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# African BUSINESS

An IC Publication **Special Report**

Africa's competitiveness lags  
Young Global Leaders aid refugees  
Tackling tropical forest destruction  
Boosting trade in Africa  
Unlocking innovation at WEF  
Meeting WEF's co-chairs

# WEF AFRICA

## Navigating the tech revolution



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## Opinion

*Humanity finds itself at a critical juncture. Our manoeuvring space for averting climate disaster grows increasingly slim and today, more than ever, there is a need for urgent and concerted action if we are to transition to a low-carbon economy. As outlined in a recent open letter by Mark Carney and François Villeroy de Galhau, respectively Governor of the Bank of England and of the Banque de France, this requires a Marshall Plan style reallocation of capital towards projects and sectors that safeguard our future. More than that, it requires unconventional, bold and innovative thinking.*

# Financing green growth in the Congo Basin:

## A global climate imperative

**G**abon – a remarkable country almost completely covered by ancient tropical forests, located on Central Africa’s Atlantic Coast – has long heeded these calls and taken a leading role in the fight against climate change. Since 2009 the country has pursued a progressive economic transformation strategy based on new models for sustainable development and diversification, to reduce its historic dependence on oil. In 2014, Parliament passed the pioneering Sustainable Development Law, which provides a clear framework and set of standards for private sector operations and established a local sustainable development credits market. In 2015, Gabon was also the first African country to submit its Nationally Determined Contribution (NDC) – the cornerstone of the Paris Agreement, which tracks efforts by countries to reduce national emissions and adapt to the impacts of climate change. As part of the Paris

**The challenge lies in implementing climate projects that deliver tangible outcomes and combine reduced carbon emissions with climate-smart, inclusive growth.**

Agreement, the country has committed to reducing gross emissions by 50%.

However, international frameworks and national policies only provide part of the solution to solving complex issues like climate change. The real challenge lies in designing and implementing projects that deliver tangible outcomes and successfully combine reduced carbon emissions with climate-smart inclusive growth, particularly in developing economies. While the public sector plays a critical role in shaping these frameworks, the private sector often plays a driving role in enabling implementation by bringing technical expertise, the ability to develop projects and significant capital.

