BUSINESS PARTNERSHIPS FOR DEVELOPMENT IN AFRICA

Redrawing the boundaries of possibility
Foreword

Deeper collaboration is key to finding new ways to tackle Africa’s development challenges

2010 has seen an acceleration in the pace of understanding and action to galvanise business-led solutions to poverty. With only five years to go to achieve the Millennium Development Goals (MDGs), this report shows how game-changing partnerships are creating new opportunities to align resources and know-how, share risk, and address systemic barriers to Africa’s growth and development.

The energy, commitment and consensus among business, donors and civil society have never been greater, nor has the willingness to address these challenges collectively. A growing number of profitable inclusive business models are demonstrating the power of business leadership and innovation, and companies are increasingly willing to contribute resources to tackle shared development challenges. It is still early days in terms of both reaching scale and understanding impact, but this progress must be built upon by all with a stake in Africa’s future.

Despite good progress in some African countries, there remain significant shortfalls toward the achievement of the MDGs. Business has a critical role to play as an engine of economic growth and employment, contributor of taxes, and driver of innovation. We are committed to being active partners in Africa’s development and to strengthening our collaboration with all our stakeholders. The scale and complexity of the challenges facing Africa remain immense, but this report shows that significant progress is being made, and the extent to which we have become critical parts of each other’s ability to deliver results, scale and impact.

Introduction

Business Action for Africa’s 2010 Report, produced with the CSR Initiative at the Harvard Kennedy School, examines how business-driven partnerships are addressing Africa’s development challenges in new and innovative ways, redrawing the boundaries of what is possible, and creating new frontiers for sustainable development and growth on the continent.

Drawing on detailed case studies from BAA member companies and the Harnessing the Power of Business for Development Impact event series, supported by Business Action for Africa, UK’s Department for International Development (DFID) and the CSR Initiative at the Harvard Kennedy School, the report addresses four challenge areas—enterprise development, regional integration and trade, human development, and environmental sustainability—and examines the role of business and what can be achieved in collaboration with others. It lays out ways companies can contribute through core business activity, social investment, and public policy dialogue. And it finds that partnership can help achieve greater scale and impact by:

- Strengthening and enhancing the credibility of public policy inputs.

At a time when partnership models are evolving in scope and complexity, this report also suggest an agenda for learning and action for those interested in increasing the reach and impact of business partnerships for development.

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It is my firm belief that wealth creation, jobs and livelihoods above all will help poor people to lift themselves out of poverty. If you are committed to reducing poverty, you have to believe in economic development and growth. For every extra percentage point of growth in Africa more schools can be built to educate children, more health facilities will be available for the sick and more safe drinking water will be supplied to communities.

Above all, we need growth that is broad-based, inclusive and sustainable; in which all people benefit from the proceeds of prosperity; and in which even the poorest have access to the opportunities and markets that it creates. As the engine of that growth, the private sector can make a vital contribution, by creating new jobs, new trade and enterprise opportunities, new markets, and new prosperity.

For a country to grow, it has to be part of the global goods and services market, and it must also be able to access global capital. The private sector holds the key to that integration and also to the game changing innovations, described in this report, that create new opportunities for the world’s poor to access the goods and services that can transform their lives. At a time of slow growth in many developed markets, it is also worth remembering that developing countries represent a huge growing market.

That is why at the recent UN MDG Summit in New York, I joined ten other Development Ministers in endorsing a commitment to strengthen our work with the private sector, and also why I have committed to create a new Private Sector Department within the UK’s Department for International Development (DFID). I want to send the clearest of signals that I believe business has a vital role to play in achieving the MDGs.

I intend to bring a new energy to Britain’s promotion of wealth creation in development and to reconfigure my department to meet this challenge. We are now working to recast DFID as a government department that understands the private sector and has at its disposal the right tools to support a vibrant, resilient and growing business sector in the poorest countries. I want the new Private Sector Department to be the place that defines, lives and breathes the new DFID culture of private sector-led development, an example for other development bodies to follow.

DFID also needs to take the opportunity to learn from business. I want to explore how we might enrich DFID’s own talent pool with a series of short-term secondments from the private sector in order to inject new, business-savvy DNA into the department. I also want the new department to bring together representatives from business to help us find bold and creative solutions to development challenges.

Over the coming months, I look forward to working closely with the business community to take forward this ambitious new agenda.

(DFID is a member of the BAA Oversight Group)
We have reached a tipping point in the way business sees its relationship with the developing world. A growing number of businesses, from large multi-nationals to small-sized start-ups, are moving beyond philanthropic, risk-mitigating CSR focused activities, to find new ways to do business that benefit both the poor and their core business.

We are seeing a growing momentum behind the adoption of “inclusive business models” by many companies that expand access to goods, services, and livelihood opportunities for low-income communities, alongside an increased willingness and interest by companies in committing business thinking and capacity to shared development challenges, especially in Africa.

As this report demonstrates, effective collaboration and partnerships between the various sectors of society are now a critical success factor in the development and implementation of inclusive business approaches, and create a powerful means for us to think in new ways about how to tackle some of the most intractable and daunting development challenges.

As the scope and complexity of cross-sector partnerships grow, new models of collaboration are emerging that offer the potential to transform the scale and outcomes of existing approaches. For example, business to business partnerships are creating opportunities for companies to share resources to address shared systemic challenges in an integrated way, working with civil society and government partners. An example is the close collaboration referenced in this report between companies and customs organisations in East Africa to speed up the cross-border movement of goods, which is key to increasing levels of intra-regional trade.

We are also seeing donors and governments recognising the new opportunities and a growing willingness to work with business across a wide range of issues and geographies, helping to share the risks, supporting progress to create stable and well functioning regulatory environments which business needs to flourish, and contributing their deep knowledge and convening power to generate momentum and broader-based support.

To sustain momentum, we need to invest more time and resource in building our capacity to partner, learn new skills and be willing to experiment, and sometimes to fail. We know that partnerships will fail unless there is transparency, mutual advantage and equity amongst those engaged in collaborative action. These qualities are not “givens” but must be consciously and deliberately maintained by all partners to achieve maximum returns.

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Developing new forms of collaboration requires experimentation and is often a risky, complex and messy business, requiring those involved to leave behind their comfort zones – in short, to lead.
Working with others lies at the heart of all Oxfam’s efforts to overcome poverty and suffering worldwide. It is only by building relationships to support the actions of poor and marginalised people and communities that the necessary conditions will be created for sustainable change and development.

Oxfam is increasingly engaging with business in recognition of the critical role that the private sector can play in delivering positive development outcomes, particularly when they invest in sectors or regions that are important for growth, job creation, women’s empowerment and poverty reduction.

For example, in Ethiopia, Oxfam and its partners are working with Ambrosia, a honey-processing company, which has invested in a training school to give local women access to new skills and technology. With the help of loans from micro-finance institutions, women have been able to invest in new types of beehive, boosting productivity and increasing household incomes.

In north-west Tanzania, Oxfam is working with a sisal processing, manufacturing and marketing company to set up 15 small processing plants in local villages. Up to 8,100 smallholders, processors and their families will benefit.

When working together, the motivations of business and civil society organisations will not always be fully aligned. However, joint action, guided by a clear common goal, and based on mutual respect and trust, can produce positive results.

Oxfam has identified five key principles for successfully working with others, whether from civil society or business, as follows:

- complementary purpose and added value;
- respect for each other and the contribution that each party brings;
- clarity about roles, responsibilities and decision-making;
- transparency and accountability; and
- commitment and flexibility.

These principles underpin the commitment by Unilever and Oxfam to work together over the next five years to explore, develop and implement innovative sourcing models that link smallholder farmers into Unilever’s supply chain. After pilot studies to validate the feasibility of the project from both commercial and developmental perspectives, we are developing a project in Azerbaijan to source dried vegetables for use in soups and stocks, and working to identify a second country, in Africa, to replicate the same approach. The collaboration draws on Unilever’s expertise in agronomy, technical assistance and, above all, in ensuring sustainable commercial outcomes, together with Oxfam’s experience in gendered community and rural enterprise development, facilitating multi-stakeholder partnerships, improving smallholder services and the enabling environment.

Partnerships aren’t easy; they take time and resources, and require compromise on both sides. Not all NGOs and not all businesses are convinced that the potential benefits of working together outweigh the costs and risks. But Oxfam’s experience to date has produced both some interesting learning and tangible positive impacts.
Following the global economic crisis, the African Economic Outlook report predicts that average growth across Africa is expected to rebound to 4.5% in 2010 and 5.2% in 2011. Africa’s collective GDP, at US$1.6 trillion in 2008, has grown to be roughly equal to Brazil’s or Russia’s, and total foreign capital flows into Africa rose from US$15 billion in 2000 to a peak of US$87 billion in 2007.

Sustaining economic growth is the most important contributor to poverty reduction across Sub-Saharan Africa. It is a critical development driver, and the only sustainable exit strategy from long-term aid dependency. Currently, SMEs and small informal businesses represent more than 90% of all businesses and provide the main source of jobs and income for poor people in Africa. These businesses form the bedrock of Africa’s economic growth but continue to face a multitude of challenges, including limited access to finance, lack of skills, poor infrastructure, low levels of regional and international trade, and corruption.

With 57% of the working population engaged in agricultural production, Africa’s ability to grow economically over the coming years will largely be determined by its ability to transform the competitiveness of its agricultural sector. At the same time, as per capita agricultural productivity rises and young populations across the continent enter the workforce, employment-intensive sectors such as tourism, retail and manufacturing will become increasingly important to growth and poverty reduction.

As strengthening Africa’s enterprise base becomes a growing priority for policymakers, three key themes emerge:

– Improving the climate for business: A weak business enabling environment hits SMEs especially hard. According to the World Bank’s Doing Business 2011 report, Africa remains the region with the lowest comparative ranking on the quality of its business environment. The 2009 Africa Competitiveness Report reminds us that African firms are almost 20% more expensive to run than firms in East Asia.

– Improving the competitiveness of agricultural sectors: Small agricultural producers in Africa face daunting challenges that inhibit competitiveness and access to regional and international markets. Leaving aside the changes needed to international trading rules, at the heart of the problem are a range of constraints that include poor seed varieties, weak infrastructure (especially irrigation), limited access to fertilisers and finance, and structural weaknesses in the way agricultural markets function.

– Diversifying the region’s economic base to ensure more sustainable broader based growth: African economies remain amongst the least diversified in the world. Although there are signs of growth from emerging sectors, Africa’s economic base needs to widen beyond extractives and agriculture to protect the region from extreme swings in demand for natural resources in the future. Adding value to Africa’s agricultural output, through textiles and food processing for example, would also create new opportunities.

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1 African Economic Outlook (AEO)
2 Lions on the Move – The progress and potential of African economies, McKinsey Global Institute, 2010
3 FAO (2005)
4 Doing Business 2011, World Bank and IFC
The Role of Business and Partnership in Enterprise Development

Large companies are natural engines of enterprise development. On one hand, they are huge markets – the business cycle creates demand for a variety of goods and services and generates business opportunities for enterprises up and down the value chain. At the same time, many companies sell products and services that make other enterprises more productive and profitable. Companies can also invest philanthropic resources in enterprise development programmes not necessarily linked to their value chains, leveraging core competencies such as know-how. Finally, companies can play significant indirect roles in enterprise development by advocating for business enabling environment reform, with a particular focus on the needs of low-income producers and micro, small and medium enterprises. Property rights, land reform, business registration procedures, labour laws, and tax regimes all play critical roles in legal empowerment and financial inclusion, helping the poor to create, protect, and grow their businesses.

