



# Australia's trade and investment relationships with the countries of Africa

Submission by Business for Development to the Foreign Affairs, Defence and Trade References Committee

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## Introduction

Drawing on over 10 years of experiences and learnings from Business for Development's work in Africa, Asia and the Pacific, this submission will demonstrate how Australian extractive companies (mining, oil and gas) can directly amplify their sustainable development impact utilising a best practice model for community development that is supported by the Department of Foreign Affairs and Trade (DFAT).

Specifically, the submission will focus on the Kwale Agribusiness initiative in Kenya led by Australian organisations Base Titanium, the Cotton On Group and Business for Development. This initiative supported by DFAT's Business Partnership Platform will drive increased livelihoods for 10,000 smallholder farming households by leveraging the impact and presence of Base Titanium's mining operations while also building an African based supply chain for the Cotton On Group.

It is the view of Business for Development that this inclusive business model utilised in Kenya has the potential to be replicated by Australian extractive companies operating in close proximity to rural communities across Africa and in other developing nations. The model presented directly aligns with and is a practical application of the Ministerial Statement on engaging the private sector in aid and development – Creating shared value through partnership - delivered by the Minister for Foreign Affairs on 31 August 2015.

This submission put forward by Business for Development will consider Australia's trade and investment relationships with the countries of Africa. In particular the submission will address the following items included in the Terms of Reference:

- e) **the role of government in identifying opportunities and assisting Australian companies to access existing and new markets;**
- f) **the role of Australian based companies in sustainable development outcomes, and lessons that can be applied to other developing nations;**
- g) **the role of Australian based companies in promoting the achievement of Sustainable Development Goals**

## Why Australian Extractive Companies and Sustainable Development Outcomes?

Australia's investment in the extractives industry in Africa is significant. Australia is one of the lead investors in mining exploration in Africa with over 200 ASX-listed companies carrying out more than 600 projects<sup>i</sup> across 38 countries and 60 percent of Australia's mining equipment, technology and services companies exporting services to Africa worth an estimated \$15B annually<sup>ii</sup>. In comparison Australia's two-way goods and merchandise trade with Africa was valued at \$7.3 billion in 2015-16<sup>iii</sup>.

With the Australian extractives industry being the dominant Australian sector investing in Africa, it is critical that growth fuelled by this activity creates benefits for the poorest and most marginalised in Africa. This is particularly important given that Africa is home to 30 percent of the world's mineral resources<sup>iv</sup> and yet on average countries whose economies are dependent on the extractives sector consistently score lower on the human development index in comparison to less endowed countries. As the United Nations Development Programme identifies, of the 3.5 billion people living in resource-dependent countries, approximately 887 million live below \$1.25/day.

In addition to contributing to African development at a macro level through GDP growth, tax revenue, export earnings, and employment, Australian extractive companies have the capacity to contribute to the sustainable development of the region by enriching local communities in project impact zones. Going beyond traditional community development investments that put poor communities on a pathway to overcome poverty, these companies can drive economic empowerment through focusing on initiatives that address the aspirations of the poor for jobs and higher incomes for the long term through creating non-mine dependent economies that will exist beyond the life of the asset. Specifically, by fostering the development of inclusive agribusiness opportunities, extractive companies supported by African country governments, DFAT, communities and civil society can work together to drive inclusive growth that reduces poverty, generates income and creates sustainable development for the regions poor. In so doing, these extractive companies can also meet contractual obligations that may exist with host governments to deliver community outcomes by using a shared value approach that benefits communities while also gaining commercial outcomes.

## Nexus of Extractives and Agriculture for Sustainable Development

For Australian extractive companies to seriously address sustainable development outcomes in Africa, the sector must address smallholder farmer poverty.

Though mining plays a substantial role in the makeup of many African economies contributing up to 77 percent of total export earnings, 42 percent of government revenues and around 28 percent of GDP<sup>v</sup>, the agriculture sector is of even greater significance, by providing employment for around 60 percent of the economically active population<sup>vi</sup> and small-scale farming supporting the livelihoods of up to 80 percent or half billion people in Africa<sup>vii</sup>. Despite the prevalence of agriculture, in sub-Saharan Africa its benefits are not being fully realised with more than 300 million rural poor and 62 percent of those living on less than US \$1.25 a day. The vast majority of smallholder farmers are also women, producing over 70 percent of the food in Africa<sup>viii</sup>.

### Australian Extractive Companies Operating in Africa

As part of a community development program, the creation of sustainable income earning opportunities, beyond that of the mine, through agriculture is perhaps the most meaningful way for Australian extractive companies to reduce poverty, tackle the empowerment of women and enhance food stability in Africa.

The opportunity for the extractives sector to drive inclusive growth for smallholder farmers is particularly strong given that extractive companies typically operate in close proximity to rural and remote subsistence farming communities. By fostering inclusive agribusiness development, Australian extractives can ensure that impact communities can pursue increased and sustainable livelihoods both during and beyond the life of asset. This can be done while minimising the loss of agricultural capabilities that occur when subsistence farmers discontinue farming practices either due to mine based employment, being moved off/transferred to other land holdings and or the receiving of royalty payments.

In these instances extractive companies act as social investors and catalysts stimulating inclusive business activity by building the agricultural capabilities of smallholder farmers to supply local, regional and international markets.

