

UNILEVER – trade and development



- **Richard Morgan:**
 - **Corporate Relations and Communications Director for Unilever covering Africa, Middle East and Turkey (since May 2005) with a focus on economic development and corporate responsibility.**
 - **Unilever’s representative on the Investment Climate Facility, the joint Public-Private Partnership aimed at improving the conditions for doing business in Africa, where he is helping to lead work on Customs reform and intra-African trade.**
 - **Co-chair of the EU-Africa Business Forum for first three meetings (Brussels, Accra and Lisbon). He previously worked for the British Foreign and Commonwealth Office with whom he was previously posted overseas to France (2000-4), South Africa (1995-2000) and Japan (1986-1990).**
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Adding Vitality to life

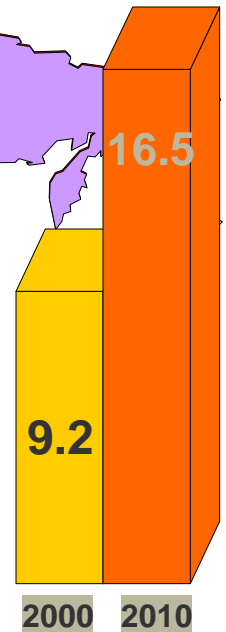
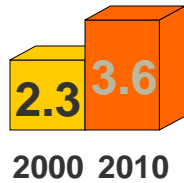
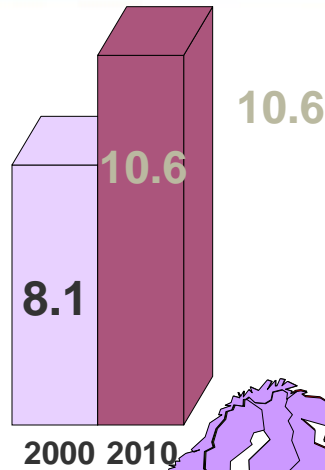
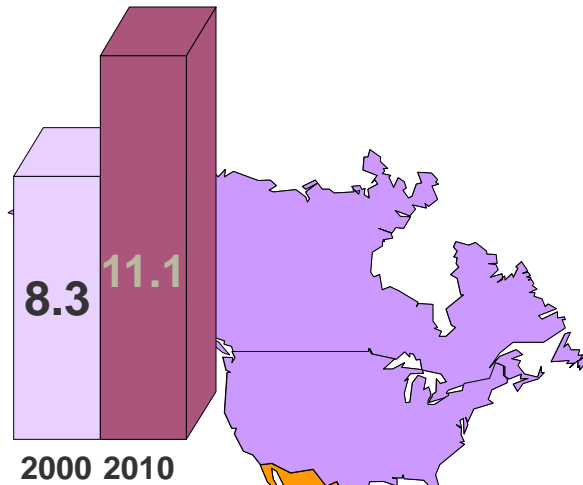


150 million times a day, in 150 countries, people use our products at key moments of their day

