Excerpts: The rationale and strategy behind the Aga Khan Fund for Economic Development (AKFED)

"[AKFED’s] main purpose ‘is to contribute to development,’ [the Aga Khan] adds. ‘It is not a capitalist enterprise that aims at declaring dividends to its shareholders.’ Central to his ethos is the notion that his investments can prompt other forms of economic growth within a country or region that results in greater employment and hope for the poor.

"Economic developments experts say the Aga Khan's activities offer a useful template for others -- including philanthropists like Bill Gates and George Soros -- who are trying to assist the world's poorest by marrying business practices to social goals, but whose foundation work usually stops short of owning businesses outright in poor countries.

"Paul Collier, an economist at Oxford University who specialises in the problems of poor countries, says he believes that aid agencies could benefit from operating more like venture capitalists -- and more like the Aga Khan. 'He gets a multiplier effect from his investments that's really lacking in foreign aid,' Mr. Collier says. 'I'm impressed with his way of accepting risk and thinking long term.' ...

"Mixing business and charity, while long at odds with mainstream capitalist practice, is growing in prominence, making the Aga Khan an unlikely innovator."

His Highness the Aga Khan’s 2007 New York Times Interview with G. Pascal Zachary, ‘Do Business and Islam Mix? Ask Him’ (New York, USA)
http://www.nanowisdoms.org/nwblog/8116/

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"There is no point going into economies that are wealthy and have their own resources, so we go into the really poor ones. If you try to put social development ahead of economic support, it doesn’t work. You have to do both together. A community whose economics don’t change is not one that can support community structures, education, healthcare, it doesn’t have the wherewithal."

His Highness the Aga Khan’s 2008 Financial Times Interview with Rachel Morarjee, ‘Coffee with the FT: His Highness the Aga Khan’ (London, United Kingdom)
http://www.nanowisdoms.org/nwblog/9028/

"One lesson we quickly learned about the development process, was that familiar investment assumptions, that had worked in earlier periods and in Western economies, were not going to work in the same way in the post-colonial world. Private capital that looked for rapid returns at minimum risk would not flow readily and other sources of seed finance would have to be found or generated. That is why we created AKFED -- the Aga Khan Fund for Economic Development …"

His Highness the Aga Khan’s 2010 Restored Polana Serena Hotel Opening Ceremony address (Maputo, Mozambique)
http://www.nanowisdoms.org/nwblog/9648/

"The Aga Khan Fund for Economic Development is neither a charitable foundation nor a vehicle for wealth generation. It is a for-profit, international development agency that, because of its institutional background and social conscience, invests in projects, which will make a positive contribution to the quality of life for those who are impacted by their activities."

His Highness the Aga Khan’s 2010 Forward to the Daily Nation 50th Anniversary Special Supplement, (Nairobi, Kenya)
http://www.nanowisdoms.org/nwblog/9371/
"AKFED is the economic development agency of the Aga Khan Development Network and acts as a catalyst for enterprise development principally through promoting private sector initiative. Its policy is to invest significant equity in the projects it promotes and to provide itself, or ensure, rigorous on-the-ground management. Its mission is to be an active, entrepreneurial risk-sharing partner. The agency will invest alone or with local or international partners in new projects or ones it selects to revive or enterprises to be privatised."

His Highness the Aga Khan’s 1997 Zanzibar Serena Inn Opening Ceremony address (Zanzibar, Tanzania)
http://www.nanowisdoms.org/nwblog/5265/

**Peter Mwaura:** Can you give us some measure of the successes of the Aga Khan Fund for Economic Development?

**Aga Khan:** Well, we are looking at quality of life indicators -- indicators that are not the same as those of the World Bank, indicators we have tried to develop through our own experience. We are looking at things like security, longevity, disposable income, access to education and employment. We are looking at what really affects people’s attitudes to their own understanding of quality of life. We did discover that communities around the world don’t have the same value systems. They will interpret their own qualities of life very differently from one part of the country to the other.

His Highness the Aga Khan’s 2011 The East African Interview with Peter Mwaura, ‘How East Africans can build one common destiny for and by themselves, step by intelligent step’ (Nairobi, Kenya)
http://www.nanowisdoms.org/nwblog/9958/

"To the Imamat, the meaning of 'quality of life' extends to the entire
ethical and social context in which people live, and not only to their material well-being measured over generation after generation. Consequently, the Imamat’s is a holistic vision of development, as is prescribed by the faith of Islam. It is about investing in people, in their pluralism, in their intellectual pursuit, and search for new and useful knowledge, just as much as in material resources. But it is also about investing with a social conscience inspired by the ethics of Islam....

"AKFED, the entity [of the Aga Khan Development Network] that oversees and invests in projects such as Alltex, is therefore neither a charitable foundation, nor a vehicle for the personal wealth of the Ismaili Imam of the time. It is a for-profit, international development agency that, because of its institutional background and social conscience, invests in countries, sectors and projects, on criteria far different from those of a straightforward commercial investor. Investment decisions are based more on the prospects for better lives for the constituencies of people that will be impacted by the investments and their results rather than on bottom line profitability. AKFED does seek to generate profits, but they are entirely reinvested in future development initiatives....