Australian companies can play a significant role in initiating the development of inclusive business by aggregating farmer groups, assisting farmers with access to credit, training, tools, inputs and facilitating direct market connections with buyers supporting the establishment of new food supply chains. In addition, extractives can utilise existing infrastructure investments including roads, airports, ports, power, water and transportation to position farmers to connect to markets in ways that have not been previously possible. At the closure of the extractive asset, farmers can continue to utilise these infrastructure investments to access these markets.

## Australian Food and Agribusiness Companies Procuring From Africa

Australian companies dependent on agricultural commodities can purchase directly from African smallholder farmers in order to future proof their supply chains. Extractive companies can play a critical role in reducing risk and facilitating these market linkages from farm gate to Australian firms.

The G20 Inclusive Business Framework states that “inclusive businesses provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the economic pyramid (BOP) making them part of the value chain of companies’ core business as suppliers, distributors, retailers, or customers.”

By supporting and integrating African farmers into regional and global value chains through inclusive business models, Australian extractives and companies procuring from Africa can directly contribute to increased yields, increased incomes and sustainable livelihood outcomes.

In doing so, these companies can directly contribute to Sustainable Development Goals:

**1.1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day**

**2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment**

## Kwale Cotton, Kenya – an Australian case study

### Background

Designed to address smallholder poverty in Kwale County, Kenya - Kwale Cotton is an innovative agricultural program led by the private sector that addresses both commercial and development needs through driving a step change in practice amongst smallholder farmers while also connecting farmers with an international market.

Working directly with local farmers, the project has supported the management of crops, provided education on best practice and equipped farmers with the resources they need to increase yields and income selling to one of Australia's leading clothing brands.

With almost half of Kenya's population living below the poverty line, three quarters of the population living in rural areas and mainly dependent on agriculture for their income<sup>ix</sup> and the country ranked 146 on the Human Development Index, Kwale Cotton will have a transformative impact on 10,000 smallholder farming families in this region by 2020.

## Overview

Australian mining company Base Titanium commenced operations in Kwale County, Kenya in 2013, and is committed to working with local communities to improve living standards and livelihood opportunities. To achieve this end, Base Titanium engaged Australian NGO Business for Development to design and implement a smallholder farming community development program that will outlast the life of the mine. Centred on growing cotton, key to the success of this initiative has been the introduction of the Cotton On Group as an off-take partner in 2014 to pilot a program to off-take cotton sourced directly from farmers near Bases' mine in Kwale.

Going beyond the pilot, the program is now yielding strong results having now impacted 1,600 households with a specific focus on women. Kwale Cotton is integral to meeting the Cotton On Group's strategic objective of having 100 percent sustainable cotton in their supply chain by 2023. To meet this demand, the program is set to exponentially grow and impact 10,000 farmers. For Base Titanium, investment in the community through the Kwale Cotton initiative is central to its business objectives and has contributed to the expansion of the company's mining concession as issued by the Kenyan Government. In addition the development outcomes achieved through the Kwale program will help establish Base Titanium's as a "miner of choice" for national governments as the company looks to expand its operations in Africa.

DFAT is a key partner to this program through the Business Partnerships Platform. Importantly DFAT's contribution of \$313,000 to the project has been key to leveraging \$1,411,500 in investment from the private sector. In addition, DFAT is able to share its deep knowledge of business, political and regulatory environments and assist in strengthening the project by providing access to professional networks and catalytic funding.

Key supporters and enablers of the project within the Kenyan context include the Kwale County Government, the Kenyan Fibre Crops Directorate, the Kenyan Agricultural and Livestock Research Organisation, the Competitive African Cotton Initiative, Cotton Made in Africa and additional funding German, Dutch and British funding partners DEG, FMO and DFID.

## Impact and Outcomes

In terms of life-cycle, this partnership has proven to work and is now scaling-up for expanded cotton production. In a time frame of five years, this program is seeking to be self-sustaining. This means, with appropriate structure, a livelihood micro-economy will have been established which will out-last the mine and seeks to have ongoing impact for thousands of members of the Kwale community for decades to come. Taking into account that 67 percent of households participating in the program have access to less than US \$1.25 a day, 63 percent of households have none or no more than primary education and 52 percent of households contain between 5 – 10 members, the program is already creating substantive change by achieving average productivity and income increases of 30 -100 percent.

Building on the success of the cotton project, Base and the many other partners – NGOs, donors, private sector companies – are forming collaborative partnerships to undertake truly transformative work with farmers by extending the initiative to include a range of other agricultural opportunities. This involves crop rotation programs to reduce risk for farmers, diversify revenue streams and has the potential to address food security issues for local communities. These additional agricultural programs include poultry, corn, potato, sorghum, soybean, cowpeas and green grams bringing the total current number of participating households in the broader Kwale initiative to 3,682. Markets and offtake partners have been developed for sorghum, cereals and pulses.

## Our Approach

At the centre of the Kwale program is the application of Business for Development's LINC methodology. A LINC (Long Term Inclusive Commercial Enterprise) mediates the interests of smallholder farmers and buyers while finding appropriate supporters, like Base and DFAT, who are seeking livelihood programs that have sustainable, long-term broad impact.