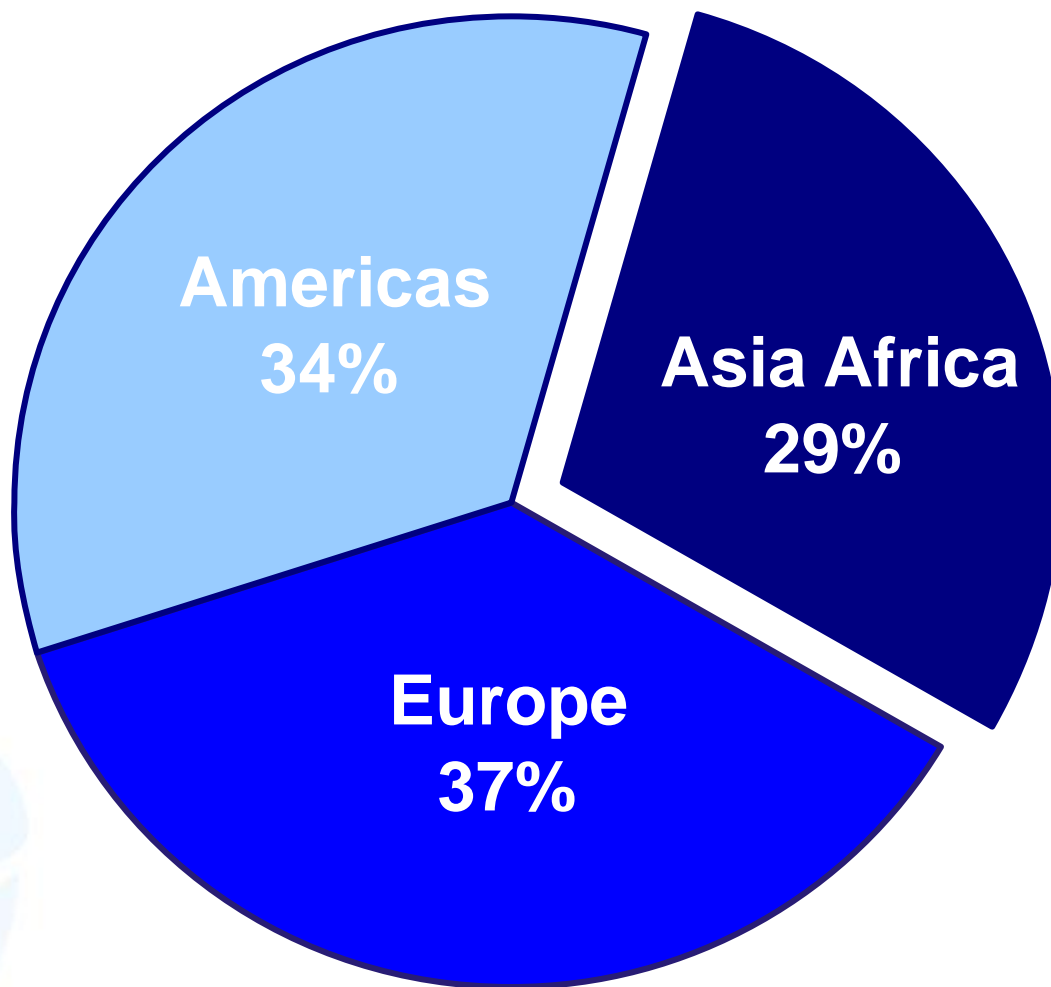


Consumer spending

\$trillion (at 2006 PPP exchange rates)



