sustainable investments, which produce meaningful jobs and are owned locally, remains.

Governments in regions that are less attractive for investment must be conscious of the handicaps that they face in the world competition for investment funds. They need to make a special effort to convince potential investors of their reliability as hosts for investment projects. This includes having a convincing record of good governance, of dealing with businesses fairly and positively, of the absence of corruption, and of a reliable framework for doing business, including legal systems on which businesses can rely if the need should arise.

But even in the best of circumstances, it may be difficult for some countries to attract real investment. In those circumstances, some additional factors may be needed, outside of the traditional activities used to woo private sector investment. It is in these circumstances that the approach of the BHF can be a key to stimulating private sector investment.

The BHF has approached this problem from just this starting point, asking what can be done beyond traditional approaches to engage the private sector in positive and productive investment ventures. And how can the differing motivations of businesses, governments and interested organisations be used together to produce new types of responses to the need for private sector investment for economic development where it is needed most?

Recognising the very specific nature of businesses, and the fact that no two business investment arrangements are the same, the BHF has avoided preparing broad studies of the issue, and has concentrated, very practically and concretely, on taking one business opportunity at a time, and building it into a real business, with local ownership, job creation and wealth generation.

The philosophy of the BHF is that only the resources, energy and creativity of the private sector can be successful in surmounting the problems of the developing world. Only private investment can produce real jobs and real profits, for the benefit of individual workers, for taxes and economic development of the society as a whole.

And businesses are infinitely varied and specific; for every potential investment there is a businessperson somewhere who will be interested. Thus, the challenge is to find ways to align what businesses want to do with the needs of a specific situation, to produce a dynamic and positive result. This can be done with the encouragement of public authorities and with the contribution of development work by voluntary organisations.

To attract business to unattractive investment environments, the BHF has developed a new model which engages foreign businesses in limited ways, builds on what international organisations are prepared to do, mixes in a strong measure of old-fashioned entrepreneurial work, and produces locally-owned companies generating real jobs and profits. The BHF is currently using this model to develop specific investment projects in Afghanistan, but the model is also suited to the difficult African investment climate. The BHF's innovative projects in Afghanistan have been recognised by the UN system, which is searching for new models for economic development, as an important conceptual breakthrough.*

The BHF model consists of a limited donation from a large company or industry, intended for use in a developing country. This donation can take various forms, such as an in-kind donation of manufacturing equipment or services. With this commitment in hand, the BHF finds local investors who are attracted because of the value of the donation, which makes the remaining investment requirements more reasonable and the margin for future profit more attractive. For these investors an opportunity, which may have appeared too costly for the potential returns, suddenly seems attractive. Other supporters can be found to contribute transportation, building or management services, at cost or free of charge. The original donor company can also offer training and management advice as the fledgling company is getting started, possibly taking a seat on the new unit's management board.

The BHF does the project development work, which can be considerable, and would be costly if it were handled commercially. The donor company normally does not wish to be bothered with this aspect of the project, believing that its donation is in itself a generous gesture. And local investors may have neither the required expertise, nor the financial wherewithal to hire a commercial company to do this. The BHF does this project development work in cooperation with international organisations such as the United Nations Development Programme (UNDP), with which it has a partnership. Partnership

with a public sector organisation gives the BHF a solid basis for dealing with governments, financial organisations and other concerned public sector units. It also facilitates vetting of potential local investors, to ensure that they have positive business and personal credentials and can be trusted to carry out a private sector project with respect for laws and accepted principles such as those of the Global Compact, which the BHF fully respects.

The companies that provide donations gain from this public private partnership for development in many ways that support their own business objectives. Often the companies have ambitions to conduct larger business programmes in the country or region concerned, or they are considering establishing commercial programmes there. Having their name circulating positively can be an important asset, and the experience of working in the region, with local partners, is valuable training at relatively small risk. A donation of this kind can be an easier and less risky way to enter a new country than opening a full-fledged subsidiary, which can come later. More broadly, the image of a company, and the self-esteem of its workforce, can be positively enhanced by participation in programmes with humanitarian development objectives. Employees often take greater pride in this type of activity, which they understand as using their professional qualifications for the benefit of others, than in their normal commercial activities.

The BHF is currently considering possible projects in Africa. With sufficient resources, the organisation could replicate this type of project indefinitely. Since the overall effort of the BHF is in the public interest, it has tended to seek funding for its own work, as opposed to the individual investment projects, from public sources and foundations. Each of its projects is different, involving different companies, different donations, different investors and a different balance of pro bono contributions and self-interested investment. But all of them have in common a basis in public-private cooperation, and the general objective of worthwhile economic development in poor countries where normal investment is slow in coming.