A LINC is an independent financially sustainable social business established to create opportunities for farmers and meet the needs of buyers. As the LINC supports farmer productivity and sells product to buyers, profit is held in trust for the exclusive purpose of community benefit. Farmers are 100 percent beneficiary owners of the LINC model while the buyer and investors are part of the governance structure.

As a farmer owned producer company the LINC:

- Addresses community ambitions for higher incomes
- Aggregates and trades commodities from farmers to offtake partners
- Invests in technologies and training that lift yields
- Facilitates credit and insurance for farmers
- Grows and scales by engaging new farmers
- Builds non-project economies; reducing pressure on the project to provide employment and that continues to have an impact after mine closure

### Meet Charity a Kwale Farmer

Charity is a farmer and a widow from Kwale, Kenya. She began farming after her husband's death to support her three children, but she lacked the skills and supplies to be successful beyond subsistence farming.

Before growing cotton she was planting maize, beans and sorghum. Charity enrolled into the Kwale Cotton project and received quality seed, fertiliser and agricultural trainings. As a result, she has doubled her income and grows cotton and maize.

She plans to use next year's harvest pay for improvement in her home and invest in a cow and possibly a goat. Charity no longer worries about the realities of daily hunger and can instead plan for her family's future.

[Watch film](#)

## Recommendations for Government

The Australian government through the Department of Foreign Affairs and Trade and Austrade can fulfil an important role in the implementation, scale up and long term success of inclusive business models like Kwale Cotton in Africa and other developing nations.

### Catalytic Funding – driving private sector investment

Business for Development is delighted to see the existing commitment of the Australian government to provide catalytic funding for inclusive businesses initiatives in both Africa and across the aid program through innovative programs such as the Business Partnerships Platform, the Cambodian Agricultural Value Chain Program, the Australia-Indonesia Partnership for Rural Economic Development and the Innovation Exchange's 'Frontier Innovators'.

Significantly catalytic funding can be leveraged to compliment investment from the private sector while also achieving a significant multiplier effect for the Australia aid program. In terms of the Kwale Cotton initiative, DFAT's investment of \$313,000 to the project has been matched by \$1,411,500 of private sector funding and will achieve a household multiplier ratio of 1:5. That is, for every farmer household engaged in the program (currently 1,600), five people will benefit – a notable return on investment for the Australian aid program.

This application of catalytic funding within the context of a bilateral aid program can be critical to the success of inclusive businesses during start-up, expansion and scale up phases where commercial finance may be difficult to attract due to the business models prioritisation on development outcomes. It can also expedite arrival at the point of intersect where the private sector can take over from the early stage investments of the Australian aid program and drive long term sustained development.

Business for Development recommends that current and future catalytic funding from the Australian government:

1. **Identifies opportunities to work with extractive companies** that have a commitment to the sustainable development of rural communities and have the willingness and ability to co-fund inclusive business opportunities
2. **Prioritises providing catalytic funding to commercially sustainable and profitable supply chain orientated initiatives** focused on smallholder farmers that can be taken to scale
3. **Is utilised for the establishment of market linkages** to ensure long term sustainable outcomes for farming communities.
4. **Facilitates opportunities for companies to access funding on a case by case basis** that is not solely dependent or tied to pre-determined funding call outs or funding windows

## More than money – leveraging DFAT's capabilities

As the 2015 Ministerial statement on engaging the private sector in aid and development identifies, the Australian Government has a vast array of non-financial capabilities and service offerings that can strengthen and enhance the development and depth of impact of inclusive business initiatives. These capabilities draw on the learning and experiences of the Government's network of overseas posts, track record of managing aid projects in complex and challenging environments and intimate knowledge and understanding of market dynamics in developing countries.

In the case of Kwale Cotton, DFAT and the Business Partnerships Platform has been key in assisting the Cotton On Group to access new markets.

Business for Development recommends that the Australian Government:

- 1. Create pathways for companies to be able access ongoing support, guidance and mentoring** in engaging developing communities and working towards sustainable development outcomes
- 2. Create a knowledge sharing platform** so that companies undertaking and or funding inclusive business initiatives can learn from one another while also being able to access Australian and international best practice learnings
- 3. Provide inclusive business advisory and trade services** on a wide array of areas including identifying opportunities and assisting Australian companies to access existing and new markets. As an example DFAT funding support previously provided to Business for Development has enabled the organisation to provide limited fee for service advisory to extractive and agricultural companies. The potential to take these type of services to scale is significant.
- 4. Provide services connecting** companies, civil society, donors, in country governments and key stakeholders for the purpose of establishing impactful inclusive businesses and aligning all parties utilising the convening power of the Australian Government
- 5. Utilise the expertise of the Australian Centre for International Agricultural Research** in directly supporting, informing and building the capacity of individual inclusive business initiatives that are funded by DFAT
- 6. Support companies in the development of impact measurement frameworks** that enables companies to readily assess social impact data to build, refine and scale projects while also being able to communicate outcomes

## Replication of the LINC Model - in Africa and in other developing countries

Business for Development's experience with extractive companies and farmers led the organisation to develop the LINC model to streamline the establishment of mutually beneficial inclusive businesses.