Unilever Asia Africa



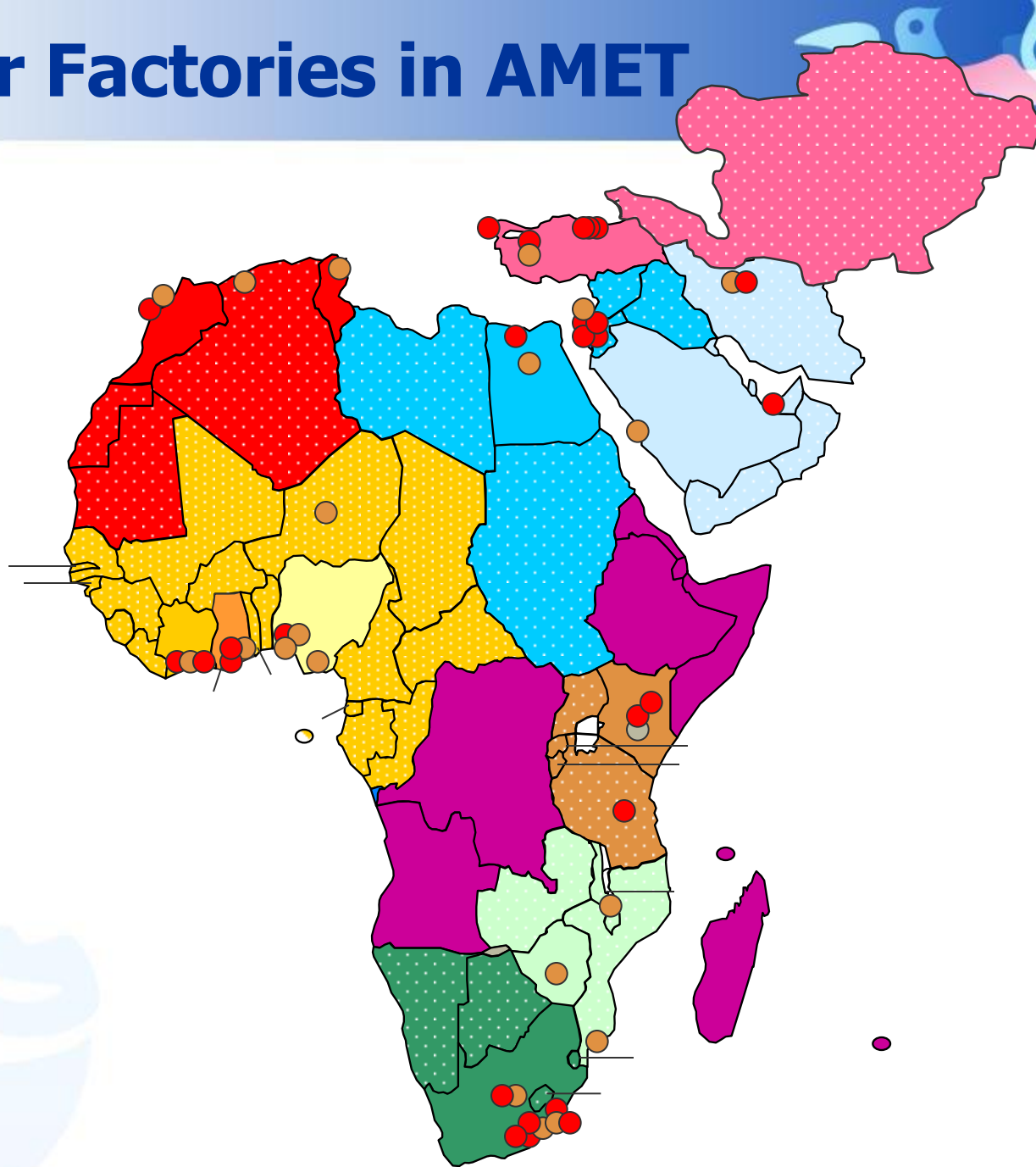
Based on 2007 YTD turnover⁴

Unilever's Supply Chain in Africa

Eliminating Trade Barriers to improve Supply Chain Competitiveness



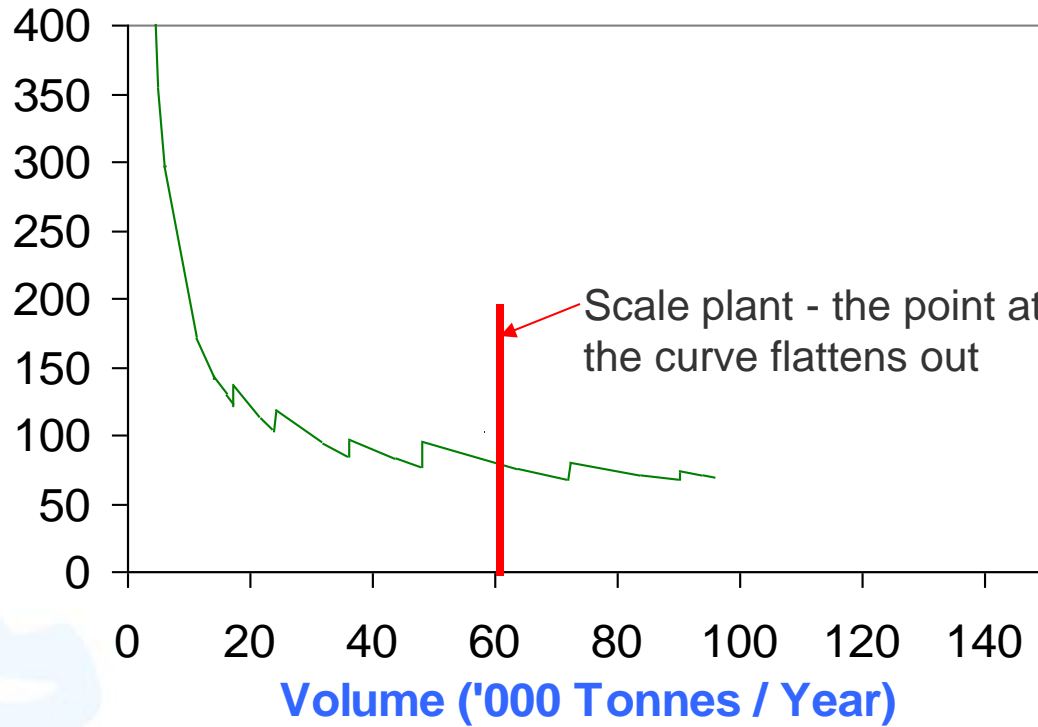