** Ambassador (Ret.) Maresca is the President of the Business Humanitarian Forum*

Article from "*The Aid and Trade Review*"

The BHF was invited to contribute a lead article for the Aid and Trade Conference's bi-annual publication, *The Aid and Trade Review*, addressing how private sector actors can contribute to peace building and reconstruction activities. The article is repeated here for the information of our readers:

Business and Post-Conflict Reconstruction in Afghanistan

*by Eleonore H. Kopera**

The Business Humanitarian Forum developed a program to rebuild Afghanistan's businesses, in particular the productive sector, in partnership with donor companies. The

pilot project is a medicines factory in Kabul, which is built based on a free donation of production machinery and business training from European pharmaceutical companies. Other projects include the construction of a furniture company based on a free donation of machinery and business training from an American furniture company, and the rehabilitation of flourmills based on a cost-based contribution of an Iranian mill company.

These kinds of initiatives are key to create sustainable employment and strengthen civil society, particularly the private sector. Factories will produce much-needed goods such as medicines, furniture and flour, while providing sustainable employment opportunities. A strengthened civil society can resist illegitimate leaders, like warlords or terrorists, and can withstand changes in the government. A weak civil society, where people have no jobs, is at the mercy of illegal employers like warlords. A society where people have sustainable jobs is better prepared for democracy building and sustainable peace. It is therefore important to use business contributions from donor companies and rebuild the infrastructure in a country like Afghanistan. Most importantly, strengthening the indigenous private sector and creating sustainable employment prevents the recurrence of violence, which created so much suffering in the past.

This BHF-led initiative fits the UN Global Compact's call for partnerships with the private sector and the UNDP's objective to help countries emerging from conflict bridge the gap between emergency relief and long-term development. In 1999, the United Nations Secretary-General, Kofi Annan, called for new partnerships between the United Nations and the private sector, saying that the dialogue between the United Nations and the business community is based on the conviction that expanding markets and human security and well-being go hand in hand. [1]

There are two emerging reasons why creating partnerships with businesses should be of importance to the UN. First, overall official development assistance money from donor governments has been declining. Since the end of the Cold War, development assistance money has decreased by 12% or, in real terms, by \$8 billion US dollars. At the same time, money for humanitarian assistance channeled through UN agencies fell from \$1,194 million dollars to \$666 million dollars.[2] The worldwide economic downturn, recessions, higher unemployment rates and increased competition for resources among international and non-governmental organizations limits governments aid spending to any particular agency. Businesses can supplement the lack of funding and contribute towards the UN's efforts toward poverty alleviation and conflict prevention by donating their expertise and resources towards complex tasks like creating sustainable employment in societies in transitions.

Second, and more importantly, the UN and other international organizations usually work on mandate from governments and for the benefit of governments. They do not have the expertise and resources to work with the local private sector and rebuild the productive facilities, which is a crucial part of a country's infrastructure and a key sector for sustainable employment. Many humanitarian problems, such as the integration of refugees, the spread of diseases and illiteracy, persist because of a lack of economic

opportunities and a continued dependence on humanitarian aid. The rehabilitation of factories will effectively address issues of poverty and continued violence in countries emerging from conflict, because they provide sustainable employment opportunities and the capacity to produce key goods locally. The private sector has the technical resources and expertise for the construction of factories that the UN lacks. Local business development also provides people with vocational training and helps sustain government services and infrastructure development through tax money generated from business operations.

The UNDP's Bureau for Crisis Prevention and Recovery has made one of its key objectives to jump start the private sector and help countries emerging from conflicts rebuild their economic infrastructure.[3] This is where the resources and expertise of companies are needed and partnerships with private businesses are useful. In order to support the UNDP fulfilling on its objective and, at the same time, provide practical examples for concrete projects with the private sector, the Business Humanitarian Forum is developing partnerships with companies that are willing to donate their expertise and technical resources to develop the local private sector in poor countries. The BHF recognizes the value of business contributions, especially projects promoting post-conflict reconstruction activities.

In Afghanistan, the Business Humanitarian Forum developed a program based on partnerships with companies to help rebuild local production facilities in basic sectors including food, medicines, housing, electricity and water. This program has been integrated in the UNDP's reconstruction activities. Afghanistan serves as the pilot country for this new private-sector partnership program. The objectives of the program are promote stability through employment creation and strengthen local productive capacity, which will help the country move away from dependency on aid and build a vibrant indigenous private sector. If a post-conflict society rebuilds privately-owned factories and thereby starts to produce goods locally, it succeeds in taking an important step towards independence. Production plants give people a sense of ownership and allow them to replace basic goods that are imported through the UN, such as medicines and flour, with their own products. Furthermore, a sustainable production infrastructure serves as the basis of a country's growing economy.

