



**High Level Meeting on Africa's Development Needs: "State of Implementation of Various Commitments, Challenges and the Way Forward"
22 September 2008**

Side-event: African Private Sector Initiative: Strengthening Competitiveness in a Global Context

Date and Venue: 22 September 2008, Dag Hammarskjöld Auditorium, UN Building

Organizers: International Trade Centre (ITC), World Bank and UN Global Compact

Chair (s)/Moderator: Moderator: Mr. Simon Hobbs (CNBC)

Key Agency Leaders:

Mrs. Patricia Francis (Executive Director, ITC)

Mrs. Obiageli Katryn Ezekwesili (Vice President – Africa - World Bank Group)

Mr. George Kell (Executive Director - UN Global Compact)

Focal Points:

Yuvan A. Beejadhur (Counsellor, World Bank)

Ashish Shah (Senior Programme Officer, ITC)

1. The Objectives

1.1 The International Trade Centre (ITC), in collaboration with the World Bank and the UN Global Compact, convened this side-event in support of the High-Level Meeting (HLM) on Africa's Development Needs and Challenges. The three agencies brought together Chief Executive Officers (CEOs) of leading private sector organizations from both Africa and developed countries, representatives of Regional Economic Communities (COMESA, ECOWAS and ECCAS).

1.2 The acceleration of globalization during the last 20 years, driven by technological innovation, falling transport and telecommunication costs and market access liberalization, has resulted in the geographic segmentation of production processes and the rise of global value chains. This profound global restructuring of production has increased pressure on providers of goods and service to constantly innovate and adapt to changes in international trade requirements. In this regard producers in Sub-Saharan Africa have to some extent demonstrated their ability to take advantage of market-opening opportunities such as provided by the African Growth & Opportunity Act (AGOA), under which the garment industry was able to expand its exports to the US market four-fold from \$350 million in 2001 to \$1.3 billion by 2007. The main challenge for providers of goods and service is to maintain the sustainability of this growth, for which progress in achieving stronger integration into regional and global value chains becomes a prerequisite. In the context of Africa's private sector, this presents both challenges and opportunities and in order to achieve full participation in the global economy there is a huge demand for strengthening Africa's private sector, in particular the small and medium sized enterprises.

2.1 Major issues raised in the meeting

The delegates discussed the challenges facing Africa's private sector as they strive to achieve competitiveness in the global value chains. These challenges included strategies on how best to channel investment into promising industries, and also, more importantly, the need for creating market linkages between Africa's producers and the MNC operating in global markets. Thus both panellists and discussants deliberated on the following issues:

- The important and future role to be played by the private sector in linking the poor to global markets within the framework of MDGs 1, 3, 7 and 8. Examples were highlighted, showcasing how financial organizations in Nigeria and other countries are fostering both economic and human development by improving SME access to business finance;
- Institutional as well as organizational challenges faced by Africa's private sector in bringing together governments and development partners to design policies that create favourable business environments within which both local and international businesses can better compete within and outside Africa;
- Importance of harmonised technical assistance projects by UN and non-UN agencies in a way that will encourage sector specific initiatives, which if strategically delivered will boost specialisation and competitiveness of products and services within those sectors. This should be aimed at developing effective/ efficient business partnership for linking African companies and to their counterparts in the developed countries; and
- The urgent need for advancing corporate citizenship in Africa, through encouraging procurement contracts that ensure that trade also works for the poor and that the export trade generated has impact for good.

2. Summary of Discussions

2.1 The three (3) agencies (ITC, WB and GC) provided an outline of the importance of strengthening of private sector competitiveness in Africa, covering both public and private sector challenges that need to be urgently addressed by Africa for the Africans. Governments were called upon to:

- a) Accelerate introduction of reforms in support of international and local investment promotion as part of private sector regulatory support,
- b) Engage the private sector through consultative mechanisms, and
- c) Negotiating with developed government counterparts to achieve a better international trade regime.

2.2 The agenda for developing the private sector in Africa was viewed from the two dimensions: building of entrepreneurship and achievement of Africa's trade competitiveness. Developing the private sector involves, on the one hand, building the necessary pillars of entrepreneurship: which include, principally, a level playing field, access to financing and access to skills and knowledge. These, in turn rest on a foundation of additional prerequisites, such as the rule of law, physical and social infrastructure and a sound macro environment. Thus for the private sector, the agencies challenged both the public and private sector to:

- (i) Define how best to develop sustainable linkages between multinational companies and domestic firms, and at the same time nurturing smaller enterprises;
- (ii) Consider setting standards for achieving sustainable business partnerships, with a sharp focus on corporate governance; and
- (iii) Engage in skills-building activities, especially for assisting small and micro enterprises in order for them to improve their trade-related vocational training and skill levels.

2.3 The RECs responded by encouraging the business community to link-up their future business development and investment promotion strategies to the on-going regional integration programmes. The CEOs from various industries echoed the same views and asking Africa's business leaders to plan for long-term business partnerships with the outside world. The ITC Executive Director emphasised the need for balanced business linkages that should ensure international trade creates "export impact for good" and that this should constitute a key focus in the future role of the private sector. The World Bank re-emphasised the need for reforms that would unlock investment into key development sectors in Africa, and in this regard, the UN Global Compact challenged businesses to take corporate responsibility as core values of their international business networks. Increasingly good corporate governance now also implies a commitment to the concept of corporate citizenship and the adoption of universal principles, such as those embodied in the "UN Global Compact".

2.4 Participants agreed that for the future both African businesses and their governments should focus on:

- (i) Strengthening business environment through simplification of regulations
- (ii) Strengthening trade facilitation institutions and creating competitive supply chains

- (iii) Reforming financial instruments and leverage access to capital for marginalized groups such as businesswomen
- (iv) Developing human skills and increased knowledge in information systems
- (v) Building networks and linkages across the services and product sectors
- (vi) Improving corporate governance
- (vii) Improving market access through regional and multilateral trade agreements
- (viii) Integrating Africa's private sectors into global value chains.

3. Way Forward

- In recognition of the Paris Declaration, the agencies shall join hands and assist Africa's business community and governments to more effectively develop African's private sector towards building competitiveness in their international supply chains, using both local and international investments.
- Trade-related technical assistance projects will be directed towards harnessing local and international best practice that Africa's SMES can adopt, develop and implement in their reach for global markets.
- The event's conclusions and recommendations will be integrated in the ongoing ITC programmes, including the newly established Programme for Building African Capacity for Trade (PACT II). PACT II is a five-year, CND\$20 million programme supported by government of Canada, and the ITC is assisting Africa's major three RECs (ECOWAS, COMESA and ECCASS) to boost intra-regional trade in Africa. This programme is designed to enhance the capacity of the concerned RECs to champion trade development, by supporting regional networks for policy dialogue, builds sector-specific export competitiveness including market linkages, and promotion of women entrepreneurs. This requires development partnership and coordinates with regional economic blocs (COMESA, ECOWAS, ECCAS). In this vein the African Union's Private Sector Forum initiative serves as another a good initiative for strengthening Africa's private sector.