The LINC model is currently being rolled out in other DFAT priority aid recipient countries Papua New Guinea (PNG) and Laos in partnership with leading extractive companies Oil Search, MMG, Ok Tedi and the Ok Tedi Development Foundation and food and agribusiness companies Olam, Diageo, SunRice and Ironbark Citrus. It is the objective of Business for Development that these LINC's impact over 50,000 farmers by 2020.

It is the view of Business for Development that the LINC model implemented in Kenya, Laos and PNG has the potential to be replicated by Australian extractive companies operating in close proximity to rural communities across Africa and in other developing nations.

Business for Development recommends that the Australian Government:

- 1. Support and prioritise the replication of the LINC model as a best practice approach to achieving sustainable development** where Australian aid recipient countries have an active extractive and or agricultural sector
- 2. Co-invest in the establishment of LINC's with the extractive sector as a means to leveraging private sector funding** for the advancement of the Australian aid program
- 3. Promote the Australian Government's investment in the Kwale Cotton initiative as a means to engage and inspire other companies to implement LINC's** while also creating increased deal flow for DFAT's catalytic funding programs. As an example DFAT have promoted the Kwale Cotton LINC program at the Global Cotton Conference in Germany and the Share Value Summit in New York.

*Should Business for Development be invited to appear at a public hearing of the Foreign Affairs, Defence and Trade References Committee we would be delighted to do so together with our partner companies Base Titanium and the Cotton On Group.*

## About Business for Development

As an independent NGO, Business for Development connects with potential donors, investors, agribusinesses, extractive companies, NGOs and governments to work together on inclusive business opportunities for mutual benefit.

We work with smallholder farmers surrounding mine sites and identify companies who need to procure commodities from them across South East Asia, the Pacific and in Africa. Through finding mutual benefit we broker inclusive business partnerships that empower people in poverty and seek to add them into commercial value chains. Our clients include some of the world's leading food, agribusiness and extractives companies such as Oil Search, MMG, Newcrest, Base Titanium, Olam, Ok Tedi Development Foundation, ExxonMobil, Mondelēz, Nestlé, Olam, PepsiCo, Syngenta, Goodman Fielder, Cotton On Group and SunRice.

As inclusive business thought leaders we also seek to inspire, inform and empower business, NGOs, donors and governments to work together on entrenched, complex development problems with ground breaking strategies. To date we have consulted to the United Nations Development Programme's Business Call to Action, the United Nations Industrial Development Organization, the Asian Development Bank, the APEC Business Advisory Council and the APEC Mining Task Force, the Department of Foreign Affairs and Trade (DFAT) as well as AusAID.

In 2016 Business for Development was named a grant recipient of DFAT's Business Partnerships Platform together with our partners Base Titanium and the Cotton On Group.

We are members of the Australian Council for International Development (ACFID) and are signatories to the ACFID Code of Conduct.

*"There are many organisations that provide agricultural extension but Business for Development takes it to the next level. Our experience shows field training can result in increased yields for small holder farmers. The Business for Development approach provides hugely important links that provide smallholders with improved and sustainable markets for their crops. This aspect of Business for Development program gives farmers the confidence to diversify into commercial crops and agribusiness. This means improved livelihoods that help take them out of the poverty trap. This differentiator is critically important to the success of our community programmes and the achievement of our shared ambitions to be at the forefront of community development."*

**Colin Forbes, General Manager –**

**- END -**

Please direct any enquiries to:

David Faulmann,  
GM Thought Leadership  
Business for Development

## Appendices

- A. Media release: Australian High Commissioner to Kenya
- B. Ethical Cotton Production in Kenya: Business Partnerships Platform Fact Sheet
- C. Australia-Africa Minerals & Energy Group: Statement of Support
- D. News Article: Material benefits: Cotton On turns to Kenya for ethical trade. [The Australian]
- E. News Article: Cotton On's Unprecedented Move [Ragtrader]
- F. News Article: Base Cottons On to something in Kenya. [Pay Dirt]

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<sup>i</sup> Africa and the Middle East, Africa region brief, Department of Foreign Affairs and Trade

<sup>ii</sup> Fact Sheet, Australia-Africa Minerals & Energy Group

<sup>iii</sup> Africa and the Middle East, Africa region brief, Department of Foreign Affairs and Trade

<sup>iv</sup> Ibid.

<sup>v</sup> Mining and Agriculture, Strange bedfellows or a match made in heaven? International Mining for Development Centre

<sup>vi</sup> Africa and the Middle East, Africa region brief, Department of Foreign Affairs and Trade

<sup>vii</sup> The Challenge, African Smallholder Farmers Group

<sup>viii</sup> Ibid.

<sup>ix</sup> Rural Poverty in Kenya, International Funding for Agricultural Development



AUSTRALIAN HIGH COMMISSIONER  
TO KENYA

## **PARTNERSHIP SET TO IMPROVE LIVELIHOODS FOR 1,500 COTTON FARMERS IN KENYA**

Over the next two years, 1,500 farmers will benefit from sustainable cotton production with the Australian Government's Business Partnerships Platform committing over AUD\$300,000 to sustainable cotton farming in Kwale, Kenya.