Driving Enterprise Development in Africa

...through business

Buying from, selling to, and distributing through low-income producers and micro, small, and medium enterprises (MSMEs). Companies procure goods and services ranging from raw material and equipment to catering and distribution. At the same time, they sell productivity-enhancing goods and services ranging from inputs and equipment to information and communications technologies to financial services.

Investing in training and skills development for low-income producers and MSMEs within the value chain. Doing business with these enterprises often means investing in building their capacity – bringing suppliers up to quality, environment, health, and safety standards, for example, or teaching customers how to use the company’s products and services to their advantage.

Advocating for business enabling environment reform, with a particular focus on the needs of low-income producers and micro, small and medium enterprises. Property rights, land reform, business registration procedures, labour laws, and tax regimes all play critical roles in legal empowerment and financial inclusion, helping the poor to create, protect, and grow their businesses.

...through partnership

Sharing the cost and risk of developing new models of doing business with low-income producers and MSMEs. Experimenting with new products, services, and value chains in unfamiliar markets and difficult operating environments can bring even more uncertainty than the typical business venture usually faces. Because of the potential for development impact, partners like NGOs, bilateral and multilateral donors, private foundations, and government agencies can be willing to help.

Enabling low-income producers and MSMEs to participate in corporate value chains by building their capacity and expanding their access to finance. Sometimes the capacity-building requirements of these enterprises go beyond what it is possible or economical for a company to do alone. NGOs, business associations, and financial intermediaries can be invaluable partners not only in building that capacity, but also in providing or facilitating access to finance and acting as aggregators – reducing the transaction cost to a company of doing business with large numbers of small enterprises. Partnership is especially appropriate when benefits are created that cannot be fully captured by the firm.

Leveraging core competencies and social investment resources to support enterprise development outside the value chain. Companies can provide services (for example through small business mentoring) and build the capacity of local institutions to provide services (for instance through pro bono time and financial contributions). Local institutional capacity-building, in particular, helps sustain impact even after the company’s commitment is complete.

Create or participate in collaborative platforms to strengthen public policy input and make it more credible. Such platforms can enable companies, business associations, NGOs, and donors to pool experiences, exchange perspectives, develop valuable policy input, and deliver it in impactful ways.
Development in Africa

enabling environment reform, which can have a disproportionately large impact on smaller enterprises with thinner operating margins and little capital to invest in navigating bureaucratic procedures or meeting exacting regulatory requirements. But while companies’ comparative advantage in enterprise development is rooted in their core business operations and value chains, they are also finding that partnership can play a critical role in enabling – or deepening the development impact of – core business activity by adding to the knowledge, insight, implementation capacity, and financial resources at their disposal.

Collaboration in Action

- With a Financial Deepening Challenge Fund grant from DFID, Vodafone developed a mobile phone-enabled money transfer service called M-PESA in Kenya. Now serving more than 13 million users transferring US$375 million each month, M-PESA has partnered with Syngenta to deliver crop insurance. 11,000 farmers have been reached so far.

- The Shell Foundation and GroFin, a financial intermediary, co-developed a business model to serve small and growing businesses needing more finance than microfinance institutions can provide, but less than commercial banks are willing to lend. GroFin has now made nearly 200 investments in eight African countries.

- In Kenya and Uganda, Coca-Cola has partnered with the Gates Foundation and TechnoServe to build the capacity of 54,000 farmers to supply quality mango and passion fruit to the company and other buyers. The effort is expected to double farmers’ incomes in five years, and create a viable local juice supply chain.

- Zain Madagascar – now Bharti – has worked with the International Finance Corporation and several local microfinance institutions to facilitate training and access to financing for local village phone entrepreneurs who earn a commission selling airtime by the minute in their local communities.

- In Mali, Morocco, and South Africa, with start-up subsidies from the World Bank and equity from corporate partners like Total and Nuon, Electricité de France has created local Rural Electricity Services Companies run by local personnel.

- With funding from the Africa Enterprise Challenge Fund and on-the-ground assistance from Winrock International, Diageo’s brewing partner Guinness Cameroon is developing a local sorghum supply chain to reduce dependence on imported barley and create sustainable livelihoods for over 1,100 small farmers (see case study on page 9).

- As part of its more than $20 million global Women’s Economic Opportunity Initiative, ExxonMobil has partnered with Africare, Vital Voices, and others to provide training, mentoring, and hands-on technical assistance enabling women entrepreneurs and artisans to grow their businesses and form or strengthen business associations and networks. The initiative is active in Angola, Chad, Equatorial Guinea and Nigeria.

- South Africa’s Business Trust – a group of companies and government agencies – joined the Department of Trade and Industry, the Swiss Secretariat for Economic Affairs, the Tourism Enterprise Partnership, ABSA, and Standard Bank in a first-of-its-kind study of small business owners, testing common assumptions and identifying policy gaps and levers the government can now address.
**The Challenge**

In East Africa, huge volumes of Coca-Cola are sold through hundreds of thousands of very small retail shops – from corner groceries to hairdressers with one or two bottles in stock for customers to drink while they receive services. Often, these outlets are located in congested urban areas with narrow, poorly maintained roads, making them very hard to reach through traditional distribution systems that rely on large trucks. In addition, because these outlets are very small, with very limited working capital, it is hard for them to manage the large, infrequent deliveries that traditional distribution typically entails. They lack the cash to invest in large quantities of inventory, and don’t have the physical space to store it in. This mismatch between traditional distribution and the needs of the many small retail outlets in East Africa posed a growth challenge for Coca-Cola and its retailers alike.

Since TCCC is not a financial institution, the company will need to partner with commercial banks or other entities with the capital and core competencies required.

To make it work, Coca-Cola and its bottlers focus on selecting the right entrepreneurs – people with strong work ethics, access to suitable premises, enough funds to cover start-up costs, and good reputations and relationships in their neighbourhoods. The company provides start-up support including route planning, guidance on hiring and remunerating employees, and sometimes initial levels of stock on credit. But Coca-Cola has found that the single most important factor in the success of an MDC is the level of structured interaction it has with company staff. Staff generally visit each MDC on a daily basis to provide monitoring and coaching – checking inventory, performance, and compliance with standards, and identifying and troubleshooting issues as they arise.

The MDC model is now being used by TCCC bottlers in East, West and North Africa and has even spread to Asia. In Ethiopia, Tanzania, Kenya, and Uganda it represents the core route-to-market, accounting for more than 80% of the company’s sales volume. The model is also extensively used in Mozambique, Nigeria, Ghana, and Egypt. There are approximately 3,000 MDCs in Africa, accounting for 13,500 jobs and supporting an estimated 48,000 dependents. Many MDC owners are first-time entrepreneurs, and approximately 1,000 are women. Even more MDCs are managed by women.

**The Partnership Agenda**

The MDC model was developed to meet a business need, but Coca-Cola recognises that it has significant development impact. In late 2008, the company partnered with the International Finance Corporation (IFC) and the Harvard Kennedy School (HKS) to identify and prioritise opportunities to deepen the model’s development impact. Capturing each of these opportunities will require additional implementing partners.

One opportunity is to facilitate access to financing so that more people from lower income or otherwise underserved segments – like women or first-time business owners – can take advantage of the MDC ownership opportunity. Since TCCC is not a financial institution, the company will need to partner with commercial banks or other entities with the capital and core competencies required. Development partners may need to come in with partial guarantees and capacity-building for these financial institutions, which tend to have limited experience of lending to micro, small and medium enterprises and perceive them to be high-risk despite their affiliation with Coca-Cola. Furthermore, the capital needs of an MDC far exceed the lending limits of most microfinance institutions.

Another development opportunity is to increase the MDC model’s focus on women. The IFC-HKS study found that women make excellent MDC owners and managers because they are stable and committed, with responsibilities that leave them disinclined to take risks that would jeopardise the success of their businesses – which they rely upon to provide for their families. But targeting more women for MDC ownership will require extra effort, since they often have more limited levels of education, business experience, and access to finance than their male counterparts. There can also be cultural and psychological barriers to address, like family support and self-confidence.

The company will need partners to identify strong female candidates and share the additional cost of mentoring and capacity-building that may be required to prepare them for MDC ownership. A final development opportunity is to expand and enhance the training provided to MDC owners, whether male or female, first-time or experienced entrepreneur. MDC owners report that they value highly the training they currently receive, and point to a number of areas where additional training would serve them well. Further business and financial skills training, for example, would enable them to improve their business performance, increase their incomes, and create more jobs. MDC owners would also value life skills training and broader educational opportunities. Life skills could include HIV/AIDS awareness, nutrition, and personal finance. Broader educational opportunities could include writing and language skills training.

Coca-Cola and its bottlers may be able to address some of these needs. For instance, there may be a business rationale for addressing personal finance, since it is highly intertwined with enterprise finance in a small, family-owned business. Where the business rationale is less strong, some training could be offered as part of an incentive programme. However, the benefits of expanded and enhanced training generally go far beyond what the company could justify or resource on its own, making partnership critical from a feasibility standpoint.
**Partnership Focus: Diageo**

**Improving Agricultural Livelihoods in Cameroon**

The Challenge

Barley is a temperate crop and doesn’t grow well in most of Africa, so much of it has to be imported. This is costly, and leaves buyers subject to price and currency fluctuations on the world market. A local cereal alternative for brewing is sorghum, which is tolerant to drought and is known to improve soil quality for rotational food staple crops. However, sorghum yields are highly variable and smallholder farmers don’t grow sufficient quantities of the high-quality variety needed by international brewers like Diageo and other food sector buyers.

The Response

Since the 1990s, Diageo has been working to localise grain supply chains in Nigeria, Ghana, Kenya and Uganda, with good results. Inspired by their success elsewhere, in 2008, Diageo and its Douala-based subsidiary, Guinness Cameroun SA, decided to build a local sorghum supply chain in Cameroon to create new income opportunities for local farmers and at the same time protect themselves from unexpected price hikes and reduce the overall cost of raw materials.

At the time, sorghum was not generally grown for food. To convince local farmers of the benefits of sorghum cultivation, they needed education and awareness-raising, as well as hands-on technical assistance to produce sorghum at high enough levels of productivity and quality to be profitable.

Guinness Cameroun knew it would only get one growing season to make the sorghum project work – if farmers failed, and forfeited the earnings of an entire harvest, it would be incredibly difficult to convince them to try again. The company needed a credible, reliable implementing partner with the knowledge, networks, and capabilities to work with farmers on the ground. It also needed the financial resources to sustain a comprehensive approach.

Diageo and Guinness Cameroun put in US$250,000 of their own resources and secured a matching grant from the Africa Enterprise Challenge Fund – a US$50-100 million fund to catalyse private sector-led agricultural development, supported by donor governments including the United Kingdom, Australia, and the Netherlands.

To implement the programme, Guinness Cameroun partnered with Winrock International, a global non-governmental organisation with a special focus on agricultural development. The organisation identifies farmers’ cooperatives with the potential to produce sorghum, provides them with the training they need to produce at high levels of productivity and quality, helps facilitate access to finance from local banks, and manages relations with Guinness Cameroun, the buyer. Guinness Cameroun contributes financial resources, a dedicated staff member, and most importantly, a ready market for some of the sorghum that is produced – at the same time helping to develop a sustainable market including other buyers. All partners – Diageo/Guinness Cameroun, Winrock, and the Africa Enterprise Challenge Fund – adhere to a pre-agreed project management plan and monitor progress to identify areas where additional resources must be applied.

