

Nestlé 2011 Global Creating Shared Value Forum

Washington D. C. May 19th 2011

Transcript of "Creating Shared Value and the Case of
Africa: Opportunities, Obstacles, and Future Directions in
Nutrition, Water, Rural Development"

00:00:00

Maria Cattai:

The first one this afternoon is a session on creating shared value in Africa and we're going to begin that with a two minute video

(Shows video)

Applause

00:02:06

As you can see in your programmes, we were expecting Jeff Sachs to be with us. A few days ago he was requested to fly with the UN Secretary General, Ban Ki Moon, to meet with the President of Nigeria actually today, as we're speaking here. And I'm sure that we will, although reluctantly, understand his absence, however I'm pleased to say that we have with us Dr. Robert Thompson, Professor Emeritus of Agricultural Policy at the University of Illinois, Senior Fellow of the Chicago Council on Global Affairs, Former Director of Rural Development at the World Bank, Former Dean of Agriculture at Perdu, Former Assistant Secretary for Economics at the US Department, he also serves now on the US Department of Agriculture, USTR Agricultural Policy Advisory Committee for Trade, and the International Food and Agricultural Trade Policy Council, as you can see, an impressive experience and expertise.

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We were able, however to catch up with Jeff just before he left and ask him a few questions, and we have a video of that.

Jeff Sachs:

In the African context, my view is that we have to start with improved agricultural productivity and the

answer is not utterly simple, it is about ecology, it is about poverty, it is about policy, it is about the relations with the donor world but there is an opportunity now to get this right and this is the time to make the breakthrough to food security.

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The irony of extreme poverty is that it is so solvable, given the advances of technology, knowhow and experience around the world that it's absolutely shocking, I'd use even stronger terms, that it persists in front of our eyes when we know actually how to solve it.

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There is so much known about good agronomy, about sustainable farm practices, about ways to empower small holder farmers to that they can triple, quadruple, quintuple their farm yields. About ways for small holders in villages to get organised in farmer co-operatives or farmer based organisations so they can access the market, not only grow more but become commercial farmers.

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A few years ago one of the world's poorest countries - Malawi - took an initiative, a system of giving a voucher ticket to each household that could be redeemed for part of the market price of fertilizer and high yield seed. It's had the effect of doubling the production of grain, mainly maize in Malawi, Malawi has gone from a chronically hungry country to a country that produces enough staple for the entire population.

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Companies have a huge role to play, but they have to be very clear what's the market part of this, what's the social part of this, what's our part to

provide technologies and ideas, what's our part to partner with donor agencies so that we're not charities mainly as companies, but we do have things that we know can make a crucial difference. So if those donor funders join with us, we can help make available the breakthroughs that can take these impoverished places out of the trap of poverty and then they become part of a normal market economy.

The advances of the world economy, the strengths of global trade and the advances of technology are so overwhelming, and the will of so many parts of global society to join in are so strong that I believe it's going to happen, I believe we are the generation that can end extreme poverty and will do so.

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Maria Cattai:

As I call your names up for the panel if you would kindly join. Paul Bulcke, CEO of Nestlé. Ruth Onian'go founder of rural outreach programme Kenya. Clive Tasker, CEO of Standard Bank of Africa. Bob Thompson, who I have already introduced to you. And Ajay Vashee, President of the International Federation of Agricultural Producers in Zambia.

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With what Jeff said in background, and a certain amount of optimism that he expressed there, I'm going to start with you Bob, and ask the very first question which leads off from what Peter was saying earlier about food, about the amount of food that's available and so on. Now the question to you would be - is our pessimism, because there is a general pessimism about food supply, food productivity,

what's called food security - is it warranted or is it unwarranted in Africa?

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Bob Thompson:

There is no excuse for Sub Sahara and Africa not to be self sufficient in food and even be an exporter. It confronts a huge challenge being the only continent that's projected to have more of a doubling of population in the next several years but with the amount of land that's available in the Savannah region that's not in production and the extremely low yields relative to global average, there is huge potential to increase productivity in Sub Saharan African agriculture.

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Maria Cattai:

So you're not at all pessimistic about it, do you think that this can happen? Can it happen rapidly or not?

Bob Thompson:

Well it's one thing to say it's technically possible, it's another thing to say are the necessary pre-conditions or enabling environment going to be in place, that you've had political and macro economic instability, you've had failure to provide secure property rights, particularly for women who produce the majority of the food produced in Sub Saharan Africa, you've had under investment in rural roads and agriculture research. But if you can work on these, get the governance right, get the legal and public policy environment right and make the necessary investments in public goods. And then let the private sector come in and do what it does best, there's every reason for optimism

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Maria Cattai: I hear a lot of 'if you can, if you can, if you can'

Bob Thompson: That's right

Maria Cattai: Where has this happened and what leads you to expect that in the next years this really will happen, how can you change that governance blockage?

Bob Thompson: As we saw in the video, the average rate of economic growth in Sub Sahara and Africa was twice that of Western Europe

Maria Cattai: Well that's not saying

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Bob Thompson: Well no, I'd cite a really important book by Steve Radelet that came out earlier this year, the new Chief Economist at USAID, that he flagged 17 companies in Sub Saharan Africa that are doing well. He makes the case very strongly, it's unfair to paint all of Sub Saharan Africa with one brush and just say it's a hopeless case

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Maria Cattai: I don't want to name and shame countries but what kind of things actually made the difference?

Bob Thompson: Political and macro-economic stability for starters. Creating a positive investment climate so that both local capital as well as international capital would find that the expected returns on their investment would be adequate, to go in and build the marketing infrastructure necessary to supply farmers their seeds, fertilizer and other inputs and to move the product from the farm to the market. Because you

can increase productivity, but if there's no market infrastructure available, prices will crash and farmers will lose optimism about adopting improved technologies in the future.

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Maria Cattai:

One thing that the video very quickly looked over was I think Africa and by the way, the Middle East are the last areas that have such intra-regional barriers between and among them, how is that working out now, is there progress on that front or not?

Bob Thompson:

There is starting to be progress on building roads across or among countries in Africa, trunk roads

Maria Cattai:

Yes but the trade barriers

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Bob Thompson:

But the trade barriers are still immense. One of the things that often gets forgotten in our WTO trade negotiation debate is the low income countries throw up higher barriers to trade among themselves than the high income countries impose against their exports

Maria Cattai:

I know and it's one of the things that we've learnt from Asia and others is that first the bringing down of the barriers between countries and a region is one of the great spurs to growth.

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But there are other impediments that I'd like to look at, at the current situation and, Ruth, you are just known everywhere for your work on, let's say, I don't want to make you sound like you're standing

on a soap box all the time and ranting but you are getting a message across very, very strongly about political will, about governance especially in rural areas.

What are the kinds of things that you see that have to be done right now?

00:12:01

Ruth Onian'go:

Thank you Maria, first of all let me say I am happy to be here doing advocacy; I do advocacy. I talk about women in farming. They do the kind of work I wouldn't want to do, that's why I went to school, I had to work for education and we cannot expect that continent to be fed by women who are struggling. Most of the time they haven't gone to school, they don't have knowledge, they don't have input and they don't have an enabling environment. It's the women, how can then women feed that continent!

So that's what I'm talking about really, that's what I rant about and if that's ranting - it's ok. But I also know that that's one continent where governance is bad, it's not for lack of resources. If you look at the amount of resources that have come to the African continent, maybe three quarters of it has never reached where it is supposed to go.

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So it is just bad governance, corruption and who gets most affected is the women. What poverty does is that it is very in dignifying, it robs you of your dignity and it robs you of your voice and that's why I am able to speak, I don't have a job that I'm going to be fired from, so I can actually speak for those women.

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And so when I talk, even internationally, saying - just take even a quarter of the resources; channel it to the women farmers, small holder farmers in the rural areas, you will see a huge difference and that's what I've been doing with my small organisation in a very small way and you actually see yourself restoring a smile on a woman's face, why, because she can be able to feed her family.

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And what are the men doing? To tell you the truth - I don't know. Because if you don't have a government, a government that is male led and they don't care about these pictures we have been seeing, then they are not going to care about families and what they are actually doing there.

So my advocacy always is let's think afresh, let's see who actually produces food in Africa and I'm not saying it's across all of Africa but I'm saying that to a large extent, it's the women who produce food and when you empower them with what is necessary, you can see actually a big difference beginning to emerge.

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Maria Cattai:

Ruth what kind of pressures can be brought to bear to make these changes happen, who else do you need to help you to do this?

Ruth Onian'go:

You know the changes we have, especially on the women front in Kenya and Africa would not have happened if we didn't have international support, that much I can tell you.

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Ruth Onian'go:

We have a new constitution in Kenya right now, we have fought for it, it is very woman friendly, it brings in the youth as well. We have an agricultural environment which don't even have the youth who are looking for other jobs.

