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CHECK AGAINST DELIVERY

**UN Global Compact XII Annual Local Network Forum & UN System
Private Sector Focal Points Meeting**

Statement

by

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Distinguished guests,

Ladies and gentlemen,

I am pleased to be at the Global Compact Annual Local Network Forum, this morning, to share my thoughts with you on some of the innovative ways in which the African private sector can partner with governments to advance on the continent's development agenda.

Ladies and gentlemen,

I am going to be provocative since my key message to you today is that Africa's private sector is not doing its fair share yet, for the development of its continent. This is probably because many continue to make two fundamental mistakes: one, they see development as being the business mainly of Governments and two they believe that development activities are not profitable.

Let me explain: the numbers tell us that trade mis-pricing is practiced widely across Africa by both Multinational Corporations (MNCs) and home-grown African companies. Between 2001 and 2010, estimates on the loss to Africa from trade mis-pricing range from US\$242 – US\$407 billion, which means an average annual loss of between US\$24.2 and US\$40.7 billion! These figures appear even more alarming when one considers that Corporate Social Responsibility (CSR) expenditures on the continent are closely related to whether or not countries have related legislation in place and are tax-deductible. I can tell you that, only about four countries in Africa have some kind of CSR regulation in place. In South Africa, where the corporate social investment guidelines are in place for achieving Black Economic Empowerment, Standard Bank Group spent R114 million in 2011 on CSR. It is equally worrying that CSR surveys for businesses in Africa point to a disappointing focus on philanthropic support. In fact this support is often in the form of cash donations, which are more about the companies' own interests rather than responding to the real development needs of communities.

This African scenario is mirrored on the global stage. A study on “Reputation and Corporate Social Responsibility”, published by Reputation Institute in 2013, indicates that within the fifteen largest markets in the world, only five per cent of companies are seen as making a real impact in Corporate Social Responsibility. I will make no bones about the fact that, apart from a few corporate beacons, such as Anglo-American, home-grown African companies perform a lot worse on Corporate Social Responsibility than foreign multinationals.

Some of you might very well offer the retort that there is neither a standard definition of Corporate Social Responsibility nor a confirmed list of issues that it encompasses: I would absolutely agree with you on this point. But then let me ask you this: do we really need a standard definition of Corporate Social Responsibility or is it not a way for some of us to stall in taking the urgent actions needed to help move Africa’s development agenda? Corporate Social Responsibility should in fact be context-specific and it should be about the private sector responding to the unmet needs of society. And, when it comes to Africa, the current needs are well known.

Ladies and gentlemen,

Most investors are looking at Africa as the next frontier for making money and it is reassuring to know that they have correctly done their market research. But let us also not forget that in spite of boasting notable economic growth rates for the past decade and a progressively attractive business environment, Africa still needs to resolve several issues. These include: its infrastructure gap, youth unemployment and inequality.

In my view, logic dictates that for Africa job creation, inclusive growth and responsible corporate conduct should top the priority list of Corporate Social Responsibility issues. After a decade of growth without jobs, the average incidence of youth unemployment in Africa, excluding North Africa, is 20 per cent and in North Africa this figure is as high as 30 per cent. While Africa's employment challenge is certainly daunting, it is by no means unique. Many other emerging markets, such as Thailand, South Korea and

Brazil have transformed their employment landscapes by generating jobs at double or triple Africa's current rate.

Ladies and gentlemen,

What I would like for you to keep in mind is that Africa's challenges actually translate into market opportunities for the African private sector, and, this goes well beyond the exploitation of natural resources. Let me now flip over the challenges and show you just what I mean. Enrolment in tertiary education grew faster in sub-Saharan Africa than any other region over the last four decades and today, 40 per cent of Africans have some secondary or tertiary education. By 2020, that will rise to almost half of the population and given Africa's youth bulge, the majority are likely to be technology savvy. With urbanisation currently taking place at about 3.1 per cent per annum (more than twice the global rate) and a burgeoning African middle class, the African private sector will have a growing and readily accessible consumer market.

Africa is actually waiting for the private sector to invest more to generate quality employment and high welfare standards for its employees. Africa expects the larger corporates to mentor smaller companies so as to spread wealth and multiply jobs. Africa also expects the private sector to invest in technology and skills transfer, not only in-house, but also to develop programmes to raise capacities across the industries and sectors in which they are active. Africa is definitely relying on the private sector to foster innovation so as to raise productivity and competitiveness. This will generate a critical mass of companies that are capable of assuming preferential positions in global value chains and thus lifting many Africans out of poverty.

However, meeting the development needs of society and exploiting the opportunities Africa offers, comes with responsibility. Africa also expects the private sector to put in place the necessary systems to ensure environmentally sustainable production processes. Africa requires that high ethical standards and transparency are maintained – for instance, compliance to tax regulations is critical.

I would like to assure you that in all my interactions with African leaders, I have come away totally convinced that governments are for the most part committed to private sector development and they are persuaded that the private sector is a critical partner for Africa's transformation.

Ladies and gentlemen,

I am certain that many of you have experience with Public-Private Partnerships (PPPs), either as part of the Global Compact or directly with your own governments. You may perhaps even have some ideas of your own on actions that need to be taken to improve these partnerships. I encourage you to share your ideas because we need to imperatively cement PPPs rather than avoid them.

It is also high time for the private sector to take a more proactive role in shaping development policy aimed at improving the business climate. If the private sector has a frank and regular conversation with Government, it will be easier for the public sector to know where best to channel public investments. But, here too, the private sector – as well as governments - may have some homework to do as, too often, the process of policy formulation is hampered by the lack of organisational and analytical capacity within the private sector.

In my view one way to raise the profile and developmental impact of Corporate Social Responsibility in Africa is to set up PPPs. In this way, governments and the private sector can set agreed targets that encompass socio-economic and environmental concerns that can be addressed through Corporate Social Responsibility. These targets should necessarily be aligned to current national development goals and backed by clear and uniform standards on reporting. This would allow companies and corporations to go beyond perfunctory Corporate Social Responsibility and might also open up opportunities for companies to partner on a bilateral or industry and sector level to meet CSR targets.

In conclusion, I would like to reiterate that whether you are a big or small company, you have the capacity to embrace Corporate Social Responsibility. I therefore strongly encourage the African private sector to adopt Corporate Social Responsibility as an integral management strategy and to ensure that sufficient budgetary resources are allocated to implementing their CSR action plans.

I wish you a constructive meeting and look forward to reading the outcomes of your deliberations.

Thank you for listening.