By the end of 2010, two years after launching the project, Guinness Cameroun will have purchased an estimated 600 tons of sorghum. In 2011 alone, the company expects to purchase 500 tons. And by 2015, it aims to replace 30% of previously imported barley with local sorghum.

More than 1,100 farmers, with women representing 67% of this total, have participated in training and their productivity is estimated to have risen by 0.7 metric tons per hectare – which represents an average of US$41 in additional cash income.

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**The Partnership Agenda**

Partnership has been a critical success factor for the Cameroon Sorghum Project so far, allowing Diageo to access resources and technical expertise not readily available within the company. The Africa Enterprise Challenge Fund has provided needed funding. Winrock has provided expertise and on-the-ground implementation capacity that Diageo and its local brewer, traditionally importers of barley, did not have. The brewer, Guinness Cameroun, has provided a reliable market for the sorghum that farmers produce – critical to building and maintaining their trust in the programme. Diageo, for its part, has contributed lessons learned from other local sourcing programmes in Africa and helped bring the various partners together.

Clear accountability for stated objectives has helped the partners work effectively together and build relationships of trust, which are especially critical as experience grows, revealing new challenges and opportunities that must be addressed. These relationships of trust underpin the sorghum project in Cameroon where the partners are committed to building long-term sustainability and competitiveness into the emerging local supply chain. At the same time, these relationships are providing the foundations for future work in other countries in Africa. Diageo, Winrock, and the Africa Enterprise Challenge Fund are now in discussions to develop new programmes in East Africa on the basis of what they have done together in Cameroon. To Diageo, this demonstrates a trend from transactional to true, value-added partnership with the potential for impact on a broad scale.
2 The Role of Business and Partnership in Meeting Africa’s Development Challenges

SECTION 2.1 Enterprise Development

Partnership Focus: De Beers

Expanding Local Economic Opportunity through Beneficiation

The Challenge
In 1969, DeBeers went into a 50/50 joint venture with the government of Botswana to tap the country’s rich diamond resources. That joint venture, Debswana, is now the largest non-government employer in the country, employing approximately 6,300 people, 93% of them local. Diamonds account for 76% of Botswana’s export revenue, 45% of government revenue, and 33% of GDP. However, the Debswana partners knew that the potential for local economic impact was even greater – an attitude increasingly shared in the international community and among diamond consumers. They aspired to see more value added to rough diamonds locally in Botswana through the growth and diversification of a domestic diamond manufacturing industry.

The Response
In 2007, DeBeers and the government of Botswana set up another joint venture – the Diamond Trading Company Botswana (DTCB) – to catalyse the development of a local downstream diamond trading and manufacturing industry. DTCB sells rough diamonds to local diamantaires for cutting, polishing, and sales.

DTCB now sells US$450 million worth of rough diamonds to 16 local diamantaires, which are typically part of larger international groups. Among them, these companies have invested more than US$160 million and created 3,000 jobs. They have also created opportunities for support companies to set up shop and create additional jobs in areas such as security, transportation, technical support, insurance, and diamond banking.

For instance, the Gemological Institute of America is building a grading laboratory in the Diamond Technology Park in Gaborone, which will shorten the time it takes for manufacturers to get their stones graded – which they would otherwise have to do overseas. Similarly, the Antwerp Diamond High Council is setting up a technology and skills support center. The diamond industry is highly dependent on technology for sorting and manufacturing, and building local technological capacity is fundamental to its success in Botswana.

DTCB, the government, and the diamantaires are all playing critical roles in the development of a local diamond trading and manufacturing industry in Botswana. While DTCB sorts, values, and sells rough diamonds, the government is investing in infrastructure, training, security, and efficient import-export clearance systems. At the same time the diamantaires are bringing skills and technologies for polishing, as well as strong routes to market that offer good prices. As a for-profit joint venture, DTCB provides a vehicle for DeBeers and the government of Botswana to collaborate to achieve shared goals, balancing their interests along with those of the diamantaires and other downstream players on whose success the whole industry depends.

The Partnership Agenda
Given the levels of investment required of all parties, it would take time to generate returns – but returns are an integral part of the vision. Only a profitable local diamond trading and manufacturing industry will generate jobs, entrepreneurial opportunities, and wealth over the long run. Achieving profitability will require the government to improve the business operating environment; banks to provide working capital at more competitive rates; industry associations to develop skills to reduce the overall cost of manufacturing diamonds in Botswana; and companies to market those diamonds effectively.

Success will also require the industry to maintain a shared vision for its development. DeBeers and the government of Botswana are well-placed to serve as anchors, with more than 40 years in business together, but all industry stakeholders must be involved to ensure that priorities are being addressed and progress is being monitored. These stakeholders recognise that they are interdependent, which lays the foundation for setting shared objectives. Going forward, expanding and improving dialogue will be key.

Shell Nigeria:
Local content is a key enabler of enterprise development and sustained growth in Nigeria

Creating more opportunities for local contractors in the local supply chain in Nigeria by helping to forge stronger commercial relationships between Nigerian and UK firms is the focus of an important new partnership between Shell Nigeria and UK Trade and Investment (UKTI).

In recent years, Shell Nigeria has been making concerted efforts to build the capabilities of local businesses and stakeholders in Nigeria to enable them to capitalise on opportunities in the local oil and gas industry. Strengthening local procurement and building the capacity of local companies to participate in the sector provides an important means of ensuring that economic opportunities can be more widely distributed through local communities and businesses, which is key to securing sustained economic growth in the region.

For Shell Nigeria, investing in building the skills and capabilities of potential and existing contractors also makes business sense, improving local procurement processes and ensuring less expertise needs to be brought in from outside, which over time lowers operating costs and strengthens local partnerships.

The programme also supports Shell Nigeria’s compliance with Nigeria Local Content law, a recently enacted piece of legislation that stipulates some 270 categories of local content inclusion. The programme enables Shell to transform compliance into a competitive advantage for sustainable business growth.

To date the programme with UKTI has involved actively matching the skills and expertise of UK supply chain companies with potential partners in Nigeria in areas such as HSE/training, Front End Engineering Design, well and drilling services, fabrication and construction. For the four relationship building events have been organised to date, involving more than 200 UK companies and 70 Nigerian firms. Helping to broker these commercial relationships is creating business partnerships between UK and Nigerian firms worth millions of pounds.

UKTI and Shell are looking to consolidate the initiative in Nigeria with further workshops planned, and are exploring ways to expand the initiative to other key countries where local content is becoming an increasingly important challenge and opportunity.
Partnership Focus: Chevron

Strengthening Economic Institutions and Entrepreneurship in Angola

The Challenge
In 2002, Chevron established the Angola Partnership Initiative (API) to partner with the Angolan Government, USAID, UNDP, CARE, Africare, Save the Children, World Vision and other local and international development NGOs. This was part of a national effort to rebuild the country’s economy and social infrastructure after years of devastating civil war. At the time, hundreds of thousands of people who had been displaced during the war were starting to return home. The majority of them had few assets with which to rebuild their lives and most of them were returning to communities that had been physically destroyed and institutionally weakened. There was an urgent need to restore livelihoods, achieve economic stability, build human capital and offer people hope for a better future.

API was established to support these goals. It focused on achieving the following objectives: improving food security and revitalising commercial agriculture; reintegrating refugees and ex-combatants into the economy; investing in the development of micro, small and medium enterprises; improving health and education standards; and supporting capacity building of Angolan NGOs and government development agencies.

The Response
API was initially capitalised with a $25 million commitment from Chevron, matched by funds and technical assistance from other partners with the goal of mobilising US$50 million. From the outset, it paid attention to building or strengthening economic institutions, intermediary organisations and rural infrastructure in order to develop a more diversified and entrepreneurial economy and to ensure local capacity and ownership. These have included: the establishment of a Business Resource and Development Center; NovoBanco, a commercial bank for small and micro enterprises; and the ProAgro initiative to strengthen local agricultural value chains and food security. API has also supported capacity building of operational NGOs and research institutes such as Angolan Action for Rural Development and Environmental Protection (ADRA) and the agricultural faculty in Agostinho Neto University, both of which are driving the implementation of new technologies and approaches to improve rural productivity and incomes.

In 2007, after the initial API funds had been committed (having exceeded the initial target of US$50 million by US$ 6 million), the initiative was independently evaluated. Some 1.6 million people had participated in food-for-work activities resulting in the rehabilitation of rural infrastructure, including almost 4,000 kilometers of rural roads and over 1,000 kilometers of irrigation channels. The ProAgro initiative had organised 249 ‘solidarity groups’, 82 farmer associations and 11 management committees. These represented over 2,600 smallholder coffee farmers who were able to apply for and receive bank loans totalling more than US$1 million. ProAgro also supported efforts to expand banana and beef production and partnered with a local bank to facilitate loans to small and medium-sized agribusinesses. By December 2007, NovoBanco had cumulatively extended loans valued at over US$27 million and taken in US$ 9.2 million in deposits, and the Business Resource and Development Center had provided business development services to about 7,000 clients. In addition, API has supported entrepreneurial training in schools and several vocational training facilities for adults, one of which is focused on women.

As part of the company’s own value chain and local content program, Chevron has joined other industry partners to support Centro de Apoio Empresarial (CAE). CAE was initiated by BP in partnership with Citizens Development Corps (now CDC Development Solutions) in 2005, and is also supported by Esso/ExxonMobil, Total and the national oil company Sonangol. All participating companies contribute resources and contract opportunities. CAE was established to meet the industry’s need for more skilled local suppliers and provides training and consulting services for local small and medium-size enterprises with the potential to win contracts in the industry. It also houses a Certified Supplier Directory and works to build the capacity of local trainers. Since 2005, CAE has provided training courses to over 1,300 local Angolan companies and provided specialist consulting assistance to some 100 companies. By the end of 2008, CAE clients had won US$9 million in contracts, enabling them to create almost 1,500 jobs.

The Partnership Agenda
Collaborative efforts such as the Angola Partnership Initiative and Centro de Apoio Empresarial (CAE) demonstrate the potential of leveraging different resources and competencies to support local enterprise development and entrepreneurship. Chevron cites a number of lessons that have emerged from its experience in API. It has shifted from a transactional and project-based approach to investing in more transformative alliances that aim to have systemic impact within a particular location or economic value chain. The company’s philanthropic and community engagement activities have evolved to a longer-term development and investment model. Chevron is also adopting a more participatory approach to project planning and decision-making that aims to engage local stakeholders from the outset. And, while working more strategically with partners, it is allocating more resources to build the capacity of its own staff in economic development and participatory stakeholder engagement.
A powerful shift in economic momentum is underway in Africa. Increasing investment, encouraged through improvements to the continent’s business climate, is helping drive rapid economic growth. According to the IMF, Africa is forecast to grow at 5.5–6% in 2011.

What Africa now needs is a commitment to implement policies that will further improve the business climate. Strong partnerships between the public and private sectors are crucial to the improvement process.

ICF is living testimony of the results that can be achieved when the public and private sectors join forces. In just over three years of operation, our unique public-private structure has initiated 39 projects, delivering tangible improvements to 29 African countries, and our portfolio continues to expand at a rapid pace. This is largely due to the commitment of African governments, which recognise that they, rather than external agents, are best placed to change Africa from within. Capable of modifying policies and enforcing laws, governments hold the key to a more enabling business environment.