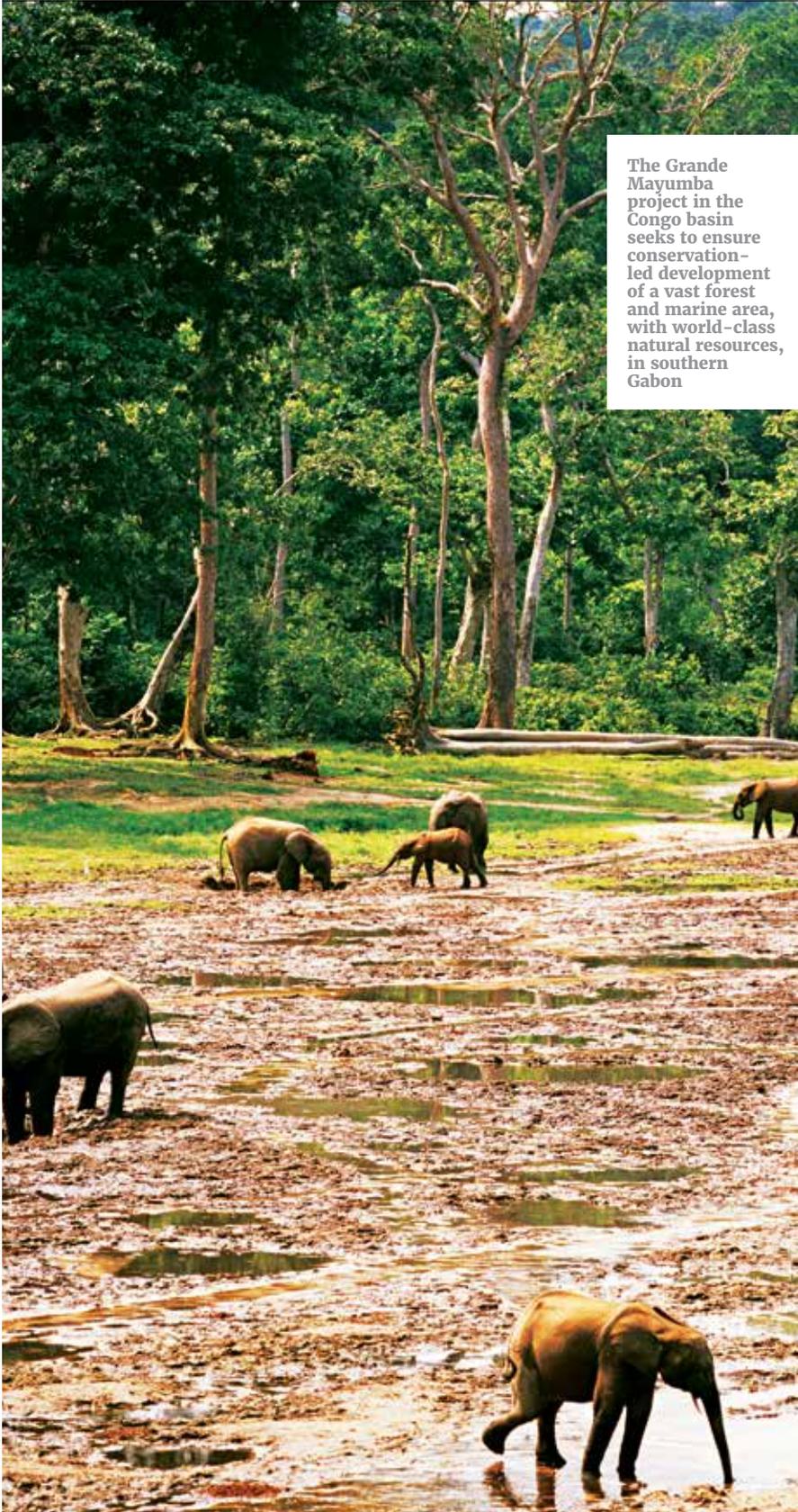
Over the last ten years, we have been hard at work conceptualising, refining and developing the Grande Mayumba project, a pioneering model for integrated sustainable development in the Nyanga Province in southern Gabon. Covering a land area of over 600,000 hectares and a marine area of over 260,000 hectares, the project is a public-private partnership with the Gabonese Republic, through its designated shareholder the Caisse des Dépôts et Consignations du Gabon, that will create opportunities for the current generation without compromising the needs and rights of future generations.

Led by a diverse team of specialists at the forefront of climate finance, sustainable development and industry, Grande Mayumba will establish new forestry, agriculture, agroforestry, ecotourism and fisheries businesses in the region, supported by appropriate transport, power, communications and municipal infrastructure. By conducting a detailed audit and analysis of current and prospective land use options, carbon stocks and biodiversity, we have been able to allocate land use on an optimal basis and develop appropriate commercial activities to maximise investment returns, while simultaneously protecting environmental rights and maintaining carbon stocks.

The project will act as a catalyst for economic development in southern Gabon and across the country, with over 4,000 direct jobs projected to be created over the next 5 years. Additionally, some 200m tonnes of carbon emissions will be avoided, compared with the otherwise inevitable unplanned development and associated forest degradation expected to occur over the next 25 years. In its essence, we hope that Grande Mayumba will prove that strong alignment in vision between government and the private sector and a clear framework for monitoring and reporting on carbon emissions is key to helping countries meet their targets under the Paris Agreement, while also opening up previously untapped economic opportunities in line with the UN Sustainable Development Goals.

It won’t happen by accident. Innovative financing models have an important role to play in ensuring that sovereigns and the private sector collaborate effectively to achieve the ambitious targets set by the Paris Agreement. Developing countries face real challenges in raising capital to undertake investments that assist in meeting their carbon commitments: the combination of the developmental, greenfield nature of the projects, infrastructural and technological barriers and perceptions of high levels of project and country risk make the equity cost of





**The Grande Mayumba project in the Congo basin seeks to ensure conservation-led development of a vast forest and marine area, with world-class natural resources, in southern Gabon**

capital unaffordable and limit the availability of debt funding due to lower credit ratings, higher borrowing costs and onerous requirements for repayment guarantees. International sources of financing and innovative structures are therefore required to access appropriate development capital markets, so Gabon has proactively sought to attract such investment by structuring PPPs with private sector partners.