The commitment builds on the success of a sustainable cotton project pilot that was initiated in 2014 by a group of Australian businesses including resource company, Base Titanium, global retailer, the Cotton On Group and not-for-profit organisation, Business for Development. The Australian Government commitment will be delivered through the aid program's private sector-linked Business Partnerships Platform. This will be matched by AUD\$1.4 million from Base Titanium and funding from Cotton On Group.

The Australian Government's Department of Foreign Affairs and Trade recently met with Base Titanium and Business for Development in Kenya to formally launch the Business Partnerships Platform project. The project aims to enhance the post mine agricultural economy and develop a scalable model for the sustainable cotton industry in Kenya promoting inclusivity, stability, economic growth and poverty reduction.

Since 2014, Base Titanium and the Cotton On Group have co-funded the setup of new farms in the region in addition to the training and mentoring of farmers, allowing them to produce commercial quality cotton that is then purchased by the Cotton On Group and exported into its global supply chain. This has been implemented by Business for Development.

Over the past two years, more than 300 farmers have joined the project, with the Government's contribution set to support another 1,500.

With many rural-based Kenyans living on household incomes of less than USD2.00 a day, the long-term goal of the project is to support 10,000 smallholder cotton farmers by 2020.

Australian High Commissioner to Kenya, John Feakes welcomed the partnership as an effective means for linking smallholder farmers to global end markets to deliver long term social and economic gain.

"The partnership will work with Base Titanium, Cotton On Group and Business for Development, Australian companies committed to improving economic development as a key driver of poverty reduction in Kwale. The project will provide the opportunity for local communities in Kwale to directly participate in the local economy through the production and sale of their cotton, establish community-owned businesses, while creating direct employment opportunities," Mr Feakes said.

The partnership brings together Base Resources, an Australian-listed ASX and AIM global resource company in Africa, and Cotton On Group, one of Australia's fastest growing fashion retailers globally. Business for Development will coordinate the local activities with their expertise in developing pro-poor value chains.

## Partnership Overview

The partnership aims to establish ethical cotton production in Kenya. With cotton production having been successfully piloted since 2014, the objective of this partnership is to accelerate production to include more of the 90,000 smallholder farmers in Kwale County, Kenya, many of whom currently live in extreme poverty. The partnership assists Kwale smallholders to produce ethical cotton for supply to the Cotton On Group. Women are encouraged to access the program, as landowners or by assuming responsibility for their family's smallholding. Base Titanium is investigating the potential for cotton farming to improve the economic transition of communities once mining activities cease.

## Partnership Aims

The partnership ensures smallholder farmers interested in growing cotton are equipped with the skills and training required to produce commercial quality cotton for sale into export markets and global supply chains, securing local livelihoods and the future success of the cotton industry in Kenya.

### Base Titanium

Base Titanium Limited is a wholly-owned subsidiary of Base Resources, which operates the 100% owned Kwale Mineral Sands Operations in Kenya. Base Resources plan to assist the development of the agricultural sector and economy in Kenya starting in Kwale County through this initiative. Base Titanium Limited, in addition to being lead partner, is also providing the majority of private sector financing for this partnership.



### Cotton On Group

Cotton On is Australia's largest value fashion group, with eight brands in over 1300 retail stores in 17 countries. The Cotton On Group is focused on building an ethical sustainable and profitable business and ensuring they have a positive impact on their people, the community and the planet. Cotton On is providing additional funding and market access for the partnership. Cotton On have committed to purchasing the lint cotton produced by the farmers in Kwale into their global supply chain.



### Business for Development (B4D)

B4D is an independent, not-for-profit organisation tackling extreme poverty through inclusive business. B4D catalyse, coordinate and co-create inclusive business ventures and pro-poor value chains. They provide expertise in designing and implementing partnerships between the private sector, other sector partners and local communities, and are experienced in developing and implementing inclusive business models.



### Department of Foreign Affairs and Trade (DFAT)

DFAT's expertise in development contributes to building stronger, more inclusive private sector growth in the Asia-Pacific region. DFAT does this through sharing its deep knowledge of business, political and regulatory environments, access to professional networks and catalytic funding. The BPP is designed as an entry point for new partners, Australian and overseas entities, to work with DFAT to deliver social impact and commercial returns in the region. The BPP actively promotes initiatives that drive women's economic empowerment.



### Location



Country  
**Kenya**

Region  
**Sub-Saharan Africa**

Total Funding  
**\$1,724,500**



DFAT Contribution  
**\$313,000**

Private Sector Contribution  
**\$1,411,500**

Shared Value Proposition



**Redefining productivity in the value chain**

**Enabling local cluster development**

Timeline



**Start**  
July 2016

**End**  
February 2018

Sector



**Agriculture**



The BPP promotes stability, economic growth and poverty reduction in Kwale.



Foreign Affairs, Defence and Trade Committee  
Department of the Senate  
PO Box 6100  
Parliament House  
Canberra ACT 2600

16 August 2017

TO WHOM IT MAY CONCERN

Dear Sir / Madam

**Australia's trade and investment relationships with the countries of Africa: Statement of Support**

I am writing in support of one of our members, Business for Development and their ongoing work, not only in Kenya on the Base Resources, Kwale project but their ongoing commitment across the continent in developing sustainable community projects.