However, whilst Government commitment is critical, our experience shows that investment climate improvements are faster and more effective if the private sector is involved. An example is a project we supported in Burkina Faso to simplify the application process for construction permits. The original request for reform came from the local private sector, which was finding the long delays and high costs prohibitive to business operations.

The private sector worked closely with the Government to increase efficiencies, including the establishment of one-stop shops for construction permits called Centres de Formalités des Actes de Construire (CEFAC). Streamlining the process has reduced the number of procedures from 32 to 15, the number of days from 226 to 19 and the costs from US$2,270 to US$480. The local Chamber of Commerce is now responsible for issuing permits, putting the private sector at the heart of a public service.

Such improvements have an immeasurable impact on investor confidence and can only be achieved through public-private partnership. Collaboration increases cost effectiveness and ensures ownership is spread amongst a wider stakeholder group, ensuring sustainability. As African governments continue to create more favourable conditions for investment, Africa’s reputation as a place to do business will improve and entrepreneurs and investors will take increasing advantage of Africa’s untapped potential.

While governmental appetite for reform is at an all-time high, there is undoubtedly room for the private sector to play a more active role. Corporate Africa needs to put its name behind practical involvement and, in doing so, respond to the strides being made by governments. By working with policy makers to identify priorities for intervention, as well as investing in training initiatives, technology, governance and improved infrastructure, companies can help rejuvenate the domestic business environment and ensure it is ripe for enterprise.

There is a place for every corporate to become involved – and it is worth remembering that the private sector will be the primary beneficiary of improvements. Multinational companies need to commit not only financial resources, but also their time and expertise to public-private projects and organisations such as ICF, which are delivering real change. Domestic companies also need to pledge their support for a better business environment. By working closely with policy makers to identify priorities and adhering to reforms, there is greater potential to attract capital and grow.

It is unrealistic to expect Africa’s economic gains to continue through governmental efforts alone. Co-operation with business is critical if we are to ensure the best solutions are identified and appropriately resourced. The concept is proven; we now need to put it into practice. Only by working together will Africa finally realise its very real investment potential.

The Investment Climate Facility for Africa (ICF) works to remove the barriers that exist to doing business in Africa, recognising that a healthy investment climate is crucial for the continent’s economic growth. More information can be found at www.icfafrica.org.
2.2 Regional Integration and Trade

The Development Imperative

Despite a relatively positive growth outlook for Africa, low levels of economic integration and trade, and underdeveloped infrastructure remain fundamental stumbling blocks to sustaining growth and improving enterprise competitiveness.

As Africa becomes increasingly connected to the world economy, accelerating regional integration and making it cheaper and easier for Africa’s producers to access regional as well as international markets are now critical priorities. Africa’s share of world trade stood at 3.3% in 2008, having increased from only 2% in 1998, but is still the smallest of any region in the world. In 2008, Africa’s intra-regional trade accounted for less than 10% of total trade, compared to Europe, where 62% of trade occurs within the European Union (EU). The low proportion reflects tariffs, regulations, corruption and poor infrastructure.

Sub-Saharan Africa has 800 million people in 48 separate states. The total Sub-Saharan economy is not much larger than that of South Korea (population 48 million). Cooperation and integration to remove trading constraints will be critical to future growth and development. Although the challenges are significant, there are big potential benefits in joining up its small economies. The 2009 World Development Report emphasised that policies that facilitate geographic concentration and economic integration are most effective for promoting long-term growth.

In 2008, Africa’s intra-regional trade accounted for less than 10% of total trade, compared to Europe, where 62% of trade occurs within the European Union (EU).

Infrastructure, both hard and soft, remains the primary barrier. Investing in infrastructure – regionally and nationally – can deliver significant returns. Currently, though, most African countries are too small to invest in transforming their own infrastructure. The World Bank estimates the cost of building and maintaining adequate infrastructure for Africa at up to US$75 billion per year, equivalent to 12% of Africa’s total economic output over the next decade.

Poor quality roads, slow border crossings and port clearing, and corruption contribute to African transport being the most expensive in the world – 60 to 70% higher than the US or EU – greatly contributing to the cost of doing business and depressing investment. Improvements to Africa’s regional transport infrastructure are essential. One third of Africa’s population live in landlocked countries where much of the existing transport dates from the colonial era.

The Regional Economic Communities (RECs) are taking important steps to address these issues and with the forming of the Tripartite in October 2008, these economic groupings have committed to harmonise their trade and tariff practices and, in time, to merge the three organisations. Funding for infrastructure has risen rapidly – thanks in part to the work of the Infrastructure Consortium for Africa (ICA) – increasing by ten-fold between 2002 and 2007, alongside inflows from donors, including non-traditional donors such as China, India and the Middle East. More pan-African coordination through the Africa Union and NEPAD, more collaboration between donors, and a growing number of public private partnerships, reflecting the growing interest in leveraging business investment and delivery know-how, are beginning to significantly tackle hard and soft infrastructure constraints.

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5 World Development Indicators database, World Bank, 7 October 2009. 2008 GDP South Korea $929.121 million, Sub-Saharan Africa $987.120 million. Famously, South Korea was poorer than Ghana at the latter’s independence in 1957.
6 World Bank, Africa’s Infrastructure: A Time for Transformation, November 2009
7 Tripartite: Three Regional Economic Communities (RECs): Common Market for East and Southern Africa (COMESA), East African Community (EAC) and the Southern Africa Development Community (SADC)
Companies in transportation, shipping, telecommunications, power generation and distribution, and other industries play critical roles in strengthening regional integration and trade through their core business activities – building hard infrastructure and providing services other companies need to operate. All companies, regardless of industry, can play roles in strengthening “soft infrastructure” such as trade facilitation, customs administration, and providing transportation, shipping, telecommunications, power, and other critical infrastructure and services.

According to a study by the African Development Bank, the OECD, and the UN Economic Commission on Africa, just over half of all infrastructure investment in Africa in 2007 came from the private sector.8

Making the case for regulatory and trade modernisation reforms as well as key improvements to the business enabling environment overall. Regional integration and trade affect producers and consumers, firms and citizens across countries and across industries. Based on in-depth market research and operating experience, companies can share insight that helps regulators better balance stakeholder interests and achieve shared objectives.

Sharing the capital cost and risk through joint ventures and public-private partnerships. Given that infrastructure projects tend to have high front-end costs and risks, with agriculture especially requiring long investment horizons, both traditional public-private partnerships as well as innovative new forms of finance – combining commercial and concessional sources of capital – are key.

Participating in business-government and multi-stakeholder forums for policy dialogue and advocacy. Traditional business associations are common platforms for companies to offer a collective voice, and multi-stakeholder forums involving NGOs and donor agencies can lend additional weight and credibility to the dialogue.

Providing transportation, shipping, telecommunications, power, and other critical infrastructure and services. According to a study by the African Development Bank, the OECD, and the UN Economic Commission on Africa, just over half of all infrastructure investment in Africa in 2007 came from the private sector.8

Strengthening local governments and other relevant institutions through contributions of resources, management know-how, and accounting and other systems. This can help address “soft infrastructure” constraints such as trade facilitation, customs administration, harmonisation of standards, and rules of origin and other policies.

Pooling, channelling, and coordinating the capacity-building contributions of multiple companies and other stakeholders for greater impact. As many companies experience the same challenges when trying to trade across borders, combining the collective know-how and input of many companies makes better use of available resources and know-how, especially when engaging with local regulatory and government organisations.

Integration and Trade in Africa

standard-setting bodies and procedures through both local institutional capacity-building and public policy dialogue. At the same time, regional integration and trade involve both public and private stakeholders across industries and countries – all of whom have critical, interdependent roles to play. Coordinating and targeting their efforts through collaborative action is necessary to address bottlenecks and accelerate progress.

Collaboration in Action

Increasingly, companies are shaping and participating in systemic initiatives like clusters and growth corridors that combine investment, service provision, capacity-building, and policy dialogue to tackle multiple, inter-related constraints to regional integration and trade. Such holistic approaches are particularly common in, though not exclusive to, agriculture. For example:

- In Mozambique, the Beira Agricultural Growth Corridor initiative was initiated in partnership with the Government of Mozambique, the Norwegian Government, AGRA, the World Bank, the African Development Bank, InfraCo, and a number of companies. The initiative tackles constraints like low yields, limited access to finance, and poor quality infrastructure on the farm and off. Crucially, it is underpinned by an innovative financing structure that combines commercial and concessional sources of finance.

- Along multiple corridors, with support from the Hewlett Foundation and the NEPAD Business Foundation, TransFarm Africa is working to advance the spread of sustainable and equitable commercial agriculture in ways that measurably improve the income of small farmers and integrate them into a dynamic, internationally competitive agricultural sector.

- The Maputo Development Corridor stretching across South Africa and Mozambique has enabled industrial development and trade through the construction or upgrading of highways, railways, power generation and transmission lines, gas lines, port facilities, an aluminium smelter, and other infrastructure by Sasol, Mozal, and a wide range of other companies with support from various government departments in both countries.

- The Southern Agricultural Growth Corridor of Tanzania initiative aims to support the government’s Kilimo Kwanza (or Agriculture First) initiative to transform the agricultural sector. An alliance of global companies will join a working group comprising global and local business, government, farmers, NGOs, donor agencies and other key stakeholders to develop an investment blueprint for agriculture, with an initial focus on the country’s Southern Agricultural Growth Corridor.
Partnership Focus: Unilever

Facilitating Trade in West Africa with Governments and the World Bank

The Challenge

Improving regional integration and trade in Africa is pivotal for business to achieve bigger and more competitive markets, delivering economies of scale which are translated into enhanced benefits to consumers through better, more innovative and cheaper products. Trade and regional integration is also critical to boosting investment in agriculture and enabling the creation of value added markets along the agri-food chain.

For both large and small companies in Africa, the barriers to cross border trade are significant and well documented. The existence of multiple trading blocks disrupts the cross-border flow of goods, and existing trade agreements are either not in place or not being implemented. Limited improvements in customs facilitation, a wide range of non tariff barriers and a lack of standardised documents and procedures all contribute to the cost and complexity of doing business.

By creating a platform for open and transparent dialogue, the project aims to establish voluntary standards for private companies involved in the scheme, leading to a formal certification mechanism.

Hard infrastructure continues to be a major constraint. At Lagos port for example, congestion and slow clearance procedures can lead to fourteen weeks clearance time, with vessels sometimes queuing for up to three weeks to unload. A similar picture also emerges at other African ports. It can take six weeks to clear containers in Mombassa and four weeks in Abidjan. Rail systems, despite offering a cheaper alternative to road, are slow and vulnerable to product theft.

Examples of progress are starting to emerge that demonstrate that it is possible to find solutions to these challenges. For example, in Uganda, a ‘green’ customs channel has halved transit times between Nairobi and Kampala, enabled by strong co-ordination between government institutions involved in cross-border movement of goods, and the use of technology to speed up regulatory processes.

The Response

Unilever has been operating in Africa since 1903, and today is present across the continent, primarily manufacturing goods locally for distribution across African markets. In West Africa, Unilever has been working with a business coalition of companies, the World Bank and customs organisations of five countries under the ECOWAS umbrella to identify ways to improve customs administration along the Abidjan-Lagos transit corridor, which stretches for 940 kilometres, linking Abidjan in Côte D’Ivoire to Lagos in Nigeria, crossing through Ghana, Togo and Benin. Currently, it is more expensive and takes longer to move a product from Abidjan to Lagos than to import the same product from China or India.