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So, you know, we actually need partnerships. And what can business do? You know, there are some people who just throw scud missiles at business. Business - you find Coca Cola in every village and no good drinking water. You find biscuits which are not even good. So I like to engage business. And I tell them, you know there's a lot you what you can do, because you have to get these people from the poverty trap, for them to be able to engage in markets. If they cannot buy your products then what good are they to you? But you have to play that role and look at it in long term and that's what I'm excited about Nestlé here.

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Then the government is education because I get, the same way I get all of you worked up here I get people worked up at village level. You know, we need the revolution from the bottom. You know, a peaceful revolution. Revolution from the bottom so we can actually hold our own governments to account and because of that I am now chairing a committee in Kenya which is going to see us finally after seven, eight years, have a food and nutrition security policy. And the government wants it so much. Because each year now Kenya has 4 to 5 million people facing starvation, because of climate change. It used to be every five years.

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Maria Cattai:

But tell me a little bit about that, you've written quite a lot about the problem of population pressure also on some resources and on water policy that we were talking about before. You've claimed that you are very still in many countries in Africa, very rain dependant. Who are you working with to make changes in this area?

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Ruth Onian'go:

Again, policy change, you know, we have to work at the Africa union level but many times they don't listen. So you just have to find your way, the different forums I go to and then see how you can bring about policy change. I think right now in some of the African countries; remember Africa is a continent of 54 countries, the latest one being South Sudan.

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So you have Botswana, for example. Nigeria has just had a good election we hope it will translate into some positive outputs. Egypt was going somewhere until something happened, you know. Uganda - you see what's happening. So it's like we go ahead one step and then backwards 10 steps. Kenya - you know what happened during the post election violence, we still are not out of the woods. But to tell you the truth you know saying that is Africa there we don't even have to worry about it, it is going to impact on the rest of the world. And that's what globalisation means, that we depend on each other.

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And so I come here to appeal and to say look here, don't leave us by ourselves, if you find people who

are in country who are willing to actually support, we can do a lot through partnerships. Changing policies - we have written policies, but policies are not enough, we just have to have government which are democratised and which are accountable.

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Maria Cattai:

Well, thank you Ruth. And one example for instance of what could be done I turn to Clive Tasker. In your bank you have a very, very interesting investment strategy and activities for small holder farmers, can you tell us how that works and perhaps see some of the things that Ruth is talking about how you answer them, how you address them?

00:18:35

Clive Tasker:

Certainly. Perhaps I should first give our organisation some context. A number of people over lunch said to me - are you the same as Standard Chartered Bank? And the answer is very simply no, we are two completely separate organisations and we compete as Pepsi Cola and Coke Cola compete. Standard Chartered is listed in London and has operations all over the world. We are an African bank listed in Johannesburg operating in 17 countries on the African continent and are in fact Africa's largest bank.

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We have been active in agriculture for many years - our bank is 150 years old in South Africa. But in the easy part of agriculture put it that way, the big commercial farmers, and for time we've had a concern that we should be doing more in respect to small holder farmers. But contrary to what's happened recently and some popular opinion, banks

are not benevolent societies; we have shareholders and we should try and protect their interests and their wealth. So the risk attached to lending to small holder farmers is not insignificant and should not be underestimated.

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We looked at ways of mitigating this risk and in association with some partnerships and I think what I'm going to talk about really relies so heavily on partnerships. We hear about public private partnerships and I think maybe in a way that might be yesterday's model, I think some of the large global consultancies, such as McKinseys, etc, are talking about convergence which is really a coming together of the interests of government, business, international donor organisations, other stakeholders etc. And I think this is something that we really should be looking at.

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So with a number of the large foundations and specifically ... and with AGRA, the Alliance for Green Revolution in Africa we started putting together a partnership concept in terms of which a first class guarantee was provided to our bank. And in response to that we committed 100M US dollars to small holder farmers in four pilot countries, and those are Ghana, Uganda, Tanzania and Mozambique. And our whole approach is not a typical banking approach.

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Typically those of you - we all interact with banks - basically walk into or go online to a facility and apply for a loan, etc. on a one on one basis. This model is more about the value chain management and there is no individual application by a small holder farmer.

So first of all very important, it's about communal approach and it's about communities and it's about managing that value chain. And we play a very active role in managing the value chain, which we call from cradle to grave. So we get involved with the community, we assess its applicability and whether it would be appropriate to form part of this agricultural guarantee fund scheme. And then we go right from the beginning with a soil analysis, and an assessment of the climate, to determine whether the crops that that community has been planting over the last six generations, are in fact the appropriate crops for the conditions in terms of which they are operating and often there's a sea change in that.

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So it's about the analysis, it's about the identification of the opportunity, it's about the correct provision of the right seeds, fertilizer, crop insurance and weather insurance. We will not advance any money without appropriate weather insurance in place. We have had a discussion and operating with some of the world majors based in Europe and some companies based in South Africa.

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The number of stations that are available out there in the field that give them very good data, have enabled them to price it quite competitively. But we believe something like that is absolutely critical otherwise the small holder farmer has the potential of being wiped out completely with one or two bad seasons.

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We then have an ability through our own soft commodity desk to price the commodity whatever it is and we can even provide small holder farmers with a forward price. If they decide to lock in at an early stage, as soon as the crop is in the ground, we will provide them an opportunity to lock in that price and to manage it.

Maria Cattai:

What is about the size of individual loans that you make or investment that you make?

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Clive Tasker:

It varies and I think the important thing is to go back to the point I made about it being communal. So we don't deal with individuals, very often these communities have a co-operative type of structure that is in place. If they do not, then we will assist them in putting together a special purpose vehicle, a SPV and we lend to that special purpose vehicle. Then they take a decision as to how that should be distributed in accordance with the values, the mores and the needs as they see it in the society and the community in which they operate.

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Maria Cattai:

For the bank is this a mainstream business, is this a part of the bank's profit making operations or not?

Clive Tasker:

Absolutely, there's no doubt about that and we believe that that's where it should be housed, we don't believe that something like this should be shrouded or influenced by corporate social responsibility or other issues or aspects at all. To be sustainable, it must be part of mainstream business, it must be on the KRA's profit responsibility and

ultimately the bonus is on the bankers who administer the thing.

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Maria Cattai:

Well this is a little bit in answer to the question on the last session that was put about the financial sector and the intensity of capital investment. You say you're working in four countries you're going belong that?

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Clive Tasker:

Absolutely, we are looking at three other countries and also very importantly in Nigeria there's an initiative that I think will be launched publicly in June known as NIRSAL, it is the Nigerian Incentive Risk Based Sharing Loan Agricultural System, something like that, sounds like it comes from a Texan but anyway.

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And in terms of this we along with AGRA have worked with the Ministry of Finance in Nigeria and the Governor of the Central Bank and they looked very closely at our model with AGRA. And what they've done is they have committed or decided to commit 500M US dollars in Nigeria as a base to be leveraged to small holder farmers and the leveraging effect they are looking for is 3 billion.

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So they are looking for a 6 to 1 leveraging, they are looking for banks to lend into that area and to incentivise banks for doing that. And their target population of small holder farmers in Nigeria is four and a half million, that's the number of small holder farmers that they think they can touch.

Maria Cattai: And you think this is a model that after the four, after the Nigerian, which is a bit larger, will you take this elsewhere?

Clive Tasker: Absolutely. And the organisations that we spoke to were pretty much in the donation space so they took whatever funds they had and on a donor basis they let us see what we can do with this. Sometimes it paid off, sometimes it didn't. But we said there's got to be an opportunity to leverage this better.

00:25:34 What we're also involved with now is in discussions with commercial companies that are active on the African continent who, on their own have been funding ... grower or small holder farmers schemes on their own balance sheet and we think there's an ability for them to leverage that, take it off their balance sheet and we really think there are a lot of legs on this particular model.

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Maria Cattai: Very interesting now Clive. You're sitting next to someone who is the President of the International Confederation of Agricultural Producers and many of your, throughout your members are small holder probably farmers as well.

Ajay, what are the really big problems right now that you are facing and your groups are facing? And to what extent does something like what Clive is suggesting one approach that you find positive?

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Ajay Vashee: Obviously what Standard Bank is doing is addressing the constraints which African culture has, but I think

the important point we have to note is somebody else is underwriting the risk here. We had some other people underwriting the risk and I think that's an important point that needs to be brought out.

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There are several constraints for African agriculture. Very quickly, the biggest one probably is the production constraint because most small scale agriculture is not mechanised. It's manual, yields are low and as a result profitability is low and it becomes a risky business for these people to enter mainstream financial markets to borrow money.

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And there are several other issues, very, very quickly. And one of the biggest ones I think which we haven't discussed is land, security of land, land tenure, protection of private property rights, functioning land markets.

Maria Cattai:

This is very much also combined with what Ruth said before that some of the context issues and government issues are not in place yet?