"The approach of the Imamat has always been to respond to the development challenges and priorities of the countries in which it is engaged. Naturally, these priorities differ significantly from one country to another, and from one region to another. It has often meant taking courageous but calculated steps to create opportunity in environments that are fragile and complex at the same time. For AKFED, this has frequently meant giving a lead where others might have feared to tread."

His Highness the Aga Khan’s 2003 Alltex EPZ Limited Opening Ceremony address (Athi River, Kenya)
http://www.nanowisdoms.org/nwblog/6843/

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Geoffrey Barker: You have said the IPS [Industrial Promotion Services] companies invest to fulfil social needs as much as to make profits. Would you invest to fulfil a social need if you could see a likelihood of nationalisation?
**Aga Khan:** We would very definitely do that. We would take every reasonable measure to protect ourselves against the risk of nationalisation, but we would still go ahead if we felt it was necessary for the future of the people in the area ... The funny thing is that generally speaking there is a recognition in time, even if you go through the process of nationalisation, that it may not have been the right decision ... There are a number of countries which try to apply a social philosophy and have found after 10, 15, 20 years, that the philosophy has really so damaged the initiative of the citizens of the country that the ultimate result has been less good than the original purpose ... and there is a liberalisation.

His Highness the Aga Khan’s 1979 The Age Interview with Geoffry Barker (Melbourne, Australia)
http://www.nanowisdoms.org/nwblog/10329/

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"[The Aga Khan Fund for Economic Development, (AKFED)] is dedicated to building economically-sound enterprises in countries of Asia and Africa where foreign-direct investment and management know-how are in short supply, and where many private investors regard the risk as too great. The focus is not on profit, but on people. We seek ways to transfer knowledge and technical capacity to local citizens and to the national economy to generate an economic ripple effect.

"This is the AKFED development agenda in the countries where we are active, from Afghanistan to Uganda, almost always at the invitation of the government concerned. All AKFED strategic investments are made in close consultation with the government, focusing on the key sectors of industry, infrastructure, media, financial services, air transport and the leisure industry."

His Highness the Aga Khan’s 2005 Kabul Serena Hotel Opening Ceremony address (Kabul, Afghanistan)
http://www.nanowisdoms.org/nwblog/7550/

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"[Industrial Promotion Services (IPS)] has taken more of my personal time and thought than practically every other business activity connected with developing countries. The heart of the matter is the idea which lies behind the whole concept of IPS: the idea of partnership in progress."

His Highness the Aga Khan's 1967 Industrial Promotion Services (IPS) Building Opening Ceremony address (Nairobi, Kenya)
http://www.nanowisdoms.org/nwblog/1432/

"If AKFED is an unusual animal, it is perhaps all the more interesting. Because of its status as an Imamat Institution, it can take a longer view of development than most private investors, and has systematically concentrated on the provision of equity capital which makes up three-quarters of AKFED's portfolio. The significance of this form of investment over commercial loans is not only that it avoids the build-up of debt, but that it involves greater investor commitment and is more likely to lead to the transfer of technology. It has also done a lot to dissipate the instinctive suspicions that still colour some Third World Governments' attitudes towards private foreign investment."

His Highness the Aga Khan's 1987 Global and Mail Dinner address (Toronto, Canada)
http://www.nanowisdoms.org/nwblog/3401/

"It is worth recalling, candidly, the several good reasons why private investors were often reluctant supporters of African initiatives: political instability, currency fluctuations, a lack of qualified manpower, low rates of return -- all of these factors contributed to the problem. But the biggest risk was often the fear that the projects would be too closely controlled by inexperienced governments -- and perhaps even nationalised at some point along the way. Given all of these uncertainties, much of the investment which did occur came from sources which put more emphasis on human development goals -- and less emphasis on economic profit. Among them, for many years now, has been the Aga Khan Fund for
Economic Development -- or AKFED as it has come to be known....

"We must be certain, for example, that our growing range of co-investors can meet their financial goals. But at the same time, we are determined to keep clearly in view our traditional commitment to developmental rather than purely financial goals. We believe this makes AKFED a particularly attractive and effective partner in projects which will work to improve the quality of life for the peoples of the developing world.

"This is true because AKFED is ready to take justified investment risks -- to a greater extent than many other investors. We are ready to be patient investors, with a far-ranging vision. We are long-term players, maintaining our presence even during periods of economic or political turbulence....

"AKFED will continue to be as supportive and creative as possible in responding to the evolving demands of developing economies. Yes, we must look with care at the dividends we can produce for the co-investors in our projects. But in the end, what will count most for AKFED is what it can contribute to the quality of human life in the cities, provinces, countries and regions in which we function. That will be our most important dividend."

His Highness the Aga Khan’s 2006 Kampala Serena Hotel Opening Ceremony address (Kampala, Uganda)
http://www.nanowisdoms.org/nwblog/7992/

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