The route has five customs points and partners have been examining potential options for a green channel/ fast track mechanism for Authorised Economic Operators (AEO), to enable reliable economic operators to be granted authorisation, on a case by case basis, for more simplified and streamlinded customs procedures.

The Partnership Agenda

By creating a platform for open and transparent dialogue, the project aims to establish voluntary standards for private companies involved in the scheme, leading to a formal certification mechanism. Customs administrations would then be able to assess these proposed standards against their own internal compliance criteria.

As the project develops, partner roles are becoming more clearly defined. Businesses in the region, who are participating in the dialogue, could

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form a grouping of acknowledged compliant operators to potentially pilot an agreed AEO scheme.

Government bodies will need to provide political support and put in place the enabling legislative and procedural framework for the proposed AEO regime, which will need to be an integral part of their trade facilitation and customs modernisation reforms, currently being supported by the World Bank. Customs administrations will have a key role in designing and implementing the AEO scheme.

Although in its early stages of development, the project offers the potential to develop a replicable and scaleable model that could be utilised elsewhere in Africa to help speed up and lower the cost of cross-border trade.

Abidjan-Lagos: 940kms 5 customs transit points

Abidjan-Accra: 540kms 1 customs transit point

Accra-Lagos: 400kms 4 customs transit points
Partnership Focus: TradeMark East Africa

Strengthening private sector, government and donor collaboration in support of regional integration in East Africa

The Challenge

East Africa faces a range of challenges that have a major impact on the pace of progress towards economic integration, and consequently higher levels of economic growth, trade and poverty reduction. 40% of East Africans live in landlocked countries versus a world average of 1%, making it much harder for producers to access international markets. Transport costs are 60-70% higher in East Africa than the USA or Europe, and only 5% of East African trade is with other African countries. To put the region in perspective, the country of Luxembourg has a higher GDP than the combined economic output of the East African Community.

Steady progress is being made on East African integration by EAC member countries and with other regional trading groups, with an EAC common market established in 2010, and monetary union on the horizon. EAC institutions are evolving and strengthening their capacity to ensure that the Common Market functions effectively.

For regional integration to deliver on its potential, the EAC and its supporting institutions have a long list of priorities to address, amongst them attracting more inward investment and doing more to help poor people access financial and trade markets. Infrastructure, including energy, ports, rail and road remains weak, improvements in the business enabling environment are patchy, and the agricultural sector is seriously impaired by a wide range of systemic market failures.

The Response

To support the EAC Secretariat, EAC Partner State governments, business and civil society organisations to take forward and benefit from the process of economic integration in East Africa, TradeMark East Africa (TMEA) (www.trademarkea.com) has been established with support from DFID, and the governments of Denmark, Sweden, and Belgium.

Based in Nairobi with offices throughout the East African region, TMEA provides a multi-donor platform for scaling-up grant assistance to East Africa on regional integration, transport corridors and trade-related infrastructure, trade facilitation, export development, regional investment, and coping with the social and environmental adjustment costs of deeper integration and rapid export-led growth.

By 2015, TMEA is aiming to reduce transport costs by 15%, increase the value of exports by 10%, and increase the share of intra-regional trade as a total of East African trade by 25%. In addition, TMEA is aiming for a significant reduction in non-tariff barriers in support of the EAC Customs Union and Common Market, and harmonisation of Rules of Origin, standards and transport regulations across COMESA-EAC-SADC.

A key component of TMEA’s mandate is to support business and civil society to make a strong contribution to progressing the regional integration agenda, recognising that their involvement is a vital element in ensuring that trade integration is sustainable and poverty reducing. TMEA aims to provide long term financial and technical assistance to key organisations to enable them to provide important input and analysis on the regional programme.

The Partnership Agenda

The private sector partnership agenda will be instrumental in enabling and realising the full benefits of East Africa integration. In this initial phase, TMEA will be supporting the private sector in its advocacy on regional integration issues with the aim of encouraging the East African Community and national governments to implement policies and practices that benefit the private sector. TMEA will also support businesses to increase their use of online documentation processes for import and export of goods, and improve the efficiency and effectiveness of clearing and forwarding agents. Finally, TMEA will work with business organisations such as the East Africa Business Council and Chambers of Commerce to improve their monitoring and resolution of complaints on non-tariff barriers.

To further enable the private sector to drive Africa’s development, TMEA is working with the EAC and public sector to improve cross-border processes, reduce corruption and improve the transparency of import and export procedures. The establishment of electronic submissions and other related documentation will also streamline information requirements. As the engine room of growth, trade and investment, the private sector has a key interest in and role to play in supporting efforts towards regional integration. TMEA is actively engaging with private sector organisations at the local, regional and international level to advance this shared agenda and to jointly tackle constraints to trade.
Business Action for the Improvement of Customs Administration in Africa (BAFICAA) is a unique private sector-led trade facilitation programme that aims to build a cooperative dialogue between business and governments in the East African Community (EAC) region. The programme, initiated by Business Action for Africa, with support from Unilever, BAT and Diageo, has created a partnership between leading businesses, government authorities, the East Africa Business Council and other international organisations to improve the customs environment and to change the culture of customs administration from a controlling function to a facilitating one.

As a result of concerted efforts over the past few years by customs administrations, SITPRO (the UK’s former trade facilitation agency), and other business interlocutors, a common Authorised Economic Operator (AEO) model is to be implemented as a top priority by the five EAC countries (Burundi, Kenya, Rwanda, Tanzania and Uganda). The AEO model will make the EAC the second region in the world, after the EU, to introduce mutual recognition of authorised economic operators and customs controls at the regional level. It will give the business community considerable benefits, which include a reduction in the number of physical and documentary inspections as well as priority inspections, and the possibility to choose a place where goods can be inspected. The proposed common AEO model is part of the SIDA-supported World Customs Organisation (WCO) – EAC customs modernisation project, of which BAFICAA through SITPRO has been an active partner. In terms of next steps, the East African Business Council (EABC) will be taking a lead role in familiarising businesses with the AEO model and inviting them to participate in pilot projects.
The fundamental premise of human development is that all people should be able to live long, healthy, fulfilling lives, with access to the health services, education, goods and services that enable them to do this. Strengthening Africa’s education and health systems is central to enabling its people to participate fully in the economy, and is vital to improving long-term productivity and business growth.

However, as UNDP’s most recent Human Development Report\(^9\) points out, despite some encouraging signs, those countries experiencing the slowest progress on the Human Development Index (HDI) – a composite measure of human development – are in Sub-Saharan Africa. Progress in human development is patchy across Sub-Saharan Africa:

**Education**: Looking at progress on education, the region is sustaining encouraging progress towards universal primary education, with most African countries on track to achieve universal primary enrollment by 2015 if current trends continue. Completion rates remain a problem, and also access to higher education. The continent continues to make progress toward gender equality and empowerment of women, with girls’ primary school enrollment rate outstripping that of boys between 2000 and 2006. However, gender parity goals for other levels of education are likely to be missed by 2015.\(^{10}\)

...despite some encouraging signs, those countries experiencing the slowest progress on the Human Development Index (HDI) are in Sub-Saharan Africa.

**Health**: Sub-Saharan Africa is making particularly slow progress on maternal and child mortality, with one in seven children still dying before their seventh birthday. About one million people die each year from malaria, with 88% of the deaths occurring in Sub-Saharan Africa, despite the distribution of insecticide-treated bednets and essential drugs, which are increasingly proving to be effective ways of controlling malaria. The percentage of children protected by insecticide-treated bednets in Sub-Saharan Africa went up from 2% in 2000 to 22% in 2008. The number of people newly infected with HIV globally fell from 3.5 million in 1996 to 2.7 million in 2005. But two thirds of new infections and a similar proportion of those currently infected live in Sub-Saharan Africa and stigma, discrimination and denial are hampering progress in tackling HIV, resulting in low levels of voluntary testing and limited behavioural change.\(^{11}\) In 2008, 330 million people in Sub-Saharan Africa still did not have access to clean water, and 565 million did not have access to improved sanitation facilities.

**Nutrition**: According to the Africa Development Bank, African Union, and UNECA,\(^{12}\) Africa made steady progress in reducing the proportion of people suffering from hunger up until 2008. However, that progress has come under threat from the rapid escalation in food prices that began in early 2008, which has undermined food security in the region. In 2008, approximately 32% of the region’s population was undernourished.\(^{13}\) According to the Global Alliance for Improved Nutrition (GAIN), undernutrition is responsible for more than half of the approximately ten million deaths that occur in children under five each year in developing countries.

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10 Assessing Progress in Africa toward the Millennium Development Goals(2009), Africa Development Bank, African Union, UNECA
11 Assessing Progress in Africa toward the Millennium Development Goals(2009), Africa Development Bank, African Union, UNECA
12 Assessing Progress in Africa toward the Millennium Development Goals(2009), Africa Development Bank, African Union, UNECA
13 Food and Agriculture Organisation (FAO) statistics
Companies play a role in human development first and foremost as providers of goods, services, and economic opportunities that enable people to improve their standards of living. Companies can contribute to human development in other aspects of their core business operations and value chains as well – for example, eliminating child labour; making opportunities available for women and other underserved groups; and investing in consumer education and workplace health and other programmes. Outside the value chain, companies can apply their core business experience through finding commercially viable business opportunities providing education, health, safe water, clean energy, nutritious food, housing, and other essential products and services in low-income and underserved markets. All over the world, people meet most of their daily needs through the private sector – for food, safe water, clean energy, and where public sector capacity is weak, even health and education. Africa is no exception. In health care, for example, the International Finance Corporation and McKinsey estimate that “for-profit companies, non-profit organisations, and social enterprises – along with insurers, providers, and manufacturers – [...] account for as much as 50% of health care provision, and their role is growing.”

Weighing into the public policy debate. It is important for companies to share experience and insight on policy that would enable them to provide affordable, accessible service – especially in low-income and/or geographically remote areas. Companies can also contribute lessons learned from their core business and social investment experience to inform public investment and programming.

Addressing systemic constraints to human development impact in the workplace and the value chain. Not everything that happens in the workplace or the value chain is within a company’s control. For instance, eliminating child labor in the supply chain may require not only a code of conduct, periodic monitoring, and enforcement mechanisms, but also simultaneous effort to keep children in school – where a company has relatively little comparative advantage.

Strengthening entire systems – for example public health and education – by leveraging assets and competencies like know-how, employee volunteers, infrastructure, and social investment resources. In some industries, like pharmaceuticals, systems strengthening can be part of developing an effective route to market. Corporate values may also play into the rationale for systems strengthening. For many companies, in-kind as opposed to purely financial contributions will be most relevant. Product donation and employee volunteering can be powerful vectors, especially in access to medicines, education, and training.

Leveraging business coalitions and multi-stakeholder platforms to disseminate lessons learned, inform public policy and programming, and raise public awareness. Broadening outreach and enhancing credibility, such efforts can multiply the impact of a company’s own activities, allowing many others to learn from its experience.

Development in Africa

social investment and stakeholder dialogue that bring health care, education, and other services to low-income communities; strengthen governments and other local institutions; and inform public policy and programming. Partnership can help deepen companies’ impact on human development by enabling business models that serve the poor and extending their reach; by helping companies tackle issues that go “beyond the factory gates”; and by disseminating lessons to broader or more diverse audiences than companies can typically reach effectively on their own.