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Ajay Vashee:

And risk management is another one. You can have weather based index or somebody again getting you the sort of risk management tools but the other one is capacity building. How do we get small holder farmers to modernise themselves and how do we modernise African agriculture by making them a more receptive to standards, food standards, food safety and how do you integrate them into the supply chain?

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There are also several other issues such as the functioning of the markets. The agricultural markets are not functioning in Africa for the small holder producer.

Maria Cattai:

In what way are they not functioning, what is the impediment?

Ajay Vashee:

I think the biggest impediment is infrastructure, trade related infrastructure. You find that they are isolated producers; even if you wanted to aggregate these producers and build up significant economies of scale, it's very expensive to do so. And again this falls to the public domain, I mean, this sort of investment has to be done by government.

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I mean it's good that the Nigerian Government is leveraging their public resources to try and do something to modernise the agriculture and mainstream their small holder producers. But I think a lot more needs to be done by public policy makers in Africa to do just that.

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What's happening is when you have these kind of interventions, very quickly, is that it's partial, it's maybe commodity specific to uplift the whole continent or to move Africa forward, it has to be a more realistic approach. I mean, there's a limit to how far private sector can go, how far certain initiating can go. I think it's incumbent as good governments for African governments to do this on a more broader basis.

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Maria Cattai:

Understood, but I come back to what Bob was saying at the start, Ajay, if this done, if that is done, if this is done and so on, you'll get somewhere. In the meantime while all those ifs are pending, what do you actually suggest doing and what do you do?

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Ajay:

It is not correct to say nothing is being done. There are several initiatives taken by the African union, one of the biggest one is CADEP which is a comprehensive African Agricultural Development Programme.

Now CADEP has got four pillars, they have started doing what we call country compacts; in other words they are taking an inventory of those countries that want to take of where agriculture stands - take data from these countries and then they are trying to work with national governments, develop and agriculture blueprint. And once this blueprint is developed you can find stakeholders such as your donors or private companies to come into these programmes to try and take it forward.

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It is a slower process but things are moving forward and also the biggest thing that comes back is governance. I think that is very key, somebody brought it out in an earlier panel of that some people are more democratic than others and there is a direct relation to economic development and governance and democratisation.

You cannot run away from that, the normal values which we have here of accountability and transparency are probably non-existent and I think

this is very important that it brings you back to governance. Are we pushing our governance enough to go and legislate these kind of legislations? And it is happening but the problem is, it is not happening at the pace and speed at which it should happen. So it is happening, Maria, but not probably as fast as we want it to happen.

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Maria Cattai:

We need to clone Ruth several times. Paul, I guess the question that I would have in light of what has been said is what has given you the confidence running Nestle to invest in long term operations in Africa in light of everything here that's been said?

Paul Bulcke:

First of all, we didn't start to invest. We have been on the African continent before 1900, so we have been there for many, many years. We invested our first factory in South Africa in 1927. Our presence now has 28 factories going for 30 over the continent. We have operations basically in all countries, the 53, the 54 now. We are 16,000 people in the continent, 3.5 billion Swiss Francs turnover there, but also we have also invested 1 billion Swiss Francs in the last five years and project 2 billion in the next, so your question comes why the confidence. And actually that is the huge opportunity of the continent and not only in the sense of raw materials, get some raw materials out and export it, our long standing presence there gives us that confidence.

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You just see that there is enormous uncertainty, and actually the promising countries are the most uncertain. A little bit strange but the uncertainty is

on infrastructure still, I would say that is one of the major problems we have, the infrastructure, but also the poverty, you spoke about the corruption, conflict, etc. There is lots of uncertainty yet there is an enormous potential, you just see also the micro-economics of Africa, the last 10 years GDP went up 4% - 5 % every year.

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The consumer spend is actually much bigger than India, the consumer spend in the whole Continent, the growth as internally and externally are the natural resources of the pricing although natural resources is only 25% of the economy per se. Also, the macro-economics is actually doing a better job than Europe since 2000 if you see here, Africa, the foreign debt is 82 - they brought it down of 82% of GDP as a continent to 59%. The budget deficits went down from 4.6% GDP to 1.8%. Inflation is from 22 to 8. So there is actually a lot of positive things happening there. Deadly hostilities has gone down in spite of what we hear because we have selective memory and the market friendly policies are starting to fade and there is good examples and these are all sparks of really hope a young population. And so that is why we are positive and actually, the Continent is one of the best platforms where that concept of creating shared value can flourish.

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Maria Cattai:

This is what I wanted to ask you. Everyone looks a little bit Africa today and I think led sometimes by let's say the most interesting news stories on commodities, on extractive industries and so on. And you are looking at it exactly on its investment

potential and building of internal communities. How long - and let's say, over the next decade, do you really see this as an area of really massive growth?

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Paul Bulcke:

Yes we do. First of all, the development of Africa has got to come from within, and we should start understanding in the Western world that we cannot say and condition these continents and say what the pace is going to be, what the direction is going to be or the structures to be. And to ask them to cope with lots of what we impose as structures in Africa but you just see the borders.

There is a totally different social structure there that we should understand so that I definitely believe that the growth of Africa has got to come from within. And that is why we as a company have to understand that and really lift the dynamics of that development from within.

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To be part of the countries we work in, how we link up our supply chain upstream with the local capabilities and capacities. For example, a good example, I was in Malawi and Niger and their political leaders had said yes, it is all nice that you come and sell products in our countries but what do you do, we have raw material here, the blue onion for example - can you use that in your products, in your bouillon cube? And that's why we have an R & D centre in Abidjan. It's actually there to see how can we go about our products using local raw material, be it the blue onion. We actually, one and half years ago since that discussion took place; we use blue onion in our production now.

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A year and a half ago that discussion took place, we use blue onion in our production now. The same with casaba where actually we have and we are supplying casaba for our formulations, which was not the case before, and it is actually women doing that. Actually they had - they didn't have that activity, that whole village is living now on the cultivation of casaba that is formulated into our products that was not the case before.

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So it is just not investing and taking out or investing and going off with the consumer. Again, it is the best expression of creating shared value. It is really integrating your activity and binding it in to the development of the country per se. The company can flourish there, and yet at the same time you create that middle class and that development in general that is actually also your consumer base.

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So it is actually a mutual interest that so many commonalities and identical experiences that we had a little bit before in Latin America - has just potentially reflected itself in Africa.

Maria Cattai:

Let me ask you perhaps a little sensitive question. Many people following Ruth, what you said a minute ago about the misuse of funds about difficult situations. You don't withdraw when trouble comes for instance in Cote d'Ivoire. You just mentioned also Abidjan. What's your policy about that when the externalities are really nasty and things start to crumble, how do you manage that?

Paul Bulcke:

Let me come to that question. I started my career in Nestlé in Peru in 1980. That was when the Shining Path came. And then '82, '83 was not so easy. I had kids going to school, we had to change the cars to go to the office. So it was not simple, and going to the office you saw more and more offices close down, people leaving international companies, Nestlé stayed. Actually that is a very good expression of how we feel, when we commit to or when we invest in a country that goes in good and bad times.

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And whenever we can have the minimum condition of safeguarding our people and deliver the quality of products we want to deliver to the consumer the link is with the consumer and that is why we stay. Now sometimes you have difficult and actually controversial positions say would you, should you stay.

First of all our link is with the consumer, we have an activity in every course that's thousand hundred people working for Nestle in two factories. We have also an R&D centre, so that's a thousand hundred families living from our activity. We are in the food and nutrition business so that is an activity that is well spread into the population. Whenever there is a head wind coming we would close down because we feel it's not ideal or it's not - I do not see this as an honest relationship with the consumer or with the countries of the activity.

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Actually there is a certain relationship between stability and economical activity. Actually there is stability when the economy goes well, yet the

economy goes well when there is stability. And I do believe there is a relationship that has to be kept in projecting your relationship with society or with a country longer term in good and bad times.

Maria Cattai:

I can imagine. Anyone on the panel would like to add anything before I go to the audience?

00:40:51

Clive Tasker:

If I could just mention something for those that might be interested. There's a full page article in this morning's Financial Times - which is that little pink newspaper produced in that other financial capital across the pond - which deals specifically with the potential of Africa. The rise of the emerging consumer, the extent of the disposable income increasing and it's fascinating reading and I would commend you all to have a look at it.

Maria Cattai:

Thank you very much. So I'm going to go to questions from all of you and I'd like to start again with the Advisory Council on Creating Shared Value. So who would like to start here in the front? We haven't really covered the nutrition areas in Africa and of course the water challenges as well as the rural development which we have looked at. So who would like to start here? John, call on you and then, you, please?

00:41:51

John:

Well very interesting panel discussion, thank you all. A couple of days ago here in Washington I visited somebody, many of you will know, Lester Browne of the Earth Policy Institute. His take on the issue of

food security could not be more dramatically different from what we've heard this afternoon.