In order to build factories, the BHF solicits the support of donor companies that are willing to go beyond their daily business operations and provide part of their resources and expertise to help societies in need rebuild their plants. In the case of the medicines factory, the European Generic Medicines Association (EGA), an alliance of 400 European generic pharmaceutical companies, agreed to contribute their business expertise, production equipment, training and initial raw materials to help Afghans build a small generic medicines factory on the outskirts of Kabul. This factory will produce essential medicines of European quality and provide Afghan children currently dying of simple infectious diseases with the means to survive.

Afghanistan used to have two pharmaceutical factories, a state-owned and a foreign-owned one, which were destroyed and looted during the years of conflict. The country

still has trained pharmacists and technicians who have the expertise to manage the quality control and medicine production processes, but no means to build new factories. Possible investors, either from the wealthy Afghan diaspora or from outside companies, who would bring in the necessary capital for reconstruction, see no incentive in investing in a country that is still unstable and has a weak legal framework.

However, this is exactly what people need: Construction and repair of their own factories in order to expand their productive capacity and develop their private sector. People in a society easily grow tired of their dependency on humanitarian aid, receiving food and medicines from international workers, while not being able to make a living and produce their own goods. Moreover, if people do not have an income and a steady job, they are an easy prey for former warlords who promise them a minimal wage, or even just a meal a day, in exchange for serving in their private armed forces.

The biggest demand from people in a post-conflict society, after the immediate post-conflict emergency needs are covered, is for employment and help in rebuilding their productive capacity. They want to work and produce their own essential medicines, flour and furniture, and not remain dependent on imports of these basic goods for an undetermined length of time.

With this pilot project, constructing a small factory for essential medicines in partnership with European pharmaceutical companies, the BHF hopes to give a practical example of how businesses can contribute to post-conflict reconstruction, and what the UN can expect from the private sector if they expand the Global Compact partnership concept. The EGA decided that it was their responsibility to contribute to societies in need, and they are doing so under their Access to Medicines program. They understand that it does not cost them much to provide Afghans with a business plan, the production equipment to get the factory started and some training on how to operate the plant, but that their help makes a big difference for the locals, giving them new economic opportunities and hope for well-being and stability.

The new factory will be in full Afghan ownership, supervised initially by a multi-stakeholder management board, which includes the donor company, the local owner, BHF and UNDP. This will ensure sustainable production and good business practices. After all, donor companies would not want to contribute their resources and expertise with a fear that their donations might be misused.

Thus the Business Humanitarian Forum with the technical support of companies, provides people emerging from a conflict with new services, helping them to rebuild their productive facilities, and promotes private sector development. This same model could also be applied in other post-conflict regions. In fact, UNDP Bosnia and UNDP Sudan already approached the BHF and asked it to start similar initiatives in those countries. By supporting the construction of productive facilities, the UN allows people to help themselves, produce their own emergency goods and thereby develop into a free and economically viable society.

There is scarcely a UN worker who does not know the saying, do not give people fish, but teach them how to fish. The new BHF model, in support of the UN Global Compact initiative, will give people the tools to produce goods and increase the UN's efficiency in resolving some of the world's most complex humanitarian problems.

For more information on the Business Humanitarian Forum, please go to www.bhforum.ch

** Eleonore Kopera is the Managing Director of the Business Humanitarian Forum. In her prior position, she worked at the International Committee of the Red Cross with businesses in conflict zones. Furthermore, she built her expertise in multi-stakeholder partnerships through relevant positions at various divisions of the UN including the Executive Office of the Secretary-General, UNFPA, FAO and at other organizations including the World Economic Forum.*

[1] Message from the UN Secretary-General to the BHF Founding Meeting in Geneva, January 1999.

[2] Humanitarian Policy Group Report 11, The New Humanitarianism: A Review of Trends in Global Humanitarian Action, ed. Joanna Macrae, April 2002, Overseas Development Institute. <http://www.odi.org.uk/hpg/papers/hpgreport11.pdf>.

[3] www.undp.org/bcpr

Contact BHF

BHF personnel are available for speaking assignments on subjects related to the work of the BHF, on a mutually-convenient basis.

For further information on the BHF, please visit our website, at <http://www.bhforum.org/>

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The Business Humanitarian Forum is a non-profit association registered under the laws of Switzerland. We welcome your support, which will help us to continue our work.

The Business Humanitarian Forum was established in 1999. Founders: Peter Bell, Jean Freymond, John Imle, John Maresca, Sadako Ogata, Vladimir Petrovsky, Jane and George Russell, Cornelio Sommaruga, John Whitehead and Robert Zoellick.