Unilever Factories in AMET



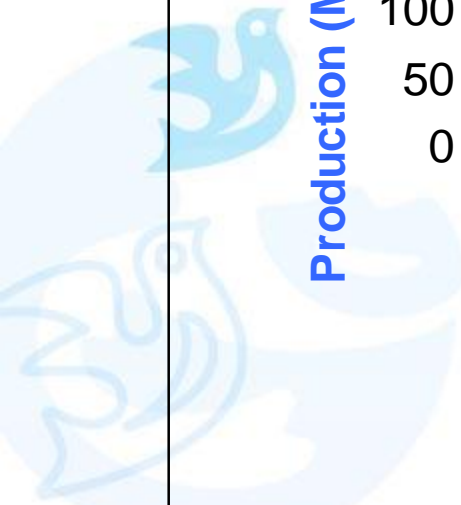
Impact of scale



Production (Make) Cost (Euro) / Tonne



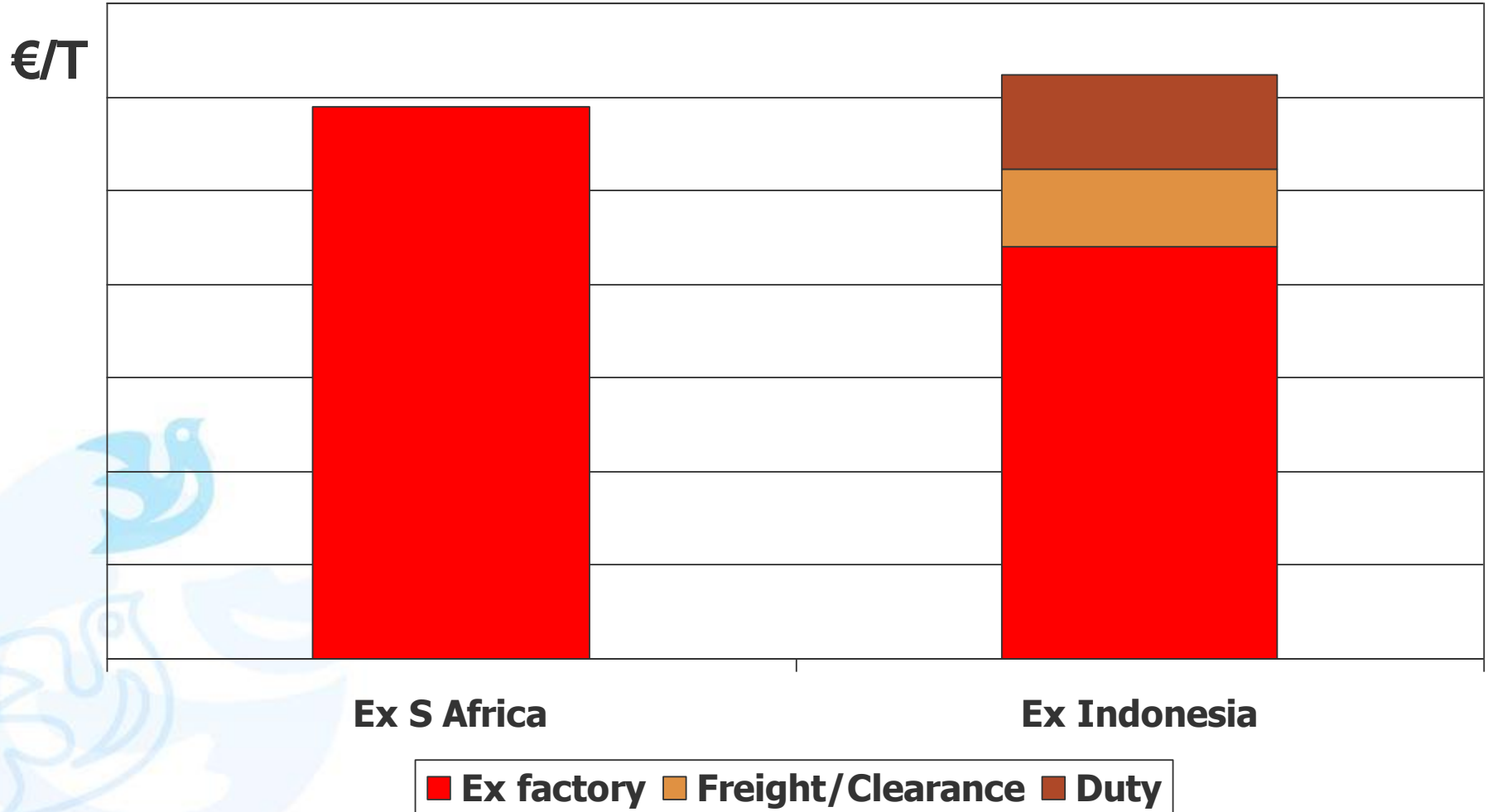
Scale plant - the point at which the curve flattens out