Maria Cuttaui

In what way?

00:42:12

John:

For example, one of the things he was talking about is if you look at what happened to Russia with the drought and the fires and so. And he said if you transpose that climatic issue to Chicago for example, the dent in food supply would have been infinitely greater, the impact on government, some governments would have fallen.

And I'm not actually hearing some of that side of this. I mean people have mentioned climate to some degree, it links very strongly to the water provision issue. But I just wonder whether that climate issue - and particularly in Africa - is in your minds and what you're making of all that.

00:42:49

Maria Cattai:

It's a very good point, and Ruth I'm going to call on you again afterwards. We'll take a few questions because you have written about the necessity to adapt because of water issues as well. We'll go along here and we'll take Venkatesh first and then anyone else wants to

Venkatesh Mannar:

Thank you.

Maria Cattai:

Once again do just introduce yourself for the audience.

00:43:11

Venkatesh Mannar:

Venkatesh Mannar - Micronutrient Initiative. Just again, coming from a nutrition perspective, and given my own understanding of the situation in Africa, across Africa. We all know that, moving up the food chain, the processes of food at the first level in terms of the primary milling or the processing of oil seeds, a relatively large proportion happens at a small and medium scale level. But these are an important segment of the whole chain that needs to be talking about shared value, because they're the ones who will ultimately processing the food and transmitting it to the consumer.

And so my question to the panel is what are ways in which this sector can be encouraged to sort of come into this whole concept of shared value so that they can see that beyond just acting as commercial units, of course they don't have much infrastructure or wherewithal, but in their own limited ways can they be brought into this whole moment?

00:44:21

Maria Cattau:

Thank you very much. Anyone else, Joachim would you like? please go.

Joachim von Braun,
University of Bonn in Germany:

Thank you for very interesting comments from the panel. I would like to ask the panel to elaborate a bit further how the three themes, nutrition, water and rural development connect especially in Africa.

00:44:50

Joachim von Braun:

I think the three need to be addressed in conjunction. They come under a nexus, and that

requires more complex investment portfolios. The big elephant among the three is infrastructure investment, and maybe Clive Tasker can comment a bit on how to mobilise the big time investment for roads, for telecommunications, for rural electrification and for water storage and managing these rivers better.

00:45:32

So the nexus and the large-scale financial mobilisation I think needs to come to the table in order to serve the small farmers and the nutrition of the poor. I think it will not work without the big investment.

00:45:52

Maria Cattai:

Anyone else from the advisory world or else we will go for some questions? Right, we'll take this one over here first, go ahead, sir.

00:46:11

Hubert Charles, the Commonwealth
of Dominica Embassy:

I thought Paul was moving in a rather interesting direction to give some value to the concept of culture. I find it strange that we have not heard a word about culture, and the likelihood that the base African culture, seeped as it is in community, has much to do or will create an environment within which the idea of shared value can take root.

I would really like to get a sense as to whether the success that some companies have had in Africa, whether that is in any way rooted in the culture, okay?

00:46:52

Paul was talking about the likelihood of using indigenous crops, things that had been ignored. Is it likely that there are ideas around, in other words, is it likely that we're moving into a phase when we have a little more, quote/unquote, respect for what is there the best culture and to look at the possibility that it has something to do with the transformation, with change?

Maria Cattai:

Very good and I think we'll take one, yes, over here and then we'll answer these and come back for a second round. Yes, go ahead.

00:47:27

Robin Sanders:

Robin Sanders, I've just finished three years as United States Ambassador to Nigeria. I wanted to hear from the panel, what the importance of the role of technology and renewable energies are in agriculture?

I know there are a lot of interesting models out there and I think they play to some of the challenges that you mentioned, but I didn't hear anybody raise some good examples about the role of technology and certainly the role of renewable energy in addressing some of those agricultural challenges.

00:47:56

Maria Cattai:

We'll come back for a second round in a moment but we have to digest this first round of questions.

Why don't we start perhaps a little bit backwards, starting with the last one on the role of technologies

and renewable energies. Who would like to have a look at that? Go ahead Ajay and then Clive.

00:48:22

Ajay Vashee:

I think renewable energy is very important because when we look at renewable energy or bio energy, the first thing that comes to mind coming in this sort of environment will be bio fuels or bio-diesel or bio-ethanol.

Maria Cattai:

Well, you heard Peter Brabeck-Letmathe on that one.

Ajay Vashee:

But I think when you look in the context of Africa, we shouldn't forget that renewable energy is going to be very important when we are looking at heating and for cooking purposes. A lot of the environmental problems we have on the continent are as direct consequence of heating and cooking, so it's not an option that needs to be discounted straight away.

00:49:03

Also, we need to do a real longer term cost benefit analysis of bio fuel production especially by small holder producers because it's going to be important, especially when you relate that to the dysfunctional agricultural markets.

If you're a small producer and you have the opportunity to diversity your market to another one, it becomes an important market for you, regardless of what the use is going to be. So it's an opportunity which many producers cannot afford to shy away from.

00:49:38

I think the important issue is when you really look at it in the context of the developed countries, the subsidies, the amount of energy used to produce that bio fuel and that's where the equation comes in.

But in Africa's case I think the environmental issues are going to be important because again - let's not forget renewable energies were started off as an environmental issue; we wanted to do away with some of our fossil fuels and some of the carbon that was emitted, and that was the original beginning of renewable energies.

00:50:18

So I think we need to do a real think up as Africans on renewable energies. We shouldn't follow what the general global trend is. I think there are specific issues to the African continent.

On technology, yes, there's no technology transfer going on for small holder farmers at all and I think here again the public sector has a great role to play here because they could have a fund or some sort of mechanism that could leverage private companies which might have patents, which might have this technology, and make it available to small holder producers so that they are able to modernise the way they perform, the way they produce goods and have a chance to integrate into agricultural markets.

00:51:06

Maria Cattai:

You might have somebody challenging you or at least two people on the panel who might challenge that the raising level of productivity requires a certain amount of technology and I turn to Clive and to Paul on that one.

00:51:24

Clive Tasker:

Somebody once said that the role of industry, the role the four L's, I think it was a member of our Creating Shared Value Advisory Board who said - the role of industry is four Ls.

It is learning, and that is actually linked with technology or knowledge transfer linking, linking up with society, as a society is linked with the values again, and that the development of Africa is going to come from within if the industry makes itself part of it. It is leveraging the resources also, and then it's leadership. Leadership is inspiring activities that inspires others to do the same.

00:52:06

Now, there is quite a lot of technology transfer or at least best practice and we're going to start actually the famous milk district concept that we heard this morning already in Latin America that we're going to start in Kenya and Uganda with the East African Dairy Development Board, a whole project where again, it is multi stakeholder.

00:52:30

It's not Nestlé doing one factory and district; it is with that development board where we're going to work, we're going to give technical assistance.

So the learnings, and the savoir faire, the knowledge of managing milk districts, although adapted to the reality of these countries, that's what we bring. But the government is involved so it is again a multi stakeholder thing and that's transferring good farm husbandry, feeding practices, milking practices, but also through the whole value chain because we were

producing products in Kenya based on imported milk powder.

00:53:10

But actually the region has had conditional milk production so there's an interest of the government to promote that; we're part of it, but then we're going to buy from local milk powder producers. And we are involved there also to transfer our knowledge to make sure that we have the right quality products.

00:53:28

Again, that's a good concept. We have a keen interest in having good supply and yet at the same time a technology transfer, so there is quite a lot of ... And I would think in continents like Africa the biggest role a company like ours can play is just to have that knowledge transfer.

00:53:46

Our factories have the same set of criteria to judge the quality, hygiene, etc., as everywhere in the world. The people working for us, there is a lot of technology transfer and so that is what I feel is the best expression of what actually nutrition and creating shared value stands for.

I jump to the question of linking it up.

Maria Cattai:

I'll come back on culture, let's do the linking.

00:54:14

Clive Tasker:

The linking it up is actually just there because transfer is linked with also water usage on the farm, it is linked with nutritional products to a certain extent, so actually we choose nutrition more than

rural development because it's so close to our activities.

So for us it's quite evident, present in everything we do. Nutritional products in Africa - actually the world - we produce and we sell 1.2 billion units of products a day and many of these products are potential carriers of micronutrients.

00:54:55

So Africa, where we have good mapping of deficiencies. And our products in Africa, or the majority of the products we sell in Africa, are carriers of micronutrients, and so nutrition is linked to that. But we do then the blue onion and the casaba linked upstream, rural development and then water usage is all through the whole value chain. And also we have the best practices of water management and so on.

00:55:24

So it is indeed not something that stands isolated for what is a reality and the fact is that we only want part of that reality in the countries and that's something there and that also more government and the macroeconomics have to play into that too.

Maria Cattai:

Indeed. And we'll come back on a few of these things like climate change that you challenged us on as well.

