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Sustainable business: Taking Africa to the next level



By Georg Kell, This is Africa (The Financial Times), 9 May 2013

After many lost decades, business in Africa has helped the continent to finally take off. Growth has averaged 5 percent since 2000, never dipping into negative territory during the recession, and over the next five years Africa is projected to grow faster than any other continent.

Investment is up, and a new generation of entrepreneurs, workers and consumers is moving the continent away from entrenched poverty.

But these gains may not be sustainable unless underpinned by responsible business practices. A strong second step, now just gaining momentum, is for African business – private sector, state-owned enterprises and foreign-owned affiliates – to incorporate environmental, social and governance (ESG) principles into the core of their practice, unleashing a new round of productive growth and societal advance.

Improved corporate performance in ESG provides a competitive edge. For example, it reduces risks and improves access to finance. Energy and water conservation supports balance sheets as well as the environment. Investing in employee education and development adds assets to the corporate portfolio, and engaging with communities builds brands and markets.

By expanding their competitiveness agenda to a broader and longer-term horizon, businesses can accumulate value that is shared with society. This includes stable markets, healthy and educated workforces, energy that is sustainable and reasonably priced, natural settings that are not stressed to the point of ecological breakdown, proactive responses to climate change and a relationship with government that engenders honesty and productivity.

If the image projected by colonial and neo-imperial economic activity in Africa was that of extracting riches from the soil and the people, today's model is one of businesses that grow as, and because, they transform their socio-economic environment into a more fertile setting for productivity, innovation and human development.

But for corporate competitiveness to truly build country competitiveness, governments need to be involved.

In the first decade of this century, African governments focused on getting economic fundamentals right. Accounts were balanced, inflation tamed and debt managed. Many divested themselves of public enterprises and liberalised regulations in areas such as telecoms.

The next step is to establish regulatory frameworks that accentuate benefits for corporate sustainability performance and to engage in partnerships with the private sector and civil society. The state needs to set the terms by which the African renaissance can flourish.

Corruption, for instance, places a dead weight on competitiveness. With government still a main player in domestic economies, procurement contracts are hotly contested and the stage for bribery is set. Our experience is that the problem must be attacked in concert by government and corporations, in numbers, otherwise the vicious cycle cannot be broken. Such an approach was used at a path-breaking working conference organised earlier this year in Lagos by the Nigerian Economic Summit Group and the Global Compact Network Nigeria. Civil society watchdogs were an invaluable part of the mix.

Empowerment is another issue. Women in Africa dominate the informal sector, which is an insecure, poorly remunerated, family-unfriendly realm. It is also a highly inefficient conduit for resources and skills. While government is bound by national interest to find ways to bring informal sector workers into real jobs and foster entrepreneurship, corporations can use universal women's empowerment principles to incorporate suppliers into supply chains in a way that formalises women's contributions and expands opportunities.

A top political issue in Africa today is also a key competitiveness issue – youth unemployment. Africa's young demographic will be a competitive advantage if young adults enter the workforce or entrepreneurial activity. It will be a powder keg if they do not. One pivot point is the frequent mismatch between education and employment. A major Nigerian construction supply firm that participates in the Global Compact is addressing the challenge by building a training school, with government involvement, to teach skills directly applicable to current building and infrastructure projects.

For all of its gains, African business still punches below its weight on a global scale in terms of investment, exports, wages and market reach. High standards of integrity and transparency help to build trust and open up opportunities for integrating into global value chains and entering the ranks of leading international companies. Sustainability is not only an expected obligation for a successful business: it is a key means of moving up the ladder.

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