The Business for Development approach is one which we find extremely encouraging and hope to see their model continue to make the projected impact across multiple communities and across numerous countries in the years to come.

AAMEG believe the work that Business for Development are doing in Africa goes to the very heart of Australia's trade and investment relationship with Africa countries and is a great examples of the lasting impact that this sort of investment can have.

We look forward to the findings of the inquiry and final report.

Yours sincerely,

Douly Horak  
Interim CEO  
Australia-Africa Minerals & Energy Group

# THE AUSTRALIAN BUSINESS REVIEW

## Material benefits: Cotton On turns to Kenya for ethical trade



NEWS LIMITED

12:00AM JULY 7, 2016

DAMON KITNEY

Victorian Business Editor  
Melbourne

[Article](#)



Cotton On will source cotton directly from Kenyan farmers. Picture: Getty Images

The billion-dollar Cotton On retail group is poised to sell fashion products made from cotton grown by farmers in Kenya in its Australian stores as a significant step towards sourcing all its cotton from ethically produced sustainable sources across the globe.

The Geelong-based Cotton On has forged a partnership with mining firm Base Titanium and Business for Development, which is chaired by Oil Search CEO Peter Botten, to source its cotton directly from farmers in Kenya.

For the past eight years Business for Development, which was previously known as Business for Millennium Development, has encouraged awareness among Australian businesses of the - Millennium Development Goals developed by the UN in 2001 to provide a framework to help those living in extreme poverty.

Last year when world leaders gathered at the UN in New York, those targets were replaced by 17 new Sustainable Development Goals as part of the 2030 Agenda for Sustainable Development.

Over the years BFD has worked with BHP Billiton, Nestle, Telstra, Visy, IBM and Exxon Mobil to help align their businesses to support achieving the goals.

Today it is working alongside PepsiCo, Syngenta and Cotton On's not-for-profit arm, the Cotton On Foundation, plus a host of other multinationals and smaller businesses.

The Cotton On Foundation is supported by sales of a group of six Cotton On fashion and lifestyle brands in the company's network of 1300 stores across 19 countries.

The foundation has previously raised \$35 million for communities in southern Uganda and in Kenya it is working with 200 farming families with the aim of increasing their incomes to \$1500 a year from subsistence levels.

"We now have a really high-quality cotton that is being transported from Kenya to one of our key suppliers in Bangladesh, which is now being developed into garments and soon we will see those in store," Cotton On Foundation general manager Tim Diamond told BFD's recent annual inclusive business forum in Melbourne.

"We are now seeing some incredible results. The Kenyan cotton farmers have now doubled their income which is amazing and it is filling us with hope and opportunity for something that we never really thought about until it was brought to us.

"The future looks bright — it looks like a great way to engage and work towards 100 per cent sustainable cotton for the Cotton On group."

Four hundred team members across the Cotton On Group — from retail to executives — have visited a range of African villages since the foundation was established and the projects are now being expanded to Thailand and South Africa.

But the chief executive of Business for Development, Mark Ingram, believes that the concept of inclusive business remains a hard sell in the corporate world.

"It has taken us eight years to get to the point where we are on the cusp of viable, scaleable, - inclusive business projects in Asia and Africa. Yet inclusive business as a concept remains complex, largely unpopular and poorly understood," Mr Ingram said.

He said BFD had abandoned a project with a large Australian food company in Papua New Guinea because the corporate wanted to own the relationship with the farmers. Another with a multinational in the Mekong was scrapped for similar reasons.

"Just because something is difficult or unpopular doesn't mean it is wrong or unimportant," he said. "It only takes a few visionary business leaders with strong social DNA to shift the dial - substantially."

BFD is working with one of Queensland's top citrus producers and exporters, Ironbark Citrus, on a project known as Ironbark Lao, an inclusive business working with local farmers to establish a viable citrus industry in Vilabouly, Laos.

The theory is that the Laos division of the business will enable the company to provide Asian markets with a counter-seasonal supply of citrus.

"Straddling that business-aid gap has been difficult. I know about running a business but I don't know much about the aid industry. I want the business to keep going after I am gone so it must be set up as a business," Ironbark Citrus managing director Susan Jenkin said.

“You keep getting tempted to do things for nothing and not have a business perspective. It is easy to say I won't charge the farmers for this or that. But I must.

“This is a business. That is a tension going on all the time.”

Paula Pelaez, program manager at the UN development program Business Call to Action, says change is inevitable.

Launched in 2008, the Business Call to Action aims to accelerate progress towards the Millennium Development Goals by challenging companies to develop inclusive business models that offer the potential for commercial success and development impact. It now has 150 companies in its network.

“There are real leaders, those that really drive this. Like Paul Polman at Unilever ... There are others that are just going through that maturity curve. And I think there are a real bunch in the middle,” said Ms Pelaez, who visited Melbourne for the Inclusive Business event.

“Consumers and buyers are raising their standards. And if you don't have those standards and traceability, you are going to die.”

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# ragtrader




## Cotton On's unprecedented move

27 May 2016

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Global fashion retailer the Cotton On Group has just concluded its largest ever annual supplier engagement conference in Shanghai – *Connect 2016*.

The Cotton On Group is committed to improving the sustainability and traceability of its supply chain, announcing plans to disclose all factory details from July 2016 and all sub-contractors by the end of 2018.