00:55:45

But on complex investment portfolio for large infrastructure, other than China who's doing it?

Clive Tasker:

There are a number of independent funds, both private sector and public sector that are involved in

infrastructure development and attracting investment for Africa.

Maria Cattai:

Is it actually happening?

00:56:06

Clive Tasker:

Yes, it's happening, it certainly is. You very correctly mentioned China who are significant investors in many different countries in the infrastructure area and space.

And we certainly are finding an appetite for commercial risk amongst investors that has increased dramatically over the last five or so years. So people are looking to participate in African risk by participating in such infrastructure funds, and there are a number of entrepreneurs that are involved in private equity type vehicles and investments that can facilitate that.

00:56:44

So the returns offered are certainly there. Again, it gets to convergence and creating a stakeholder value in that there is something that is achievable, of a higher order, for want of a better word.

00:56:59

Is it where it should be, is it going to satisfy and get us to where we should be as quickly as possible? The answer is simply no. But we have the saying, if you are going to eat an elephant you need to do it in bite-sized chunks, and I think that in terms of major infrastructure that's not a bad analogy.

00:57:17

Maria Cattai:

Ruth, climate change. I've seen some of your work on water and climate change in Africa; this doesn't

look very promising. There seems to be some really serious problems that you see coming along. What would you suggest that we should be doing right now?

00:57:39

Ruth Onian'go:

What I say with the climate change, I'm not an expert in this field but then we lack capacity to really analyse what's going on. That is one big threat that is facing most African countries. And they will clearly need technical assistance to analyse what the implications are and how they can adapt.

And if you just take the situation of Kenya by itself, we used to say every five years we have a major drought. Now the drought is coming every one and a half years and many times farmers will plant, then plant again, and then it's raining in patches.

00:58:18

And clearly they are attributing this to climate change, whatever it is. So I think it's a problem that needs to be tackled globally and farmers need to be advised and that's where government can also come in to try and assist.

When it comes to water, we still have many, many people away from portable water. It's still a major issue. But let me just come back and say, look, I live on that continent and maybe I don't see the good changes that are taking place.

00:58:49

I am sure that over the years many good changes are taking place but, like Paul says here, it's a continent with great, great potential, great potential in terms of natural resources, God-given sun. I

think it shines on the African continent more than it does anywhere else, yet we are unable to tap solar energy.

00:59:10

We now have young people increasingly getting educated and listen to the former President of Mexico here: we just need now visionary educated leadership because you have to map what you want for your own country.

It can't be a project here, a little project here, and when you arrive and you want to make better the slum, the biggest slum in Sub-Saharan Africa, it is still there looking at you. And that's what the media shows. They don't show the little gains that we are making because they are not global, because we are living on little projects.

00:59:46

Kenya has more than 10,000 non-governmental organisations, more than 10,000, all of them using more resources than the government GDP. But I don't see the impact of this because I still go to the village, I still see pictures that we have seen here and I just don't see it.

So unless you map out your own country, you then say, look, Ghana never gets milk, it will import milk from France; Kenya produces milk on a daily basis, has a glut of it, it gets wasted. How can we as leaders come together and encourage each other so we can do intra-trade at least?

01:00:30

But it still boils down to the governance issue. It's just bad politics. So there are good things but I can't rest until I see some good things.

Maria Cattai:

We're going to come back to Ajay afterwards on climate issue but perhaps, Paul, you can look at the culture one that was asked of you. What role does culture play?

01:00:54

Paul Bulcke:

I believe that a country or a continent should have its specific development and we sometimes in the Western world, and to a certain extent what's happening now in the world in general, the emerging market, the developing markets, they're developing on their own terms.

That's a big difference from what happened 30 years ago, where actually the developing world was a classification of the Western world. What I mean is that the developed world said - we are developed and the rest are developing.

01:01:27

And what's happening now is that certain countries are going about their own development on their own terms with their specific dynamics and all that, and after the crisis of the Western world they don't try to step in our footsteps anymore, just like that.

And if a small country says that it doesn't matter, but when a China starts to say that, when an India starts to say that, and somewhere when an Africa would be able to say that and say we're going to go and we're going to condition our own development based on our own dynamics, on our own social structures which are different, they have totally different dynamics.

01:02:05

Maria Cattai:

And you're able to do that in a company? It must be very hard to.

Paul Bulcke:

Well, you see, we are a company that is quite open for diversity. I just give an example: in our headquarters in Switzerland we have close to 100 nationalities. So we are quite open for diversity, we have been linked up with the countries in Latin America, in Africa, in Asia. And basically we try to behave local with global practice, with global inspiration, if you want, but local.

01:02:38

And we try to have, as much as possible, local people who understand the idiosyncrasies of their countries, who understand how the country thinks, how it works, also the logistics and all that, to have local management.

We try to have people out of Africa being exposed and have experience outside, but then in order that they are able to run our operations in their countries.

01:03:02

We have inaugurated in last year a shared service centre for Africa in Ghana and it is somebody, a lady from Ghana, running it. These are things that would not have happened, I would say, 10 years ago but that, I do believe that is one of the preconditions to being successful too, again. It is a condition for Nestlé to be successful in these continents.

So again, it is creating shared value. You create value for society at large but, at the same time, you

condition your environment and your reality in such a way that you can be successful as a company too.

01:03:41

And that is something that is new, I think, in the world. The developing world is developing on their own terms and we in the Western world should learn to live with that.

Maria Cattai:

We'll come back on climate change. Anyone else want to look at climate change? Bob, Ajay first and then yourself and I'll take some more questions.

01:04:02

Ajay Vashee:

I think a lot needs to be done on climate change. A lot of African agriculture is rain-fed; I think almost 90% for small holders is rain-fed. Africa is utilising about 4% of its irrigation potential. A lot of national governments have been asking FAO, have been asking the bank, to increase and enhance small-scale irrigation for small producers; that's one of the things that's happening.

The other is there's been a lot of initiative on weather-based, indexed insurance to mitigate risk with drought, and I certainly know that almost all countries now have some sort of reasonable early warning and monitoring system in place that will alert farmers about the weather and weather patterns.

01:04:50

Drought-resistant crops are being developed through National Agriculture Research Schemes, NARS, if you like, and others. The most important one I thought I should bring out was this initiative

by Monsanto and the Bill Gates Foundation and AGRA, which is Water Efficient Maize for Africa.

This is an initiative taken where you have biotechnology that's being developed for small holder farmers without the baggage of intellectual property rights and royalties. And this is a direct consequence of trying to find some sort of drought-resistant, drought tolerant maize for small holder farmers.

01:05:35

So I thought those were some of the initiatives that are taking place, so it's not doom and gloom. It's just that you have so many problems that climate change seems a bit farfetched.

Maria Cattai:

Well, not when it comes to water. Bob?

01:05:51

Bob Black:

Ajay just got on to the topic that I wanted to focus on, and that's the underinvestment in agriculture research. It's important to achieve the potential productivity today but it's even more important in the context of climate change because all

Maria Cattai:

You mean research everywhere or are particularly in Africa?

01:06:10

Bob Black:

In Sub-Saharan Africa because our agro ecosystems are going to be shifting with global climate change and one of the things that's quite clear is an increasing frequency of extreme events, extreme flooding, extreme droughts, extreme blizzards in the northern hemisphere.

But the point here is that it's going to take larger investment just to sustain present productivity levels in an environment with shifting agro ecosystems. We're going to have to do the adaptation and we need to use all ...

01:06:40

Maria Cattai:

Is it taking place, the research and the adaptation? Are there plans under way or how is it working?

Bob Black:

Investments in agricultural development through our foreign aid programmes, the World Bank, within the freefall of the 80s, almost disappeared before turning around with the 2008 price spike.

01:06:58

The Gates Foundation is leading the way but, in general, there's still gross underinvestment in ag research in general to achieve the productivity potential today, and we're nowhere near investing enough to make the adaptations necessary in an environment of climate change.

And unfortunately, in Sub-Saharan Africa, there is the concern about genetically modified organisms. And if there's one place that biotechnology has huge potential it's in introducing drought tolerance, introducing heat tolerance. It's drawing on all the potential that's out there to adapt the crops to the changing conditions.

01:07:42

Maria Cattai:

Well, we'll go for some more questions because I know a few of you had your hands up and we couldn't get them the first round. So over here there

was a question, very good. And then we'll come to this side of the room and take those there. Please go ahead, sir.

Tola Attimo:

Tola Attimo from Nigeria, Federation of African Nutrition Societies. I want to start by agreeing with Paul when he said that the development of Africa must come within Africa. But Africa has a lot of governance problems and this has been mentioned by many of the speakers today. We have our own share of genetically modified presidents [Laughter] and genetically modified politicians who are not interested in the development of the continent.

01:08:36

We have sit-tight presidents who have been presidents even before I was born and they are still there.