Landed Cost Comparison



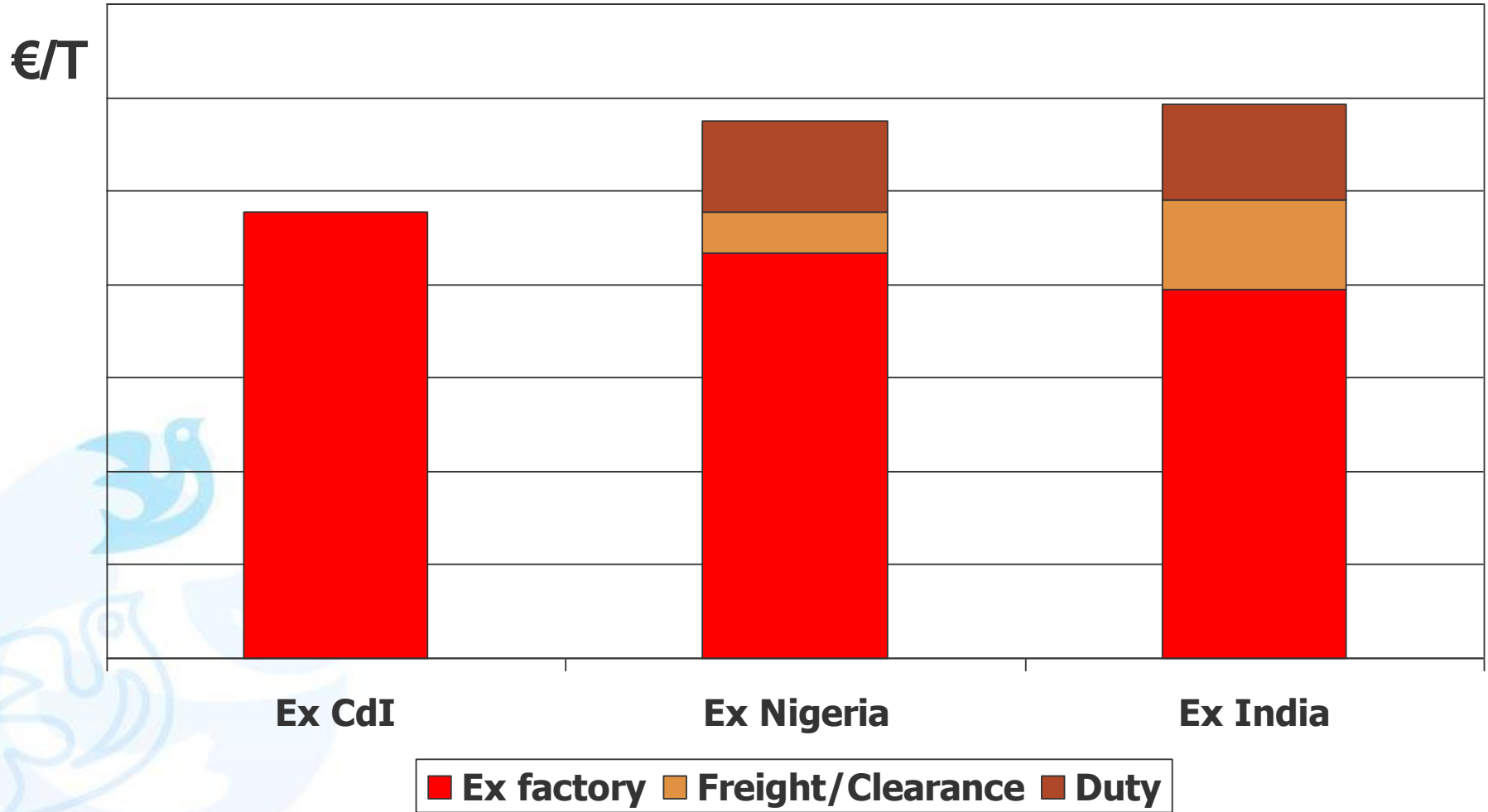
Lux Toilet Soap for South Africa



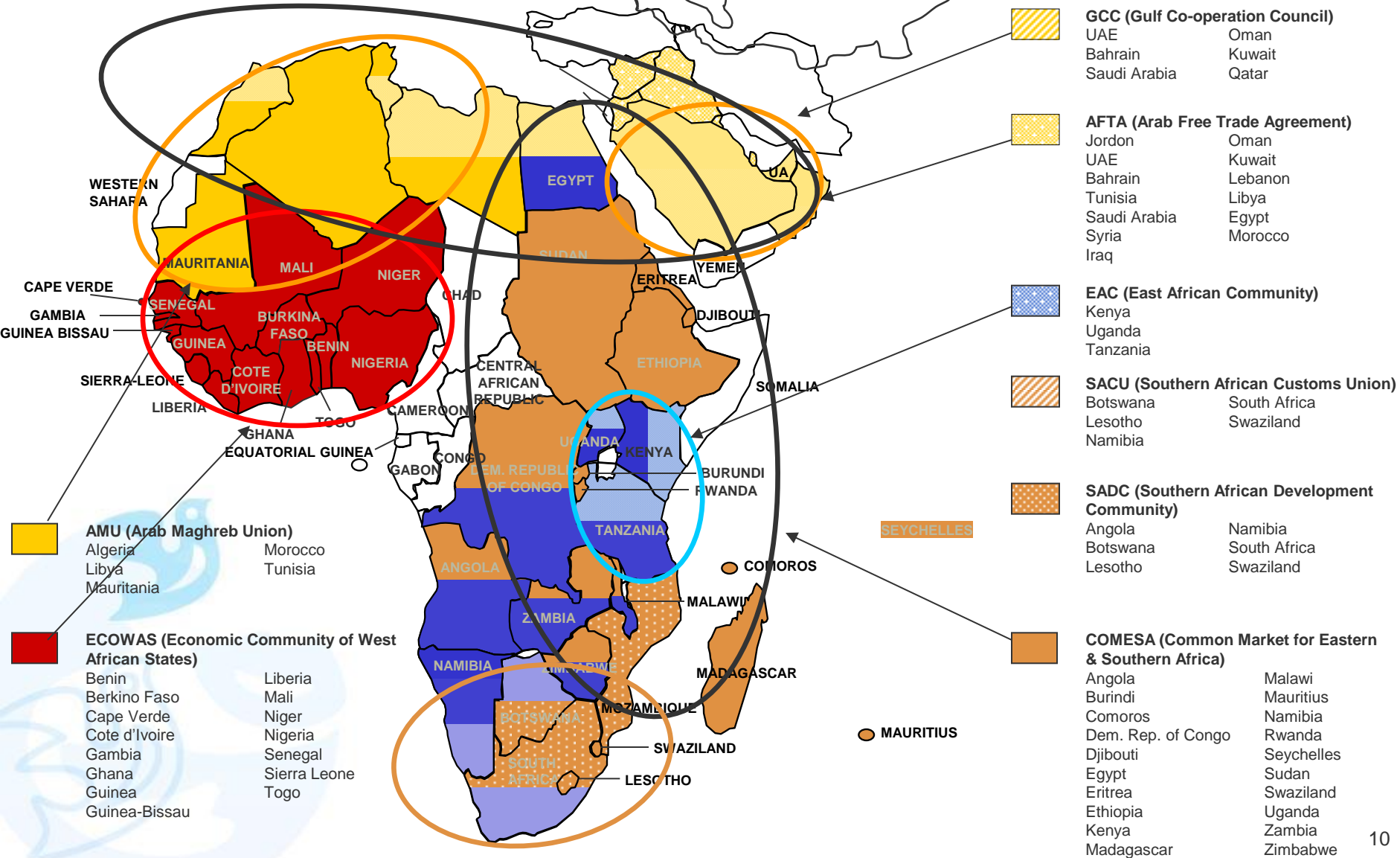
Landed Cost Comparison



Toothpaste for Cote d'Ivoire



Trading blocks



Sourcing Strategy



- **Consolidate within trade blocks to achieve economies of scale**
- **Import or outsource low volume or high value / high density products**
- **Drive Operational Excellence to reduce costs**





- **6% of turnover savings for toilet soaps**
- **Toilet soap conversion costs have on average been reduced by 50%**
- **Packaging cost reduction of 10% due to consolidation & harmonisation.**



Ongoing Trade Barriers



- **Trade agreements not fully in place or applied**
 - Import duties not in line with trade agreements
 - Slow or inconsistent implementation of new protocols
 - Other 'indirect' taxes imposed on imported products
- **Disruption to X-border flow of goods**
- **Poor infrastructure**



Some examples: duties



■ ECOWAS

- Import bans of certain products into Nigeria
- Imposition of import duty on margarine supplied from Cote d'Ivoire to Nigeria
- Import duties on products to be supplied from Nigeria into Cote d'Ivoire
- Inconsistent application of duty agreements, often requiring discussions with several groups to resolve
 - E.g. Issues on supply of margarine from Ghana to Nigeria
- Erratic charges and frequent reviews of levies

■ COMESA/SADC

- Slow implementation of agreed protocols – Unilever had to lobby for the agreed zero duty on soaps into Zambia to be applied
- Still paying import duty on soaps into Malawi

Some examples: duties



■ AFTA/AMU

- Import duty being applied to Foods products imported into Morocco
- Taxes on advertising for imported products or rebates for locally manufactured products – Tunisia, Saudi Arabia
- Import duties on tea bags of <3g into Saudi Arabia