The Group also revealed it is bolstering resources dedicated to traceability and partner with its supplier base to focus on raw materials.

Ethical sourcing manager David Nesbitt also announced the Group has joined the Better Cotton Initiative, as one of the first Australian retailers to be admitted to the programme.

More than 300 supplier partners from China, India and Bangladesh attended *Connect 2016* alongside 70 Cotton On Group team members from across the globe.

Speakers at the conference included Cotton On founder Nigel Austin, Cotton On Group CFO Michael Hardwick, Cotton On Group ethical sourcing manager David Nesbitt and Baptist World Aid advocacy manager Gershon Nimbalker.

The Group believes its continued growth and success comes from the strength of the relationships it holds with its supplier partners, some of which were fostered 20 years ago when they met founder Nigel Austin in China when he had only a handful of stores in Australia.

"Currently, 65 per cent of our products come from the top 20 per cent of supplier partners – providing greater confidence in adherence to our Ethical Sourcing Program," Hardwick said.

The Group is also working towards helping to break the cycle of poverty for farmers in Kenya by becoming one of the first retailers to launch a sustainable cotton initiative, Kenya Cotton.

In partnership with Business for Development, the Group is working closely with Kenyan farmers in Kwale County to provide services and support programs to help farmers transition from subsistence farming to improving their livelihoods through sustainable cotton systems.

In addition to funding the training and set up of each farm, the Group purchases 100 per cent of the sustainable lint off the farmers and since the project began in 2014; the Kenyan farmers involved with the initiative have already doubled their income.

The first batch of sustainable cotton was piloted in Supré stores in January and following a successful phase one of the program; the Group will integrate the sustainable cotton into other brands in the coming year.

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Baptist World Aid's Gershon Nimbalker believes that the fashion and garment industry has the ability to make significant change to those living in poverty.

"By encouraging suppliers to introduce wage improvements, reduce working hours and better understand their sub-contractors, as the Cotton On Group is doing, real change can be achieved," he said.



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## AFRICA DOWN UNDER PREVIEW

# Base Cotton's On to something in Kenya

A happy coincidence is changing lives around Base Resources Ltd's Kwale mine in Kenya.

The alignment of Base, farmers in Kwale and the \$1.5 billion Australian clothing manufacturer Cotton On could have far reaching positive impacts for people across Kenya.

What started as a trial project, whereby a handful of Kwale farmers were selected to provide cotton for Cotton On, has grown exponentially and doubled Kwale farmers' income to about \$1,500 per annum.

This year, more than 500 farmers will be growing sustainable cotton and producing 210t of cotton – equivalent to 630,000 t-shirts.

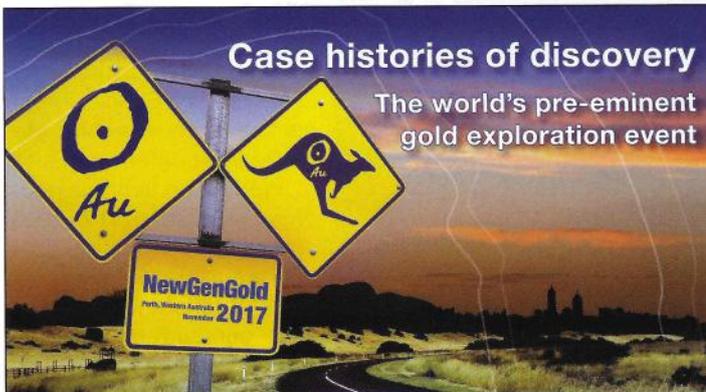


BFD chief executive Mark Ingram in Myanmar. BFD has had a profound impact on community development programmes in Asia and has expanded into Africa

By 2020, it is hoped that 10,000 Kwale farmers will be engaged in the project, producing enough cotton to make 14 million t-shirts.

"It has turned into the perfect storm for us because we have an insatiable appetite for cotton and to get transparency in the supply chain and intimacy of dealing with a small community in Kenya... is not the opportunity you would usually get," Cotton On group production manager Paul Murdoch told **Paydirt**.

Business for Millennium Development (BFD) was the trusted intermediary Base reached out to a couple of years ago to help it maximise community development opportunities in Kwale.



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Base has tapped into the former's model of co-operative development of agriculture in developing economies and married that up with a large-scale global market.

BFD has had outstanding success in this area in Asia, particularly in Papua New Guinea, and Base was keen to adopt similar practices at Kwale.

"We could run around ourselves trying to facilitate farming activity in Kenya, but unless you have got critical mass and then an engine of demand it is a really hard road to hoe," Base managing director Tim Carstens said.

"Our [Kwale] project is in a high rainfall area; a tropical zone and it's traditionally subsistence farming where we are. It is quiet economically depressed, however, the soils are particularly suited to a range of crops and cotton is the biggest programme we are running and we have three or four other alternatives as well."

Although there has been a long history of cotton production in Kwale and an inherent skillset within the community, the opportunity has not always been there for farmers to sustain livelihoods from.

Therefore, the happy coincidence as BFD chief executive Mark Ingram describes it, was pressure on Cotton On to source ethical production of cotton and Base's determination to ensure the Kwale community got maximum benefit from the mine.