Now, the question I want to ask the panel, especially those who spoke about the development in agriculture, I know Paul and Ruth spoke about nutrition, are you in your attempt to assist Africa develop agriculturally leveraging the agriculture to improve nutrition and health or just to produce raw materials for the industries? Thank you.

01:09:14

Maria Cattai:

Thank you very much. We'll come over to this side and take several questions over here. We'll start with this lady and then move across.

Lindsey:

Hello, my name's Lindsey; I'm with the USAID. Risk has been mentioned multiple times by the panel as a significant obstacle to small farmers in Africa, especially with climate change exasperating weather

patterns. So it occurs to me that there might be a large market for micro insurance. And so I'm wondering what's inhibiting the development of a more formal insurance sector to cope with the risk and create a more viable adaptation strategy for small farmers.

01:09:49

Maria Cattai:

Clive, that looks like something that you could handle. Over here on this side there's two more and then a gentleman at the back over there.

Paul Sullivan:

Paul Sullivan, National Defense University in Georgetown. Yes, Robin, we were colleagues a few years ago. Anyway, that sign up there I'm thinking should read Nutrition, Water, Energy and Rural Development, because there are huge trade-offs that have to be considered here, and I'm wondering what the panel thinks about them.

01:10:24

Bio fuels are hugely water intensive and they displace good lands that could be used for food production and other activities. The energy accounting is quite poor. More energy usually goes in to produce bio fuels than you get out of bio fuels.

And food security; a huge issue with bio fuels particularly in Africa and of course the rest of the world. Thank you.

01:10:47

Maria Cattai:

Yes, at our last session Peter Brabeck had some very forceful things to say about bio fuels, misuse of energy. Yes, right behind you?

Evelyn de Jaar, Partnerships for

International Strategies in Asia,
George Washington University:

I'm wondering to what extent we have seen a push for some wealthy countries to ensure their own food security by purchasing up good agricultural land in Africa and other continents - Cambodia for one place, and others.

01:11:30

What is the impact of this phenomenon and will this serve the production of investment? Will this improve investment in agricultural technologies in these countries or will it serve to the detriment of poor farmers?

Maria Cattai:

Thank you very much. Was there another question in this area? This gentleman over here, please, in the centre at the back. Thank you very much.

Yaya Fanusie, Lead for Special
Operations Division of the United
States of Africa 2017 project
Taskforce:

About the infrastructural issue that was raised, trust me, you're not going to get any viable infrastructural development in Africa until we create the United States of Africa 2017. You do now your simulation and scheduling, modelling, for your business model within that context; 2017 there's going to be a federation. If you don't like it, don't say it publically two years from now.

01:12:47

Maria Cattai:

And one last question we'll ask right here, please.

Herpreet Singh:

Hi, my name is Herpreet Singh and I'm from the Institute of World Politics. My question arises from the role of market agents. Market agents exist in

basic transactions such as buying basic milk and then selling it to the market, the security services that take bribes and act as intermediaries, and then even cash-to-cash transfers that was mentioned in the previous panel.

01:13:19

So my question is - how has the private sector addressed the issue of market agents when creating shared value?

Maria Cattai:

I guess I'll have to look at you, Paul, for that one. Very good, well that's quite a few and I will add from our webcast audience the following. A lot on water conflicts. Water is emerging as a national security issue. This is unverifiable statistics. To put the potential for conflict in perspective, more than 3,800 unilateral, bilateral and multilateral declarations and conventions concerning water exist. I have absolutely no way of verifying that but let's say that there are many.

01:14:07

What role should the private sector be playing in managing or in preventing or making awareness about water conflicts? There's also one for you particularly, Paul. IDE Cambodia, which is a Nestlé 2010 award winner, is a great example on how to create shared value for all players in rural production, economically sustainable for the long-term. Is it possible to use this model in Africa, obviously respecting the local singularities at community level - and perhaps you could explain to people a little bit what that's about.

01:14:50

Paul Bulcke:

IDE Cambodia prize winner is a model that actually trains people, small farmer, to have better yields and better farm practices but also giving them the instruments with fertilizers and all that. So there's a commercial model linked with that.

So it is really training, transfer of knowledge to small farmers and so we have to train somebody and then he has a little business that is linked with fertilizers and actually agricultural ingredients that allow them to have better yields, better production, better quality.

01:15:32

So it is a little bit like a self-generating successful model that you create knowledge transfer that is linked to the business model, and that was what was so compelling because there's not just putting some money in and helping somebody; you help a population help themselves, which is that sustainability, the sustainable dimension there.

I do believe as a concept that it is totally transferable to Africa where you have the precondition for success which is very, very small small holders who are very enthusiastic and open and absorbing knowledge, because a good example of African enthusiasm, when you're speaking aloud, but that's what you feel when you go to Africa: people are just open for knowing, learning and be better tomorrow.

01:16:21

So these models are definitely working well, but then you have to find the personal ones to take care of that, to do that.

Maria Cattai: You have to make it happen, in other words.

Paul Bulcke: Yes, but that's why we found that quite a compelling prize winner.

Maria Cattai: Excellent. I'll come back to you on the role of markets. Let's take the hard one: infrastructure. Is it going to happen or not happen? And I'm not asking about the Federation of 2017.

01:16:54

Clive Tasker: Certainly, with the decline of investment and foreign aid, as well as World Bank lending and rural development, we've seen a great stagnation of development of rural roads in sub-Saharan Africa.

Fortunately, one of the things the Chinese are doing is building roads.

Maria Cattai: Yes, at what price, at what cost? What is the story now on this because there's a lot of scepticism surrounding these very large companies or state-owned activities come in, build roads, it's true. They build harbours and so on. But they also use very much a Chinese model without transferring or without using and mobilising local. How is this seen and what could be an answer?

01:17:43

Clive Tasker: My sense is, I travel in Sub-Saharan Africa, is that the Chinese have what we used to refer to as an ugly American image, they're the ugly Chinese image in a number of cases where they've not paid enough attention to local culture.

But the one thing they're doing is they're bringing the capital and getting the roads built. Now, initially a lot of the roads go from mines to ports but roads from mines to ports go past an awful lot of farmland and so they have started to create transportation links, bring down the cost of fertilizer going to the farmer, allow the farmer to get a higher value for the crop because there's not such a high transport cost between the farm and the urban market.

01:18:26

But I guess that whereas there may be some warts on the model, if neither foreign aid nor World Bank lending was building roads and the Chinese are doing it, it's probably the greatest barrier we've seen to ag development in Sub-Saharan Africa.

Maria Cattai:

Does anyone in the audience know or want to comment on infrastructure?

01:18:43

Maria Cattai:

Does anyone in the audience know or want to comment on infrastructure?

Ruth Oniang'o:

I can say something about that.

Maria Cattai:

Yes please Ruth.

01:18:50

Ruth Oniang'o:

Course they are doing roads in Kenya and very good roads by the way, better than anything we have ever had before. But then most Kenyans can't - they don't know, you know the Chinese are there, we look at them, we don't know what they are all about, we keep hoping they mean well.

01:19:09

And just to link to the question about the land purchase by foreign governments - again that's what happens when you don't have power and you can't voice anything because we had some Kenyans wanting to demonstrate but they were just shut up. So we don't know the conditions under which the Chinese are operating and we don't know the conditions under which land is actually being purchased when we actually have so many Kenyans who are landless. And the same is happening I believe in other African environments.

01:19:41

Maria Cattai:

How much land is actually - does anyone know how much is really being bought up and by whom?

01:19:47

Ruth Oniang'o:

Well in Kenya it was 40,000 acres.

Maria Cattai:

By?

Ruth Oniang'o:

By Qatar. Joachim knows, yes Joachim knows.

Maria Cattai:

Joachim.

01:20:01

Joachim:

My own estimate two years ago on this was the land acquisitions by foreign investors in Africa were between 20 and 25 million hectares. Now the more recent estimates speak already to about close to 50 million hectares. Still, well that's five times German acreage of crop land, sounds large in absolute numbers. But in terms of relative proportions of all African cropland, it is not so large. I think I would like induce a panel to maybe talk about responsible

agricultural investment. We should not get carried away by being sort of angry. This is large, it must be bad.

01:20:55

Africa needs capital investment, mostly in agriculture close to the small farmers but it must be responsible, respecting the local land rights, the communal land rights, it must be sustainable investment, it must not just look at the land as speculative investment but it must bring in the infrastructure, then it can be good. So the code of conduct for responsible agriculture investment to be debated next month in front of the G20 is a very important agenda, and I think it should be on the agenda in Africa also for national policy making.

01:21:38

Maria Cattai:

Closely aligned to that is also the development that was requested, the development of micro insurance schemes. I'll turn to both of you on this one, Clive and then Ajay.