Collaboration in Action

- **Education:** In Ghana, The Trust Bank has partnered with the International Finance Corporation (IFC) to invest commercially in approximately 25 private schools serving 15,000 low- to middle-income children.

- **Nutrition:** DSM produces micronutrient formulations and works with food companies, UN agencies, and governments in countries like Nigeria, Zambia, and South Africa to fortify common foods – improving nutrition without requiring people to change their diets too much.

- **Health:** With financing from Aureos, using capital invested by IFC, the Gates Foundation, and others, Kenya’s Healthlink Group Limited is providing maternity care for lower-income women through careful pricing and service delivery formats like home-based and ambulatory care.

- **Insurance:** In Senegal, Cameroon, and Madagascar, Allianz has partnered with PlaNet Guarantee to offer credit life insurance covering the outstanding portion of a loan in the event the borrower dies, often with an additional payout to his or her family – helping to protect the progress they have achieved.

- **The International Cocoa Initiative** is a partnership of companies like Nestlé, Cadbury, and Mars, NGOs, and labour unions that work with cocoa-growing communities themselves to tackle the root causes of child labour, including low awareness of the hazards, accepted social and cultural norms, and limited availability of educational opportunities.

- **Water and Sanitation for the Urban Poor,** a partnership of companies, NGOs, and others including Unilever, Halcrow, WaterAid, WWF, DFID, the Gates Foundation, USAID, and AusAID, pools and channels funding and technical assistance to local utilities, municipalities, and small-scale private providers of water and sanitation services targeting the urban poor in six African countries.

- **Nutrition:** DSM produces micronutrient formulations and works with food companies, UN agencies, and governments in countries like Nigeria, Zambia, and South Africa to fortify common foods – improving nutrition without requiring people to change their diets too much.

- **The Global Business Coalition on HIV/AIDS, Tuberculosis, and Malaria** offers case studies, study tours, and other resources based on company experience taking action against those diseases.

- **Unilever’s Lifebuoy** soap brand partners with government agencies and other stakeholders on public handwashing campaigns in Kenya, Uganda, and Tanzania.
Partnership Focus: Anglo American

Spreading HIV/AIDS Education, Prevention, and Treatment in South Africa

The Challenge
By the 1990s, HIV/AIDS was taking a terrible toll on Anglo American’s workforce in South Africa. Despite company education and awareness programmes, Anglo American was training two people for every job on the grim calculation that one out of every two workers would die of the disease. The public health system lacked the capacity to control the epidemic.

The Response
In 2002, Anglo American decided to go beyond education and testing and provide free treatment to all workers diagnosed with HIV/AIDS – thus initiating the world’s first large-scale free corporate treatment programme. Anglo American’s comprehensive approach to the disease encourages all workers to “know their status” through voluntary counseling and testing, which underlines the importance of prevention and enables early diagnosis. Those who test positive get help managing their condition through wellness programme and free anti-retroviral treatment for as long as they need it. Anglo American’s workforce HIV/AIDS programmes are delivered largely through the company’s own health infrastructure, including three fully-equipped hospitals it has operated for decades as part of mine medical services. However, several specific functions are outsourced to third parties, like testing and record keeping – despite its clear policy of non-discrimination, Anglo American believes it should not “own” information on the HIV status of its employees to send a strong message that an individual’s HIV-status will not be known or used by the company in any way.

Since the company began offering free treatment in 2002, voluntary testing has increased from below 10% to over 80%. HIV prevalence in the Anglo American workforce is approximately 15%, which is below the average in South Africa, indicating that its efforts are having some effect. But there is still work to do. For example, based on the success of the workplace programmes, the company announced in 2008 that it would extend treatment to the dependents of employees.

The Partnership Agenda
When Anglo American began its HIV/AIDS work, it had to “go it alone.” Considerable results have been achieved. But curbing the disease in the workforce is part of a broader, systemic challenge the company cannot tackle alone. For example, healthy workers depend on healthy families, but approximately 20% of Anglo American’s South African workers are migrants from provinces where the company has no operations, or from neighbouring states. These workers leave their families in rural regions like the Eastern Cape where there are no company health facilities, and where public health infrastructure is weak or missing. In these regions, there are no delivery channels for the company’s free treatment programmes. Near the mines, where delivery channels do exist, the bottlenecks are different – social, cultural, or political. Of workers who test positive, for instance, only 50% currently take advantage of the company’s free wellness programmes, which are critical to keeping the disease at bay. With better public awareness and less stigma, uptake – and survival – could be significantly higher.

Greater partnership with government could help address some of the systemic issues underlying HIV/AIDS in the workplace – and leverage Anglo American’s experience for the benefit of South African society at large. In addition to government, there are potential roles for non-governmental organisations and private sector providers as implementing partners. And international multilateral and academic institutions could play valuable roles transferring know-how and helping replicate successful models.

With government commitment increasing, Anglo American is exploring ways of tapping the potential of partnership going forward. In 2007, for example, the company partnered with the Northern Cape Department of Health to open the Gogi Modise Wellness Clinic near its Sishen mine. The clinic provides voluntary counseling, testing, and treatment, and uses peer education and theatre to educate community members about related issues such as sexually transmitted disease and domestic abuse. In another, emerging example, the company is talking to the provincial health ministry of the Eastern Cape about health systems strengthening work that would begin by identifying barriers to effective primary care, the first line of defense against HIV/AIDS and many other diseases. As such partnerships develop and grow, the company hopes its experience will become part of the fabric of a systemic solution to the HIV/AIDS epidemic in South Africa.

Since the company began offering free treatment in 2002, voluntary testing has increased from below 10% to over 80%.
2 The Role of Business and Partnership in Meeting Africa’s Development Challenges

SECTION 2.3 Human Development

Partnership Focus: Pfizer and Vodafone

Strengthening the Supply Chain for Essential Medicines in The Gambia

The Challenge

In Africa, treatable diseases are leading causes of morbidity and mortality. As many as half of all Africans are estimated to lack regular access to the essential medicines they need. According to the World Health Organisation, weak supply chains are a big part of the problem. Pfizer’s Global Access Strategy aims to expand access to essential medicines in the developing world in commercially viable, sustainable, and socially responsible ways. The company knew that to be successful in Africa, it would need to strengthen the supply chains that deliver medicines from central and regional stores all the way through to the clinics and dispensaries that prescribe them to patients in need.

Pfizer and its partner Vodafone recognised the opportunity to apply mobile technology to this challenge, improving health-related services in the developing world through “mHealth.” For Vodafone, mHealth represents an upfront business opportunity through the sale of technology on a commercial basis. By developing and making mHealth technology available across Africa, Vodafone expands and diversifies its product offering and consolidates its capacity to provide innovative, cutting-edge health care technology.

The Response

Pfizer and Vodafone decided to apply mHealth technology to improve the pharmaceutical supply chain in The Gambia. As one of Africa’s smallest nations, it was possible to cover the whole country in a pilot-sized roll-out. Pfizer had already built a good working relationship with the Gambian Ministry of Health through an earlier collaboration with the non-governmental organisation International Health Partners (IHP), and the government was fully committed to improving access to medicines and health outcomes. In addition, at more than 96%, The Gambia has one of the highest mobile phone penetration rates in Africa.

Together, Pfizer, Vodafone, the Ministry of Health, and IHP launched SMS for Health – a pilot project intended to strengthen the supply chain for 20 pre-specified essential medicines and track 10 health events of high priority for the Ministry. Using their mobile phones, health care personnel send weekly text messages containing stock levels and expiration dates for medicines as well as rates of the pre-specified health events that are registered in their facilities. As an incentive for sending their data inputs on time, users receive mobile text messaging credits. Gathered in a central database, the information is analyzed and used by supply chain management to prevent stock outages.

Five months into the project, all 50 rural health clinics in the public health system, as well as the central and regional medical stores, now participate in SMS for Health – with a 95% average response rate among those responsible for submitting text messages. Two-way communication has been introduced as well. This allows regional stores to re-distribute supplies between clinics running low on certain medicines and clinics with surplus stock. Initial evidence shows that stock outages have already declined.

The partnership approach has been critical. Pfizer has contributed pharmaceutical industry expertise and, together with Vodafone, upfront investment. Vodafone has brought experience with mHealth in developing countries. The Ministry of Health has committed its strong support to improve the medicines supply chain. Finally, IHP has played a critical role coordinating the partners in The Gambia.

The Partnership Agenda

In less than six months, SMS for Health has become an integral part of the government’s supply chain management strategy. The partnership owes its success so far to persistence and continuous relationship-building among the individuals in the organisations involved. Mutual understanding and trust are prerequisites – but they also need to be nourished on an ongoing basis and over time. This is especially important as the experience can lead to additional opportunities for the partnership to evolve.

The partners’ highest priority is to ensure that progress to date is sustainable, and if successful, that the project continues into a second phase. In that second phase, additional medicines may be added, in line with Ministry of Health priorities such as maternal and child health. The SMS for Health partners are now turning their attention to how best to measure the health impact of the programme. Impact assessment will be essential not only for the project’s second phase, but also for the partners’ larger vision – to apply the learnings and experience from The Gambia to other countries in Africa and beyond.
Partnership Focus: Abbott

Strengthening the National Health System in Tanzania

The Challenge
According to the World Health Organisation, Africa has approximately 11% of the world’s population but 25% of the global burden of disease. A key reason is that the continent’s health systems have not kept pace with growing populations and changing health needs. There are gaps in financing; infrastructure; human resources; management systems; public health education and awareness-raising; and national policy coordination, planning and monitoring.

In the early 2000s, Tanzania’s health system was a case in point. When Tanzania’s flagship Muhimbili National Hospital (MNH) was built in 1956, the population of capital city Dar es Salaam was only 200,000; since then, it had burgeoned to more than three million. Like many healthcare facilities around the country, Muhimbili was overcrowded and aging with failing equipment, overstretched management and staff, and low morale, resulting in long wait times, little privacy, and poor outcomes for patients. Tanzania had been particularly hard-hit by HIV/AIDS, with 1.6 million people or 8.8% of the total population living with the disease by the end of 2003 – higher than average for sub-Saharan Africa.

The Response
In 2002 Abbott, a leading US-based maker of pharmaceuticals, nutritional, devices, and diagnostics, entered a far-reaching partnership with the Tanzanian Ministry of Health and Social Welfare to strengthen the national health system with a focus on HIV/AIDS. Through eight years of collaboration, the partners have built and modernised infrastructure; strengthened hospital management; trained healthcare workers; and expanded access to HIV testing, counseling, and treatment.

A core activity has been expanding and upgrading the publicly-funded Muhimbili National Hospital (MNH), the country’s primary teaching and referral hospital. A new outpatient facility with 34 exam rooms treats patients with HIV/AIDS and other chronic diseases, so those with HIV cannot be distinguished or stigmatised by their peers. A new laboratory with state-of-the-art equipment has increased testing capacity up to a hundredfold for certain kinds of tests, and computerisation delivers results to doctors’ offices in real time. New training facilities and an emergency medical department have also been established. In addition, new IT systems have improved both patient service and financial management, enabling the hospital to increase revenue collection by 350%. Together these reforms have enabled MNH to tap into other sources of revenue as well – like research projects; sales of specialised diagnostics to other healthcare institutions; and private, fee-based maternity care.