Currently, the cotton harvested in Kwale is sent to Bangladesh for the manufacture of Cotton On garments and distributed worldwide.

"We've always wanted to do the right thing, but increasingly the customer is demanding to know where their garments are made, right back to the raw materials; where they are from and were the farmers compensated correctly," Murdoch said.

"We all hear about the treacherous stories around the cotton industry and that is one of the reasons why Kenya's earlier industry was not successful, because the pirates got in the middle and effectively took profits away from the smaller farmers, so naturally no-one wanted to farm cotton.

"That's where the beauty of this is, we have visibility and the direct impact with the farmer to send it down the supply chain."



**Cotton farming is not the most environmentally-friendly practice and harvesting crops is monitored closely**

Cotton On is working towards sourcing 100% sustainable cotton by 2025, with the Kwale project in Kenya somewhat of a blueprint to roll out in other parts of Africa.

"This project could be a template for what we could be doing moving forward, anything is possible, but it is one step at a time," Murdoch said.

Excited by the success of the Kwale project so far, with over 90,000 farmers in Kwale County alone, there is potential to provide a lot more cotton for Cotton On and other retailers.

In some respects, Cotton On has had to be held back from expanding its Kenyan programme too quickly, despite increasing interest and overwhelming support from outsiders.

There has been a willingness from groups to contribute financially to the project, while grants from DFAT and USAID are in the offing.

"The recent interest from the Australian Government demonstrates the opportunity this has with inclusive business and setting up the co-op for the farmers and ensuring that it is sustainable and a major breakthrough in alleviating the poverty cycle," Murdoch said.

Such is the commitment from Cotton On, Base and BFD to make this project work, the Kenyan Government is chiming in with its expertise to see if it can kick-start its cotton industry

and further enhance other opportunities in its agriculture sector.

The Kwale potato project is another initiative undergoing field tests, with the idea being to supply potatoes into regional markets for processing.

Alongside Base, project partners include Syngenta, DEG, WWF, Kinondo Community Bank, Kenya Agricultural & Livestock Organisation and Kwale County, with the aim to have over 5,000 farmers selling into regional markets and earning \$1,500 per annum by 2020.

"Syngenta is a very capable organisation and they are very strong in potato and work with some of the largest potato users globally. When having the chance to work with them and Kwale farmers and understanding how to grow potatoes



**Drought is an issue worldwide and instilling confidence in farmers that a profitable crop can be harvested at season's end is a challenge**

## AFRICA DOWN UNDER PREVIEW



Providing opportunities for everyone in a community, particularly women, is critically important

on Kenya's south coast then you have a greater chance of being successful," BFD Kwale project lead John Cook told **Paydirt**.

"We have the chance to work with Kenyan authorities in agriculture and fisheries to understand what to do with this particular crop, taking into account conditions in Kenya, and talking to them is a very good step."

While BFD plays a critical role in forging relationships and steering projects in the right direction, the not-for-profit outfit hopes to lay the foundations for a legacy to be sustained by the communities themselves.

BFD, which thrives on the inclusive business and LINC models (centred on farmers and food companies mutually benefitting from growing their businesses together) mantras, hopes it can align more companies like Cotton On and Base and play a role in the UN's vision of eradicating hunger by 2030.

"The same formula is repeatable and what we are hoping to do is make our IP a pretty open source to let the industry adopt this learning and look to repeat it," Ingram said.

"We are not here to do everyone's project for them. We want to do 4-6 demonstrations which signals to the market new ways to operate as a mining company. We've chatted to Newmont [Mining Corp] in Ghana and they have current interest to take their programme around local farmers becoming more productive and supplying to local markets and linkages which takes their programme to another level."

BFD certainly has the nous to help facilitate community development pro-

grammes and testament to its regime has been working alongside the like of BHP Billiton Ltd, Exxon Mobil, Nestle and Pepsico.

Leading such high profile companies towards achieving their community development ambitions, means managing community expectations and providing opportunities for as many people as possible.

Setting clear project objectives and engaging the right people is critically important in ensuring projects are managed in the right manner and community expectations are satisfied accordingly.

"At Kwale it was accepted that it was about generating the learnings on how to use best farmers, best soils, how to do

optimum training and what level of supervision was necessary," Cook said.

"We often have to remind ourselves that what we are trying to do here is create the basis for Kwale farmers to manage their own farms as little businesses. It is not our role to manage those businesses for those farmers. Our role is to try and bring those new skills and capacities and then they don't have to become completely dependent on us or Base or whoever may be running the programme initially."

These values are in-line with what Base hopes to achieve during its lifetime at Kwale.

Currently, mining operations at Kwale are expected to only last another 10 years.

Carstens hopes the company's impact in the county can be much more long lasting.

"One of the critical mantras for us is that when we leave, all we leave is a memory of how good it used to be then we have failed," he said.

"That is one of the challenges of a mining project; you come in and create this bowl of economic activity and then you leave and that's all that is left is a memory. For us, the most logical thing to do was focus on agriculture because our focal point in community engagement is not CSR, we are more focused on how do we create a community that is a more positive reference for us for wherever we want to go elsewhere in the world. The obvious thing for us to focus on is developing household incomes."

– Mark Andrews