01:21:50

Clive Tasker:

Yes I think the most important aspect of this is the ability to provide some type of insurance or risk management in the first place. Most of the even large commercial risk that is insured in Africa is reinsured by some of the large European reinsurance companies. In our experience most of the countries have a dramatically underdeveloped insurance market and there just for a whole number of reasons historically there hasn't been seen to be a need for insurance.

01:22:28

So as I think you might recall when I mentioned the structure of value chain management, we insist on weather/crop insurance without which we won't disburse. And I think measures and thoughts like that will go a long way to encouraging a more developed insurance market in these various countries. The fact that insurance is available to farmers of various sizes and to businessmen including SMEs, I think in itself is very positive. I think if we had a situation where there was no such cover available then we would be in dire straits.

01:23:06

I think the creation of a micro insurance market as you call it is the next phase and might be desirable in terms of growing the local economies. But I think we certainly in terms of our requirement to manage our risk are very heartened by the fact that there is an insurable market for the risk that we're seeking to address.

Maria Cattai:

Ajay?

01:23:28

Ajay Vashee:

There are actually efforts being made in Kenya I think by Syngenta to do some kind of micro insurance which is based on weather based. But what you have to appreciate is that there is a big cost to insurance which many producers, especially small producers, can't afford. And the other one is for many of them this concept of insurance is a very foreign sort of concept. If you go to the real small holder farmers they don't understand what is insurance, you'll have to make them understand it.

01:24:02

So I think there is room for it and perhaps it's something we look at but I just wanted to comment a little bit on land acquisition. I think it's the way this land acquisition is structured and if it's done in a very transparent manner and the structuring is done properly it's not really a bad thing. Because if they don't displace local producers and if they are able to be beneficial eventually to small holder producers through out growers around them, it could serve as a catalytical investment to stimulate growth in rural areas.

01:24:37

So I think what has happened in the past is some of this has been sensationalised or some governments definitely haven't been as transparent as they ought to be. I mean one example comes to mind is Madagascar. And we had a member organisation there and then they said you know what, the government is coming down because they've sold off the island. I mean they didn't sell of the island but that's what everybody thought. And it did bring down the government.

01:25:03

But as Joachim said, I'd like to support that that land acquisition if it's done properly is not a bad thing in relation to Africa because there is very little money available on the continent. There isn't even enough investment finance in the portfolios of, sorry I'm sitting next to banks but available for this kind of long terms development. So we will have to look beyond our borders, beyond the continent for this kind of investment.

01:25:31

So it's not necessarily a bad thing but I think let's be more open, transparent and structure it in such a

way because we debated this and we said whilst this debate was going on, what happens when you have somebody investing in Africa? They've grown a crop; there's been a drought due to climate change, that's the only crop available. Who has the ownership of that? Can government put force majeure and go with the army and take over the crop? I mean will it work? Will it be the food security for the investor at the end of the day? I mean these were some of the debates that were going on. But I generally think we need to be a little bit more careful with this kind of investment. It's not all that bad.

01:26:12

Maria Cattai:

We're going to go to the last round now so if there are any other questions or comments from the audience, this is the time to make them.

01:26:29

Rosemary Segero,
Hope for Tomorrow:

Good afternoon again. Now in the morning I was a non profit, now I'm a profit. I'm the President of Segeros International Group, my business is coffee and tea and we also focus on export and imports. All of you have talked good about Africa, thank you so much to Professor Ruth. I enjoy reading your newsletters and you've been so much encouragement to me with your newsletter and the work you are doing.

01:26:56

Looking at African products in agriculture but from infrastructure which is accessible to farmers, which the Chinese of course are doing as Dr Ruth has said, which has been the hardest thing to get to the

farmers access to their farms in their rural areas. The question I wanted to ask is we have AGOA, African Opportunity Act which people need to - America is doing business with Africa, there is a problem when it comes to food security. When food comes you are exporting from Kenya or other African countries coming to the United States, the food will be held at the port by the Homeland Security, FDA and the Customs, but food that is coming from Africa as mass destruction or it's not food for human beings or human consumption, but the food will go to Saudi Arabia, Holland and other countries and come to the United States.

01:27:54

What are you doing all of you or looking at food so that when we have food from, because we just don't want to feed the Africans, the rural areas. Those people want to get up also and develop Africa by doing export, bringing to the United States and taking to other countries. But because of that restriction of FDA Homeland Security it becomes very hard to export.

01:28:17

Maria Cattai:

It's not the only trade barrier, and certainly we can talk about and I know that Bob knows quite a lot about trade barriers so we can have a look at that.

01:28:25

Rosemary Segero,
Hope for Tomorrow:

Yeah so that's my question. And you've been in Africa for so long and I'm still hearing Africa is poor with poverty. What jobs - have you created jobs or what have you been doing on the ground for all

those years with the much money you have? Thank you.

01:28:55

Henry Hedgarxx,
Research at Nara:

I've heard some of the discussion so far that it's a mistake to consider bio fuels due to the problem with water resources, but some countries are still blessed with plenty of water and Angola is one of them. And the Ambassador from Angola indicated that, through the help from Brazil, they're greatly increasing their ethanol capabilities, it's becoming a real big thing in Angola which of course is an oil rich country. And as oil prices keep climbing, ethanol, especially sugar based ethanol, clearly makes sense in my own opinion and should be expanded.

01:29:34

Maria Cattai:

A contrary view to what we have heard before. Any other comments from the Creating Shared Value Advisory Board before we turn to our panel? Very good.

01:29:48

I'd like to pick up on trade barriers and finally keeping in mind what was said with these questions, our last round I would like to ask each of you to think very clearly about - we've gone through the problems, we've looked at some of the actions that are making a difference through private efforts with local of course ingredients and support. But if you had to list a few of the priorities that you would think that are necessary and don't give me what if, what if, what if of governments, it isn't going to happen, what are the things that you would see that would make a difference? And why, again I come

back to the very, very beginning of our discussion in this session, Jeffrey Sachs who said it is a criminal shame practically that we have not achieved and/or will not achieve our goals for the reduction of poverty in Africa. And your optimism here, all of you, that we are doing something, we are moving forward and there are possibilities. And Africa is not the pessimistic dark hole to put all of our fears into.

01:31:12

So I'd like you to keep that in mind and as we come to the end of this panel to think and give us a few of the ideas that you would see that are going to keep that optimism, are going to perhaps move forward with the goals that we're certainly not going to achieve in Africa but certainly can come close to them, and the kinds of things that you would suggest are practical and can be done now to make differences, including perhaps the kind of pressures that can be put and Ruth this is very much in your area, the kind of pressures that can be put on creating not only shared value but better governance in countries.

01:31:58

But I'd like to start with some of the issues that have been raised here and first of all on trade barriers. There are many people - and it's a normal - what do they say the thing that you flog, dead horse that you flog, about the European CAP which is the common agricultural policy which we all know in Europe or elsewhere is rather ridiculous. I don't think there's any other term I can put it. There are times in which - I mean even the commission agrees that it's slightly ridiculous.

01:32:35

Its effect on other countries is not insignificant. There are even - and you come from South Africa - I've heard stories that one reason that the olive oil industry in South Africa is not developed is that these gigantic subsidies for olive oil in Europe makes it much cheaper even with all the shipping and transportation costs to bring to South Africa, than it is to do there, it undercuts our prices.

01:33:05

So clearly there are and there are trade barriers that we have experience and we all know of on quality issues. But that is part of what Nestlé and other companies are actually doing, is to raise the quality in such a way that the products do conform to international standards. So I'd like to hear from you - what is the part really played by trade barriers, by barriers from outside as well as the barriers in and between countries? So let me look at that first and ask you if you have any ideas, Bob.

01:33:43

Bob:

Okay thank you. Certainly sanitary and FIDO sanitary barriers as you mention are a huge barrier to exports from low income countries into all the high income countries, both in Western Europe, North America as well as Japan. We have made some progress on reducing trade barriers in the last round of trade negotiations but in some cases where those barriers have been reduced sanitary and FIDO sanitary barriers have been increased and there has been no net gain to the low income country ability to export.

01:34:18

It's really a travesty that we're ten years into the Doha round of trade negotiations in the WTO and still have no agreements.

Maria Cattai:

There are those who say it's dead.

01:34:28

Bob:

Well yes there are those who say it's dead and I'm not willing to give up on it but I don't think it's going to happen with 8% unemployment in the United States and the financial situation still in Western Europe. So I'm not betting on it sooner than two years but the important thing there is that we remove the distortions which induce larger production of products in Europe and North America in which developing countries have the comparative advantage.

01:34:59

We are most protectionist in the very commodities that the low income countries have the greatest comparative advantage in, things like sugar, cotton, rice. And perhaps the greatest travesty of all is the fact that the US lost the WTO case, the cotton case that Brazil took against us several years back and we've been through one full Farm Bill rewriting our agriculture policy laws and are continuing to thumb our nose at the WTO decision on the Brazil cotton case.