Another core activity has been modernising laboratories in all 23 regional hospitals in the country, which will support 77 district hospitals. Previously, these laboratories often lacked water, electricity, supplies, and personnel, making it hard for patients to get the diagnoses they needed. A 2002 study by the Ministry of Health and the US Centers for Disease Control (CDC) found lab capacity to be one of the weakest links in providing quality HIV/AIDS care. Together with the global science and technology design firm CUH2A, the partners have modernised Tanzania’s regional laboratories according to a standardised design that – together with training and mentoring of lab staff – ensure efficiency and safety. Additionally, more than 100 scholarships a year have been provided to students pursuing medical laboratory sciences degrees at Bugando University College of Health Sciences.

Beyond MNH and the regional laboratory network, the partnership has provided technical assistance, financial assistance, and training for more than 80 other hospitals and health centers in Tanzania, enhancing their capacity for voluntary counseling, testing, and treatment while ensuring patient privacy. This has helped them become eligible to apply for additional sources of national and international funding.

The Partnership Agenda
Since the partnership began, Abbott has invested more than $80 million from the Abbott Fund, the company’s philanthropic arm. Just as importantly, the company has contributed core competencies ranging from diagnostic, clinical, and laboratory skills to logistics and facilities management. Employee volunteers – such as laboratory specialists, engineers and infectious disease specialists – have helped institute new management practices, maintain equipment, and provide training and mentoring to support the application of new skills.

For its part, the government has contributed ministerial endorsement, public policy reform, and reviews of staff remuneration and internal revenue generation policies. A key objective of the partnership has been to build the government’s own public health capacity – so the Ministry of Health and Social Welfare has been an equal and active partner every step of the way.

Over the past eight years, an open and trusting relationship has developed between the partners, and many lessons have been learned. For example:

- To build teams with clear roles and responsibilities
- To encourage constant communication and engagement
- To invest in people and systems
- To solve old problems in new ways
- To use independent third parties for monitoring and evaluation
- To continue to learn

According to the Ministry of Health and Social Welfare, public-private partnership has now become a generally-accepted operating framework for healthcare service delivery in Tanzania – and Abbott believes that if current trends in financing and technology continue, similar projects are feasible in other developing countries.

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2.4 Environmental Sustainability

The Development Imperative

As Africa’s population grows and per capita incomes and consumption increase, pressure on natural resources will inexorably grow. Issues of poverty reduction and environmental sustainability are now increasingly inter-related and a key question for all stakeholders is how to calibrate growing economic empowerment with the earth’s carrying capacity, and to ensure that no further damage is done to climate biodiversity and fragile ecosystems.

Despite Africa’s carbon emissions being the smallest of any region in the world and barely increasing, Africans will be amongst the worst affected by climate change, deepening already significant vulnerabilities and derailing recent progress made on economic growth and poverty reduction. Major impacts are predicted to include lower crop yields and food security, increased malnutrition, greater desertification, more risk of floods and droughts, damage to infrastructure and biodiversity, and increased levels of airborne diseases like malaria.

Water scarcity will become a growing challenge, driven by rising populations which are estimated to reach 8.1 billion by 2025, rapid urbanisation and the effects of climate change on global freshwater supplies. At a time of increasingly constrained natural resource availability, growing efforts to increase Africa’s agricultural output to boost food security illustrates the scale of the problem. Only 4% of land in production in Africa is currently irrigated, compared to over 30% in South Asia.

To put Africa on a low carbon growth trajectory, the African Development Bank estimates that by 2015, it will take between US$ 22 billion and US$ 31 billion per year for adaptation. By 2030, the cost will go up to between US$ 52 billion and US$ 68 billion per year. The World Bank’s World Development Report estimates that current funding of emission reductions and adaptation is globally US$ 10 billion a year, compared with projected requirements of US$ 75 billion for adaptation and US$ 400 billion for mitigation annually by 2030.

According to the recently produced World Energy Outlook, 585 million Africans do not have direct access to electricity.

Water scarcity will become a growing challenge, driven by rising populations which are estimated to reach 8.1 billion by 2025.

According to the recently produced World Energy Outlook, 585 million Africans do not have direct access to electricity. Meeting this demand in ways that are cost effective, practical and environmentally sustainable is a huge challenge. The report also illustrates the human cost of limited access to energy, emphasising that 657 million people in Sub-Saharan Africa still rely on biomass sources for cooking. This is significant given that it estimates that household air pollution from the use of biomass in inefficient stoves could lead to over 1.5 million premature deaths per year (over 4,000 per day) in 2030, greater than estimates for premature deaths from malaria, tuberculosis or HIV/AIDS.

19 Anthony Nyong, AfDB compliance and safeguards manager, Seventh African Development Forum, Addis Ababa, Ethiopia (14/10/10)
When it comes to environmental sustainability, companies have a dual role – on one hand, to reduce their own environmental footprints; and on the other hand, to come up with innovative products, services, and technologies that reduce others’ footprints and help them adapt to changing climate and other environmental conditions. Companies that “walk the talk” can leverage their experience for even greater impact by sharing reducing a company’s environmental footprint. A company’s environmental footprint covers both direct and indirect impact – in other words, the impact of its own operations, of its supply chains, and of the way consumers use its products and services. Environmental policies and management systems; new business models involving, for example, product take-back; and consumer marketing are all part of the equation.

Ensuring Environmental Sustainability in Africa

...through business

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Developing shared understanding of a company’s environmental footprint and of ecosystem-level interdependencies. Companies can analyse their environmental footprints using collaborative methodologies that pool different sources of expertise and help build a shared understanding that lays the foundation for joint action.

Motivating, enabling, and coordinating joint action to address shared environmental priorities. The interdependency that characterises many environmental challenges necessitates joint action. Collaboration can be important both to mitigate challenges at the community or ecosystem level and to minimise the impact of a company’s own operations and value chains – for example, where supply chains are fragmented, with large numbers of small producers or firms that need capacity-building and/or financing to implement the changes required.

Developing and marketing “green” products and services and “smart” technologies, especially in water, energy, transportation, waste management, and housing. Companies can develop new technologies and products that are less intensive in materials, require less energy, last longer, and can be recycled. If the purchase price is low enough, such products could have mass-market appeal in Africa because they reduce the costs of ownership (like fuel and maintenance). Many companies are eliminating the need to purchase altogether, designing shared-use products that can be offered as a service – reducing both cost to consumer and environmental impact. Companies can also develop products and services to help people adapt to climate change.

Reducing the cost and accelerating the spread of “green” product and service development. Shifting public awareness, values, and behaviours – including consumption patterns – in the direction of greater environmental sustainability. NGOs, social networks, the media, and even governments can be effective partners in this regard, all influencing different audiences in different ways.

Advocating for environmental regulation that takes best practice to the national level. In addition to spreading best practice and its impact, regulation can help level the playing field in areas where greater sustainability comes at a cost – though many environmental measures actually save money, because they are about efficiency.

Participating in associations and collaborative initiatives to experiment, analyse, disseminate experience, and encourage the adoption of environmental standards.
Environmental Sustainability in Africa

lessons learned, including cost-benefit calculations, to encourage and enable other companies to follow suit. They can also share insight with government to help shape environmental regulation. The natural environment is clearly something that goes “beyond the factory gates” – meaning that working with others is often required, both to minimise the impact of a company’s own operations and value chains and to spread lessons learned and innovative new products more widely.

Collaboration in Action

- **SABMiller, WWF, and GTZ** have undertaken joint water footprinting in two African countries, identifying critical issues and risks and at the same time creating the shared understanding needed for collaborative action to address them (see case study on page 28).
- In Liberia, **ArcelorMittal** conducted a biodiversity study with the Liberian Forestry Development Authority, Conservation International, Fauna and Flora International, and Afrique Nature. Now a local stakeholder group is making plans for shared forest management, rehabilitation, and protection, which will be implemented from 2011 over 15 years.
- **Coca-Cola’s Replenish Africa Initiative (RAIN)** aims to support the Company’s three-tier global water stewardship strategy which is focused on Reducing, Recycling and Replenishing the amount of water used in Coca-Cola beverages and their production. RAIN aims to provide over 2 million people in Africa with access to drinking water by 2015, in partnership with and co-funded by USAID (United States Agency for International Development) under the Water and Development Alliance (WADA) and other partners.
- Since 2008, **Anglo American** has partnered with the NGO Fauna & Flora International (FFI), to contribute an alternative and independent third-party assessment of the Group’s approach to biodiversity stewardship, increasing company accountability. **Anglo American** has also recently become a member of the Proteus 2012 Partnership – a private-sector partnership with the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) which is building a database of information on key protected areas around the world.

- **The World Business Council for Sustainable Development’s Eco-Patent Commons** is a platform where companies, universities, and others can share patents for environmentally-friendly products and technologies that do not represent essential sources of business advantage, but could have significant environmental impact if adopted at scale.
- **Swiss Re, Oxfam, the Rockefeller Foundation and Columbia University’s International Research Institute for Climate and Society** have collaborated to develop a weather risk insurance product to help protect farmers in Ethiopia against the effects of climate change.
- **Barclays, the Global Village Energy Project, and the Bid Network** have created the East African Clean Energy Challenge to fund SMEs with “green” value propositions. 2010 recipients include biogas and biodiesel companies as well as an industrial materials manufacturer that uses recycled plastic and rubber.
- **Guinness Cameroon and the Cameroon Ministry of Energy and Water Resources** are educating the public on the sustainable use of water resources and other environmental protection issues.
- **Eskom** is collaborating with South Africa’s Department of Minerals and Energy to evaluate market mechanisms to promote clean energy, ranging from tradable green certificates to feed-in tariffs to a green power market.
- **Diageo and the International Business Leaders Forum** hosted a series of business roundtables in Cameroon, Ghana, Kenya, Nigeria, and South Africa in support of the UN Global Compact’s CEO Water Mandate – sharing responsible water management practices, exploring opportunities to align existing initiatives, and engaging with other stakeholders. Cameroon, Nigeria, and Ghana will now be establishing ongoing Business Water Networks.
- In 2002, **Nestlé, Unilever, and Danone** co-founded the Sustainable Agriculture Initiative, which today encompasses 25 food and beverage companies working together to spread sustainable agriculture best practices in their supply chains through research, knowledge-sharing, and the development of training modules and other practical tools.
Partnership Focus: SABMiller

Securing Africa’s Water Future

The Challenge
SABMiller is working to improve water efficiency in its own operations, and has already made significant progress. But much of the company’s water footprint occurs outside its own operations – for example, in the agricultural value chain. And long-term water security is an even broader, more systemic issue involving politics, patterns of production, population growth, climate change, and other factors. Therefore, to reduce its unique water footprint and help ensure long-term availability, SABMiller has to work in partnership outside the company gates.

The Response
SABMiller, WWF, and the German development agency GTZ have come together in the Water Futures partnership to protect watersheds critical to SABMiller’s operations and supply chains. At the same time, the partners aim to prove the business case for more companies to engage in sustainable water management. Currently, the three partners are collaborating in four countries: Peru, Ukraine, Tanzania and South Africa. In each focus country, the partnership starts with a water footprinting exercise to measure water use and assess dependencies and risks throughout the SABMiller value chain. The in-depth, local understanding that results enables the partners and their stakeholders to prioritise risk and start to develop mitigation plans. Government policymakers, civil society organisations, and other local businesses are mobilised through dialogue to develop common approaches to shared water risks. And throughout the process, the Water Futures partners document their findings and lessons learned to disseminate more widely – hoping to inspire and enable others to take similar action.