Some examples: X-border disruption

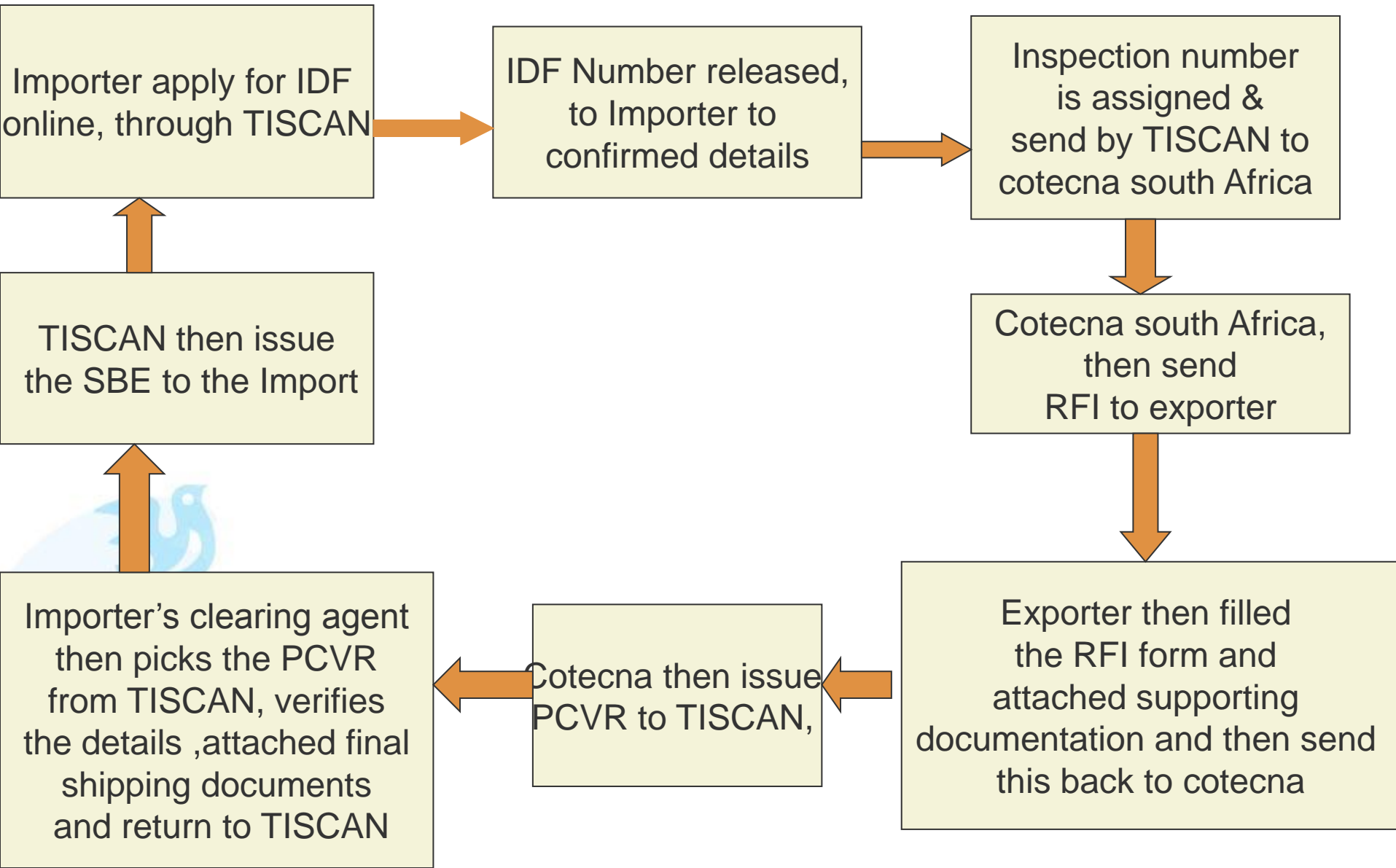


- **Uganda is a good example of improvements**
 - 'Green' customs channel has enabled us to halve the transit time from Nairobi to Kampala
 - Good co-ordination between the various govt bodies involved in X-border movement
 - Computerisation of customs

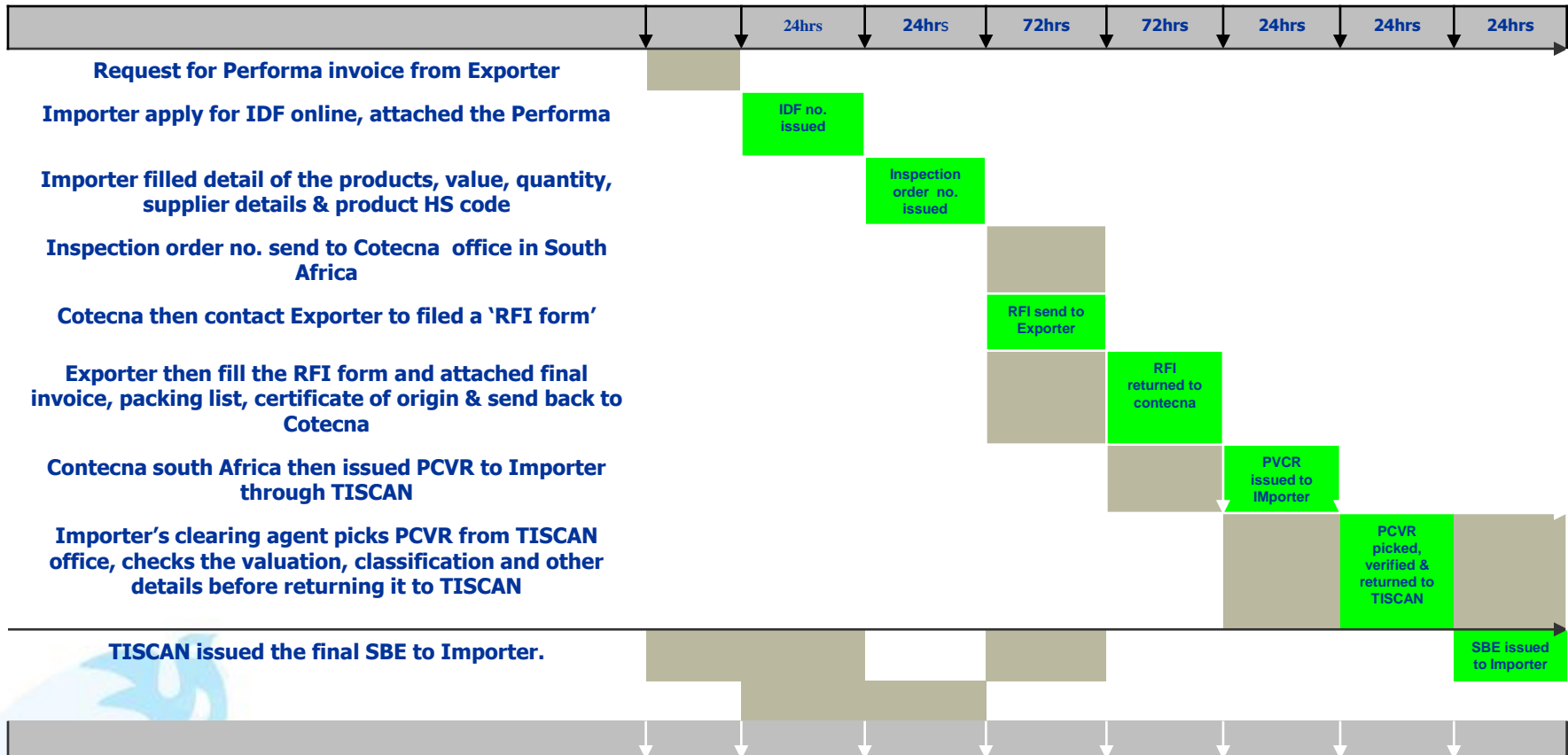
- **But transit time from Nairobi to Dar Es Salaam is 3x longer than Nairobi to Kampala**