Under the proposed Grande Mayumba financing model, the PPP project issues a bond to raise funds to undertake activities that contribute to the country's carbon commitments and sustainable development obligations. By utilising the credits generated by the project's activities to secure the investor's return, it does so at a cheaper rate than it would cost the country on its own. Combined with appropriate sovereign risk guarantees, such as those offered by the Multilateral Investment Guarantee Agency, these bonds can be de-risked and attract significant interest from investors. The performance of the bond is linked to fulfilling specific targets jointly set by the partners within the PPP and its repayment is achieved through the sale of internationally tradable carbon credits, underpinned by the project itself. In sum, these financial instruments constitute a win-win solution where the public and private sector work in concert to accelerate the transition to a competitive, low carbon economy.

The capital raised by the Grande Mayumba NDC Bond would be used to protect carbon stocks and biodiversity in the project area, transform unsustainable logging into modern, low-impact forestry businesses and create sustainable ecotourism, fisheries and agriculture businesses on the basis of an integrated, sustainable land-use plan. Low-impact infrastructure will also be built to support the growth of these businesses and spur a newly dynamic local economy.

This approach to financing projects in Africa remains very much in its infancy despite its clear advantages. With Africa being the most vulnerable continent to climate change – both in terms of impact and ability to mitigate damage – it is vital that these new models for green growth are piloted, honed and eventually scaled. As reported by the London Stock Exchange (LSE), Africa's financial requirements to adapt to climate change are projected to be between US\$20bn and \$30bn annually until 2030. Yet only 4% of global climate finance flows available in 2013 reached sub-Saharan Africa. If we are to meet our obligations to future generations through a transition to a low-carbon economy, it is clear that we urgently need to diversify and deepen our finance mechanisms and sources of funding.

Growing awareness of green bonds and the benefits they confer – both within the private sector and in PPP units within governments – is a start but it's not enough. Climate change presents an existential threat that requires leadership, vision and investment on a scale not seen before to transform our global economy to a net zero emissions future.

What if – contrary to many perceptions about the region – the Congo Basin provides powerful solutions for our global future?

*Alan Bernstein is Chairman of SFM Africa, the private sector partner in Grande Mayumba.*

*From preserving tropical forests to combating the plastic crisis, WEF is tackling pressing environmental issues.*

# Saving Africa's tropical forests

**A**t the turn of the 20<sup>th</sup> century, tropical forests teeming with fauna and wild-life stretched across West Africa in a verdant belt from Cameroon to Liberia and beyond. Yet by the second decade of the 21st century, it was estimated that some 80–90% of those forests had disappeared as unsustainable and damaging agricultural techniques took hold. Whether through outdated smallholder methods or ceaseless industrial farming, the production of palm oil, soy, beef, paper and pulp have all contributed to the gradual destruction of forests vital to combating climate change, desertification, soil erosion, and flooding.

As part of its commitment to sustainability, the World Economic Forum is using its convening power to turn back the clock. Since 2015, the organisation has hosted the Tropical Forest Alliance, a global umbrella partnership that brings together governments, the private sector, and civil society organisations in a bid to combat deforestation. With millions of regional livelihoods at stake, the TFA's mission goes beyond mere forest protection and restoration to embracing fundamental questions of economic development in agricultural communities. For Justin Adams, executive director at TFA, the solution requires a detailed understanding of the needs of local people. "We know that individual actors on their own



can never address the wicked, complex problem that deforestation is. Supply chain action and companies making commitments is great, but how does that translate on the ground, what does it feel like if you're a cocoa farmer just getting by who wants to get your kids into college? If you're told you have to constrain how you operate because Western companies don't want deforestation in the supply chain, how do you balance that?"