The partners’ motivations for engaging in the Water Futures work may vary, but each has a unique contribution to make, enabling them to achieve more together than they could alone. For SABMiller, a primary motivation is to understand water availability, quality, and cost in its areas of operation – and to be able to take action to improve long-term water security. The company brings a commitment to change its behaviour, and the ability to influence other companies to do the same. As an environmental organisation, WWF’s main motivation is to ensure water resources and ecosystems are protected and conserved. It brings thought leadership on shared water risk, experience in river basin management, and local implementation capacity. GTZ, for its part, seeks progress on a range of public policy objectives including human development, environmental sustainability, and even peace. The development agency contributes technical assistance and convening power, facilitating the multi-stakeholder dialogues that are key in translating ideas and information into action.

The Partnership Agenda
Lack of water security is a shared risk and a shared responsibility – but a company can work to address it in partnership with others. So far in Africa, SABMiller has taken the initial step of working with

SABMiller, WWF, and the German development agency GTZ have come together in the Water Futures partnership to protect watersheds critical to SABMiller’s operations and supply chains

partners to assess its footprint and understand shared water risk in Tanzania and South Africa. The company and its partners are now in the process of gathering additional stakeholders and translating this understanding into action. For example, in Tanzania, insights were shared at a water workshop in Dar es Salaam in May 2010, where stakeholders of the Wami-Ruvu Basin learned about the concept of shared water risk, what the partnership is trying to achieve, and the potential opportunities for collaboration. Following this workshop, a watershed risk and sustainability assessment was undertaken to identify overall water risks to the city and specific business risks to Tanzania Breweries. The assessment is now being used as the foundation for a business case to mitigate against identified risks.

In South Africa, following the water footprinting study and subsequent workshop, activities are now focusing on SAB Ltd’s operations in Polokwane, an area identified as having high potential for water scarcity in future years. Partners are undertaking a review of water supplies to hop farms in the Gouritz water catchment – which supply SAB Ltd’s hop processing plant at George – to build a better understanding of ground water needed, and how more groundwater resources can be released.

A range of local actions are coming out of the Water Futures footprinting work in Tanzania and South Africa. At the same time, SABMiller sees a future for the partnership in stimulating larger collaborative projects and alliances. Because water is highly political, in both countries, the partners hope to engage more deeply with government to ensure supportive public policies – on water rights, for instance – are in place. As part of this, in South Africa, SAB Ltd is already working with WWF and the government to pilot the "water neutral" concept, in which companies reduce water consumption and offset the rest by restoring natural vegetation.
Partnership Focus: Standard Bank, the United Nations Environment Programme, and the German Federal Ministry of the Environment

Catalysing Low-Carbon Growth in Africa

The Challenge
It is commonly understood that while developing countries contribute the least to climate change, they are likely to be hit the hardest. According to the Intergovernmental Panel on Climate Change, Africa is the most vulnerable continent. Africa can expect above-average increases in temperature and increased aridity, making a ‘green revolution’ difficult to achieve and jeopardising progress against poverty on the continent.

Carbon markets have a great deal of potential to catalyse low-carbon business models and put entire industries and economies on more sustainable growth paths. However, the carbon markets in Africa have only just begun to develop. According to the United Nations Environment Programme’s Risoe Center, $84 billion was invested in emerging market emissions reduction projects worldwide in 2009, only 2% of which was in Africa. Constraints include lack of familiarity with such projects and the high transaction costs of getting them done.

The Response
In late 2009, the United Nations Environment Programme (UNEP), the German Federal Ministry of the Environment (BMU), and Standard Bank launched a facility called Africa Carbon Asset Development (ACAD).

ACAD aims to kick-start Africa’s carbon markets by facilitating access to financing for carbon projects and by building carbon financing capacity into the mainstream financial sector. The facility acts in three primary ways. First, it provides targeted grants to defray early-stage expenses and bring carbon projects into the realm of investability for commercial financial institutions. Such projects already have relatively long time horizons to profitability compared with other projects banks might finance, to access carbon credits, they also have to fulfill requirements like Clean Development Mechanism documentation, carbon auditing, and environmental and legal studies. ACAD grant funding helps to reduce these transaction costs, especially for smaller companies that would have been unable to apply for carbon credits on their own. Grants can be provided up-front or in the form of reimbursement for eligible expenses.

Second, ACAD offers technical assistance for project developers in both clinic and one-on-one formats. And finally, the facility engages in outreach and provides carbon finance training for African financial institutions. Training typically covers carbon project origination, financial appraisal, and due diligence. Since October 2009, four advanced workshops have been held, reaching more than 100 participants from financial institutions.

Bringing distinct skills to a shared set of objectives, the partnership is more effective than any of the partners could have been on their own.

To be eligible for ACAD funding, projects must be located in sub-Saharan Africa and have high potential for replication in the region. Projects can use any methodology to generate carbon credits except ‘carbon sinks’ (for example, afforestation or reforestation) – but they must expect to generate them within three years. ACAD reviewers also consider the number of credits the project is capable of generating over its lifetime. Projects must be relatively likely to obtain financing, but need ACAD support to get there.

To date, ACAD has funded seven projects in Kenya, South Africa, Nigeria, Mozambique, and Rwanda. They include energy production from biomass and waste gas, LED-powered lighting, waste collection and composting, wind power, hydro power, and conversion to cleaner energy in manufacturing.

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Based on their success thus far, the partners are now seeking additional sponsors in order to expand their activity and impact. The intent is to continue to build the facility as a model that can be used to increase the number of replicable carbon projects in Africa, as well as accelerate the cost-effective delivery of funds available for carbon reduction projects internationally. In the longer term, ACAD could attract commercial financing and become a hub for providing loans and equity, in addition to grants. Increasing the number of projects, of Africa-relevant carbon reduction methodologies, and of financial sector professionals capable of recognising and developing low-carbon opportunities will help flatten the emissions curve associated with the growth Africa needs to improve the quality of life for its young and growing population.
More and more, people recognise that development in Africa will not happen without the private sector – providing goods and services people need, and offering jobs and opportunities for producers and small businesses. At the same time, they know that development challenges are systemic, and that business-driven solutions must often be catalysed and even implemented in partnership.

We are seeing partnerships for Africa’s development evolving in scope, with a wider range of partners tackling more complex, interdependent issues using increasingly innovative approaches that would not have been possible for any single actor working alone. Partnership’s potential to redraw the boundaries of what is possible – for business and for development – is fueling great momentum in this space. For example:

- In September, representatives of more than 40 governments and 11 bilateral donors issued statements recognising the importance of the private sector in achieving the MDGs, a message reinforced in the Seoul Consensus for Shared Growth issued by the G20 in November. The Bilateral Donors’ Statement in Support of Private Sector Partnerships for Development committed to support companies by sharing risk through financing, providing targeted technical assistance, working with developing country governments to strengthen the enabling environment, and other measures.

- More than 10 public and private donors, financial institutions, and investor networks including the Bill & Melinda Gates Foundation, the Omidyar Network, USAID, and the International Finance Corporation have supported a year-long study by the Monitor Group of more than 400 market-based solutions to development, identifying opportunities for partnership to catalyse and bring such business models to scale.

- Companies, governments, public and private donors, international financial institutions, and NGOs are coming together in complex coalitions to address interrelated infrastructure, capacity, policy, governance, and financing constraints, with the support of systemic change initiatives as diverse as trade corridor initiatives, the Alliance for a Green Revolution in Africa, the Global Alliance for Improved Nutrition, the Global Business Coalition on HIV/AIDS, Tuberculosis, and Malaria, the Investment Climate Facility, The Extractive Industries Transparency Initiative and the many programmes catalysed by the World Economic Forum.

- Business-to-business partnerships are also proliferating, with companies sharing insight and distribution channels to offer innovative new services in underserved markets – particularly in the mobile telecommunications sector, where payments, savings, crop insurance, health care, and agricultural information are all being offered via mobile phone.

Experience is revealing a number of areas where partnership can be particularly powerful and catalytic, as documented in a number of recent reports (see References). Some of the most often cited include:

- **Capacity-building** for low-income consumers and producers, MSMEs, green ventures, local business associations, market intermediaries, government agencies, and others who may need greater awareness and skills to participate effectively in corporate value chains and wider market ecosystems.

- **Shared risk-taking** through innovative, hybrid financing mechanisms targeting new inclusive and environmentally sustainable business models, infrastructure projects, credit facilities for low-income producers and consumers, and other promising but unfamiliar and unproven projects.

- **Market research and R&D** exploring the needs, habits, and aspirations of low-income consumers, producers, and entrepreneurs; developing clean, low-cost technologies; breeding climate-resistant, high-productivity crops; and experimenting with more efficient production practices in agriculture and other sectors.

- **Public policy innovation** that encourages and enables business to act with greater creativity and impact – for instance, legally empowering the poor; making it easier for MSMEs to do business; supporting inclusive and environmentally sustainable business models; and facilitating the development of new forms of social enterprise and impact investment.

To fully capture these and other opportunities for partnership to unlock Africa’s development potential, practitioners in business, the donor community, government, and civil society must learn from efforts already underway – capturing lessons from those that aren’t working and taking action to improve, build upon, replicate, and scale up those that are. The diagram on the page opposite captures a glimpse of the partnering frontier.
## The Partnering Frontier

### Learning

- How do the most successful partnerships get started, and are there ways to systematise and scale up the process?
- What approaches are working in common challenge areas and how can we replicate them faster and more widely?
- What special skills and capabilities do managers of successful partnerships have, and how can we teach and transfer those skills to others – in business, government, and the development community?
- How can we measure the impact of business partnerships for development more effectively, in ways that balance rigour and “do-ability”?

### Action

- Knowledge-sharing and partnership match-making networks and platforms
- Targeted, joint facilities to fund shared priorities like low-income consumer education, producer capacity-building, and value chain financing
- Training in how to initiate and manage complex, core business-oriented coalitions
- A new category of professional specialising in partnership management – in business and development alike
- Generally accepted monitoring and reporting principles that balance the needs for companies to manage costs and make real-time business performance improvements, and for donors to justify supporting profit-making initiatives for development purposes
References


About Business Action for Africa

Since its launch in 2005, Business Action for Africa has emerged as an innovative international platform for harnessing the collective energy of business in support of Africa’s development.

We are a free-to-join network of businesses, business organisations and development partners, and together we work in three areas:

- **Advocate:** We advocate for the policies needed to drive growth and wealth creation for poor people in Africa, and to facilitate business engagement in tackling development issues.

- **Act:** We catalyse business-to-business partnerships to drive on-the-ground action on business issues that matter for development, and development issues that matter for business.

- **Share:** We facilitate practical, how-to knowledge sharing between practitioners committed to harnessing the power of business for development impact.

We are supported by a group of international and national businesses, the UK’s Department for International Development and the International Business Leader’s Forum. Business Action for Africa is run as a not-for-profit.

[www.businessactionforafrica.org](http://www.businessactionforafrica.org)

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About the CSR Initiative at the Harvard Kennedy School

The CSR Initiative at Harvard’s Kennedy School is a multi-disciplinary and multi-stakeholder programme that seeks to study and enhance the public contributions of private enterprise. It explores the intersection of corporate responsibility, corporate governance, and public policy, with a focus on the role of business in addressing global development and human rights issues. The Initiative undertakes research, education, and outreach activities that aim to bridge theory and practice, build leadership skills, and support constructive dialogue and collaboration among different sectors.

[www.hks.harvard.edu/m-rcbg/CSRI](http://www.hks.harvard.edu/m-rcbg/CSRI)