Import Flowchart – Kenya to Tanzania

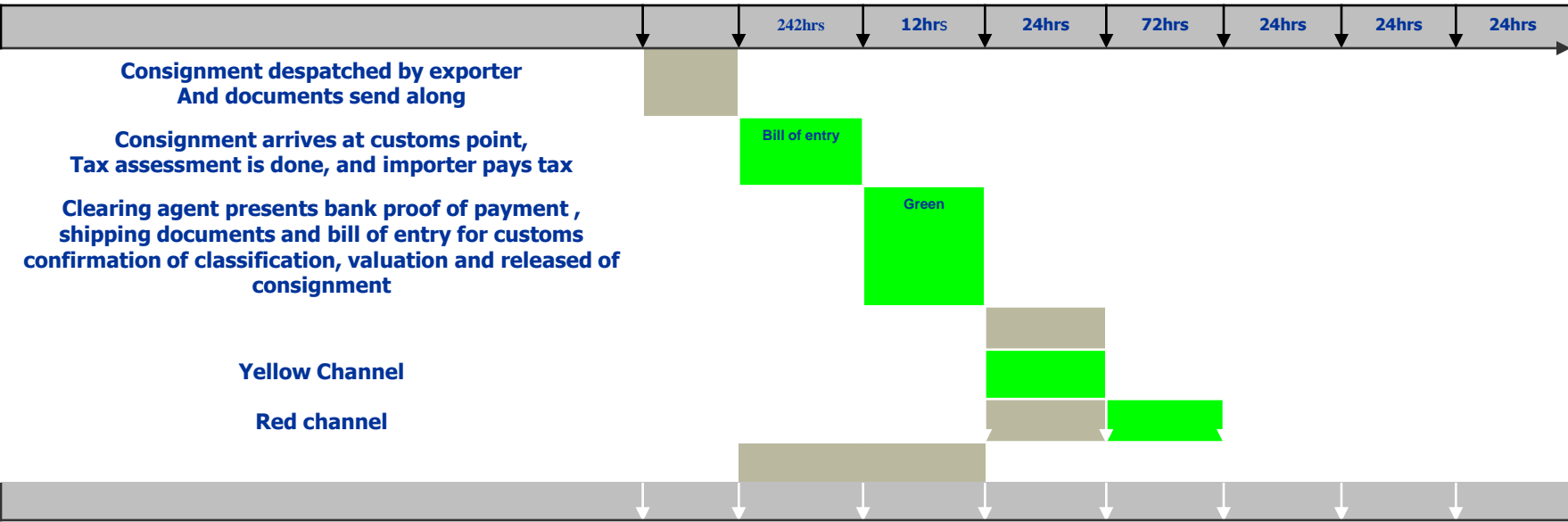


Import from Kenya to Tanzania



11 Days

Compared to Kenya to Uganda



1.5 Days



Some examples: infrastructure



■ **Overloaded or inefficient ports**

- **It can take 6 weeks to clear containers in Mombassa**
 - **We have had to stop production in our Kenya factory several times due to unavailability of raw materials**
 - **We ran out of Close-up toothpaste in the market due to clearance delays (imported from Egypt)**
- **Currently taking 4 weeks to clear goods in Abidjan due to new shipment checks**
- **Improvements have been made in Lagos**

■ **Poor or non-existent rail systems**

- **Rail in Tanzania is cheaper than road, but a trial to use rail for Unilever products failed**
 - **Product took several weeks to reach the destination**
 - **High levels of product theft**

What business needs to do



- **Get involved - advocacy/dialogue (BAFICAA, INSEAD reports: 138 sites in AA, employing 88,000. In SA 3000 suppliers, paying 1% of total tax)**
- **Create output-based process (Investment Climate Facility)**
- **Bring process management skills**