Funded by European donor governments, TFA works with partner governments in producer countries, NGOs and some 70 companies, and focuses on the globe's three main tropical forest regions – Latin America, South-East Asia and Central and West Africa. Key to the problem of deforestation in all three regions is the unconstrained production of palm oil, an edible vegetable oil commonly used in the production of foods, cosmetics, cleaning products and fuels. Oil palm plantations currently cover more than 27m hectares of the Earth's surface, according to NGO Rainforest Rescue, which says that some 66m tons of palm oil are produced annually, often on land totally cleared of other trees and shrubs. Adams says that working on solutions to the damaging effects of rampant palm oil production is crucial to the TFA.

"In West and Central Africa we've been working and supporting processes to build capacity and awareness in the last few years. There's a TFA initiative called the Africa Palm Oil Initiative that's working across nine countries in West Africa, looking at what's needed to balance production, how and where it's being developed, and how to avoid the situation we saw in Southeast Asia where you have companies buying land, throwing people off it and clearing forests."

And yet despite palm oil's reputation as one of the principle agricultural tools of deforestation, Adams says that solutions can and must be found that reflect the legitimate agricultural interests of farming communities, businesses and government treasuries in Africa and beyond.

"Oil palm is a staple crop in West Africa, an indigenous crop. You've got biodiversity, communities thriving and yet that story is not known and told. I was at an oil palm business in West Africa a few weeks ago called Benso Oil Palm Plantation [BOP], a subsidiary of Wilmar, a large Asian conglomerate. I have rarely seen a company do such an extraordinary job of community engagement and bringing smallholders farmers into their concession to give them long-term offtake agreements for producing palm oil in a certain way. The community are telling you they've had 20 years of being supported and are now sending their kids to college and have got medical facilities in the village. It's a wonderful example of a business producing sustainable palm oil and working with the community."

Working with business, government and the community involves making the positive case for sustainable agriculture and forest preservation by replicating such examples of best practice.

"There are such enormous opportunities – [but] how do we balance the

**Left: Trees being cleared in Cameroon. In the last hundred years, many of the tropical forests that existed across West Africa have disappeared due to damaging agricultural practices. Right: Workers in a smallholder oil palm plantation in Apouh, southern Cameroon.**



protection of nature and find ways of supporting communities in critical landscapes? It's about agriculture and livelihoods, building resilient incomes and landscapes."

TFA maintains a similar focus on cocoa, another major contributor to deforestation. Its Cocoa Forest Initiative includes 35 of the world's biggest chocolate companies, working alongside governments and foundations to pursue sustainability. Adams says that helping to embrace agricultural diversity by moving West African countries away from an overreliance on cocoa is also key to the TFA's plans to save forests, and involves boosting the enabling environment for non-cocoa businesses. Central to all these efforts is the convening role of the TFA and the WEF – encouraging dialogue and bringing diverse interests together.

"I think there's a deepening understanding of

deforestation but it's still very nascent, and that's not just an issue in tropical forest countries but in most of the Western world as well. You have silos between environmental and agriculture ministries and finance ministries, so how do you get governments to work across departments? How do you get businesses to step out of their own narrow confines of supply chains? You're seeing more and more recognition that you need public-private partnerships [PPPs] to do it. Collaboration takes time and effort. Part of what WEF can do with the TFA is to help people see and engage in these ways."

That strategy is one that WEF is taking into its other sustainability initiatives. WEF is currently rolling out its Global Plastic Action Partnership to reduce plastic waste, which by 2050 is estimated to account for more weight at sea than fish. The Partnership, which launched in Ghana in August and also focuses on Vietnam and Indonesia, will adopt this collaborative framework, says media lead Maxwell Hall.

"We're well known for Davos but a lot of the work we do around the year is creating a platform for these really systemic challenges that no government, business or single rock star entrepreneur can solve. You need to make the links with government, business, regional agencies, right down to grassroots level, and get these people collaborating together. That's where WEF comes in, working on big systemic challenges, something no global actor can solve alone. You can only solve [them] if you have all the stakeholders working together." ■

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