01:35:30

So trade is a vastly more powerful engine of growth than foreign aid, this is supposed to be the Doha development ground in which the developing countries would benefit from freer, more open access than the high income country markets, but so far sadly we haven't made much progress and we

really haven't been able to discipline sanitary and FIDO sanitary barriers as you suggest.

01:35:55

Maria Cattai:

Yes it is a very discouraging field, international trade, and we all know that we cannot handle this by bilaterals. It is generally accepted that every time that you see a bilateral agreement, usually between a very powerful economy and a less powerful economy, the very thing every single time that the less powerful economy is more competitive and is excluded from the trade negotiations, as happens every single time on bilaterals. And it's quite discouraging. And the only thing that can get over this is a multilateral agreement and we just don't seem to have any more energy in negotiating that which is a shame. And other on the trade before we go into the last round?

01:36:44

Next Speaker:

Just a specific comment on AGOA. I mean AGOA is basically preferential market access for many countries into the US market. I was specifically involved with a lot of countries who wanted to export here and what you require is the AFIS, I don't know what it stands for but they give you a Pest Risk Assessment Certificate, PRA. And they have opened up two offices now, the US government has opened up two offices, one in Nairobi and one in Johannesburg, specifically to address this but if it's a certain type of commodities you need a PRA certificate and it takes a long time to get one.

01:37:29

I'm even surprised they allowed it to come up to America because it's preshipment inspection so. But

AGOA itself is not bad, and I think we need AGOA to continue because it does allow third country shipment, especially in cotton and textiles and the others. So some of the aspects of AGOA are quite good. So let's not say the whole thing is bad.

01:37:53

Maria Cattai:

Say the whole thing is gone. Right well we're coming to the end of our session, so I am going to ask you each now if you could, in the areas that interest you or in which you have your experience, just to leave us with a non pessimistic but non Pollyanna approach on what you see and what you can do, and what your field, your area, can do over the next years. And let's start, let's keep in mind it's nutrition, yes. First we have - in nutrition, in water, in rural development. So who would like to start? Clive.

01:38:38

Clive Tasker:

Thank you so kindly. I, without getting into the detail of the specific areas, think that probably one of the most important things is mindset and attitude. If we are going to dwell on some of the high profile sensationalist failures that have occurred on the African continent over the last while, we're not going to get anywhere. If that is going to really occupy our mind space, I think that's counterproductive.

01:39:07

There's an Economist magazine dated I think May 20th in the year 2000 and the cover is a cut out of the African continent with a young warrior with an RPG launcher over his shoulder and the headline is, 'The Forgotten Continent'. I don't think anyone

would put that on the cover of any self respecting magazine now in 2011. And that's how fundamentally things have changed in the last decade. Ask yourselves the question how things will change in the next decade and what we each individually and our organisations can do to drive and facilitate that change, because I believe that is the challenge that faces all of us.

01:39:47

For those especially in the Western developed world who are still looking at Africa with some suspicion, some pessimism and some questioning as to whether returns will be achieved, it won't be long until I think you will have left it too late. Africa should not be seen in a development context but African projects should be stacked up against projects in Latin America, the Philippines or Asia on a return on investment basis and decisions taken accordingly. And we need to move Africa out of that space completely.

01:40:18

I think the questions of partnerships is absolutely critical. It's one that might be hackneyed, but as we see a reduction certainly in our experience in the suspicion that government holds for the private sector and the ability that the private sector believes it has to leverage government and its resources, we really need to work on that and get those partnerships going.

01:40:41

I think from a business point of view it's absolutely critical that what we do in Africa is seen as mainstream business, is seen as how you can develop the bottom line - albeit a triple bottom line - and not leave it to some philanthropic CSI or socially

responsible part of human resources because that is not where these initiatives belong, they should be mainstream business.

01:41:06

And then lastly I would just put out a broad invitation. In the attempt to move the needle and get governments going, and there's been a lot of talk about what they can and can't do, there are some institutions being jointly run by the government and the private sector and one is the Investment Climate Facility, that is now chaired by Neville Isdell, ex group CEO of Coca Cola, has a very significant and eminent group of trustees, is well funded and I would request that you go and have a look at the website and see what's happening there. And there might be something that rings a chord with you, that you could say we can assist in this area. And there's another smaller advocacy group called the PIA, Private Investors for Africa, which similarly represents a lot of companies that are doing business in Africa.

01:41:57

So the sun will shine for more hours tomorrow in Africa than in anywhere else, and I'll ask you to think about that. thank you.

Maria Cattai:

Well done Clive. Ruth.

01:42:11

Ruth Oniang'o:

Okay. I've actually really enjoyed this and to say that we need to get our - hold our governments to account. And it's for those of us who are African in Africa and in the Diaspora. With modern technology right now Africans in the Diaspora are really engaging the governments and people on the

ground so that together we can reform our governance structures and hold our politicians to account. That is so critical for anything else to go on, but it's up to us.

01:42:46

But then we have people who are enthusiastic like Paul says, and we like business to come so long as there's a policy that allows you to operate locally. You can come in, work with small holder farmers or with big ones depending on the country's structure, and help to improve the quality of the product, because that product is not going to sell even in the capital itself if it is not of high quality. And again we would want those of us who continue to talk with our leaders and you can do so better than ourselves to make sure we remove all these barriers. You know, we continue blaming Europe, we continue blaming America, and yet within the African countries ourselves we cannot do trade. We have to do trade. That's a huge, huge market.

01:43:41

And then finally just welcome to Kenya, Nairobi the great city in the sun. I see the sun just come in. Thank you very much.

Maria Cattai:

Thank you Ruth indeed. Bob do you have anything to add to other than the trade part?

01:43:58

Bob:

No I would like to make a case that all of us who care about this and this in private sector and private citizens alike, need to be more active in advocacy with our foreign aid programmes, with the World Bank lending, African Development Bank lending, to get in place those necessary public goods

investments like rural roads, like agriculture research and extension, rural education and health. We had a great example this morning from what Mexico did in rural education and rural health. Can we emulate that model in sub-Saharan Africa?

01:44:34

We're talking about a very large investment needed in public goods to create this enabling environment. Governments in Africa don't have the resources to do it all alone, but this is where foreign aid and World Bank lending can have a huge multiplier effect, because if we get the enabling environment right, then the private sector will come in, foreign direct investment as well as local capital. But lacking the public goods investments and things like rural roads, rural electrification, ag technology development, we'll continue to see Africa lag. But I think that's where we could get the really highest payoff; return for our public investments to complement what the private sector is prepared to do.

Maria Cattai:

Thank you very much Bob. Ajay?

01:45:23

Ajay Vashee:

I think the growth that we're looking for in Africa is certainly going to come from agriculture, but the most important caveat I place on this, it has to be market led agriculture. I think this is going to be very, very important. And for our small producers it's not a way of life but agriculture is a business. And when we start treating it as a business and we change our mindset, I think we will be able to modernise agriculture and integrate small producers into mainstream agriculture markets.

01:45:54

And lastly I think Africa needs private investment but what is important is this investment that is now coming to Africa is done as a business decision, a deliberate business decision taken by private corporations or entities to come, and is done on a long term basis for the potential the continent offers.

Maria Cattai:

Paul, the last word is yours.

01:46:18

Paul Bulcke:

What I would wish is actually that the United Nations of Africa in 2017 was a reality because then basically you would be integrating then the continent and you would have then also more scale to do certain things. Well in two years' time it's going to be a fact apparently so we're waiting for that.

01:46:40

Another point that we didn't discuss, nutrition. We spoke about micronutrients and all that, somewhere we have to find a way also to measure because we have been speaking about measurement and we know that and they are putting micronutrients, iron, vitamin A and all that, it's good when you do it wisely and appropriately. But measuring their effect - because there is a very clear relationship over time between good nutrition and also the health of society and then the productivity of a country. These are relationships; call it health economics somewhere, that these are relationships that we have to start working better and to see that's something definitely that will work too.

01:47:23

And then also the free trade. I do believe free trade is a precondition for really also Africa specifically, to have healthy growth. And I would then say quite a lot of governments and all that, they speak about corporate social responsibility for corporations, but there is something about social responsibility of governments and I'm just wondering if they understood what their social responsibility is. If you put borders and hurdles and actually do the stupidity of then having huge development budgets to compensate for blocking first, so it is a little bit strange dynamics that you have there.

01:48:04

And then a last thing is creating shared value is indeed something that is so intrinsically linked with the normal way of doing business. So it makes business sense to go about your activity in a country and at the same time you develop the country and develop with the country. I hope that is a concept that could be understood broader and actually be linked with so many other companies. Because we are one company but there are so many other companies that actually are looking for the same, that we can in that sense link these positive dynamics altogether and work in partnership then with governments and other development organisations.

01:48:46

Maria Cattai:

Thank you very much Paul.

END