

AFRICAN UNION

الاتحاد الأفريقي



UNION AFRICAINE

UNIÃO AFRICANA

Addis Ababa, ETHIOPIA

P. O. Box 3243
Ext. 255

Telephone: 251-115-517 700

7th African **PRIVATE SECTOR** Forum

3-5 December 2014, Nairobi, Kenya

“Promoting Africa’s Private Sector for inclusive growth and development: Exploring innovative mechanism of funding”

REPORT

I. INTRODUCTION

1. The Seventh African Private Sector Forum took place on 03-05 December 2014, at Panari Hotel, in Nairobi, Kenya under the theme: *“Promoting Africa’s Private Sector for inclusive growth and development: Exploring innovative mechanism of funding”*.

II. ATTENDANCE

2. The Forum was attended by Businessmen from Africa, Turkey and Europe. Representatives from African Investment promotion Agencies, United Nations Development Programme (UNDP) were also present. The list of participants is in annex.

III. OPENING CEREMONY

Statement by Dr. Mustafa M. Gunay, Secretary General of the Confederation of Businessmen and Industrialists of Turkey (TUSKON)

3. In his remarks, Dr. Mustafa M. Gunay, Secretary General of the Confederation of Businessmen and Industrialists of Turkey (TUSKON) stressed the importance of private sector in driving the development agenda of the Continent. He recalled the joint forums and activities carried with the African Union Commission and reiterated its commitment to continue the cooperation in line with the MoU signed between TUSKON and the AUC. He highlighted the need to work together to expand the trade relations between Turkey and Africa which will benefit the people of both sides.
4. He noted with satisfaction the level of cooperation between TUSKON and the AUC and called for organizing joint forums and events as well as sharing best practices. He concluded by thanking the Commission for inviting TUSKON to this important event and wished the meeting full success.

Statement on behalf of H.E. Dr. Khaled Al-Aboodi, CEO of Islamic Corporation for the Development of Private Sector (ICD)

5. Dans son allocution, le représentant de la Société Islamique pour le développement du secteur privé (ICD) a remercié les autorités de l'Union Africaine pour l'invitation à participer au 7^{ème} Forum Africain du Secteur privé, plateforme continentale de promotion du secteur privé, et formulé le vœu d'une coopération plus étroite entre les deux institutions. Il a par la suite insisté sur la nécessité de renforcer le rôle du secteur privé en vue la réalisation des objectifs de croissance inclusive et de développement durable en Afrique au cours de la prochaine décennie. Dans cette perspective, il a souligné les contributions significatives de son organisation dans le cadre du soutien au secteur privé

africain notamment par la fourniture de services financiers appropriés aux Petites et Moyennes Entreprises (PME), la formations des entrepreneurs dans le domaine de la gestion des unités de production industrielle et agro-alimentaire. Il a enfin réaffirmé engagement d'ICD à soutenir une croissance africaine durable et inclusive grâce aux instruments de la Finance Islamique.

Statement by H. E. Erastus J. O. Mwencha, Deputy Chairperson of the African Union Commission

6. H. E. Erastus J. O. Mwencha, Deputy Chairperson of the African Union Commission welcomed all participants to the forum and saluted the fact that such important event is taking place in Kenya. He stated that Kenya has shown in the past years its strong believe and partnership in the private sector which continues to play a key role in the social economic development.
7. He emphasized on the fact that this kind of gathering should have a new formula that will help the commission organize businesses and events based on the Turkish model. He noted that talking about inclusive growth needs to be nurturing the business community in innovative ways for a continuous dialogue to improve the conversation between public and private sector.
8. He also affirmed that the Private Sector is gaining more and more space and increasingly involved in creating job opportunities, value addition, agriculture, infrastructure, telecommunication, education, health center for disease control in order to advance Africa's agenda forward.

.Opening Address on behalf of H.E William Samoei arap Ruto, Deputy President of Kenya

9. The representative of Kenya Government extended the greetings and apologies from the Deputy President who could not come in person, but he delivers the speech on his behalf. He noted that growth rate should have a sense in term of development and impact on citizen's lives. After welcoming all the participants to the forum, he stressed the fact that this king for event should allow policy makers and private sector to exchange and network on investment climate issues as well as the significant role they can play in the AU strategic plan Africa's Vision 2063.
10. He noted that the outcome of the Forum is expected to increase the Private Sector role and focus on inclusive growth. He observed the need to provide answer to a huge market for products through the expansion of intra-Africa trade where the private sector plays a critical role as engine of growth, and the forum represents the exact platform to discuss the inclusive and sustainable growth. He concluded by recalling the Kenya Government commitment towards a business friendly environment that will mutually benefits all stakeholders.

IV. SIGNING OF Memorandums of Understanding (MoUs)

11. Memorandums of Understanding (MoUs) were signed between the African Union Commission and the following institutions:
- The Islamic Corporation for the Development of Private Sector (ICD); and
 - The NEPAD Business Foundation.

V. PROCEEDINGS

Key Note Address on the African Union Commission Private Sector Development Strategy by Dr. Anthony Mothae Maruping, Commissioner for Economic Affairs, AUC

12. On his key note address, the Commissioner for Economic Affairs thanked the people and authorities of Kenya for the warm welcome and hospitality extended to all the invited delegations since arrival to Nairobi. He highlighted the useful role of the private sector as an important partner of African policy makers in enlarging opportunities for low income people. In fact, the African private sector provides some 90 percent of jobs, 70 percent of Africa's output and 70 percent of investment, and is thus an essential partner in the fight against poverty. To achieve the African transformative under Agenda 2063, he stressed that the private sector is needed as an investor in sustainable agricultural production if Africa is to meet the challenge of overcoming extreme poverty and feeding 3 billion people by 2063. Through innovation and investment in infrastructure, energy and resource-efficient solutions, the private sector will have a major role to play in the transformation towards an inclusive green economy.
13. Notwithstanding reforms of the last decade, he underlined that Africa's investment and business climate is still characterized by a wide range of regulatory and labor, trade and business obstacles that reduce competitiveness and constrain the private sector. Building on past achievements and lessons, and taking account of international experience, he informed the Forum about the currently efforts of the Commission towards strengthening private sector role in Africa's development. He highlighted (i) the Pan African Investment Network; (ii) the top African Companies Initiative and, (iii) the AU Private Sector Development Strategy for 2015-2019. He informed the Forum that the AU Private Sector Development Strategy will provide a Continental strategic framework for strengthening the role of the private sector in achieving inclusive and sustainable growth.
14. He finally stressed that in achieving this agenda, the private sector has to have a say in formulating and implementing the AU Private Sector Development Strategy. In this regard, he said that the Commission, in close coordination with Member States, will engage fully in defining a clear and active role of the private sector in any post-2015 development framework as well as Agenda 2063.

Launching of the African Investment Promotion Network (AIPN) website and the Business Directory of Top African Companies

15. The African Union Commission launched the African Investment Promotion Network (AIPN) website and the Business Directory of Top African Companies. The objective of the AIPN is to primarily provide the necessary information on

investment opportunities in Africa through linking the various investment promotion agencies as well as, among others, making available information on the existing regulatory frameworks in the African countries.

16. The participants welcomed the initiative taken by the AUC and congratulated the latter for the good job done. However, the participants observed the following:
- i. Need to include in the website issues on reforms for investment regulations in the countries
 - ii. Introduce the available opportunities in Africa by sector and country
 - iii. Request the AUC to look at the possibility of providing technical assistance to the National Investment promotion agencies in order to upscale their capacity;
 - iv. Create links between the AIPN and the other existing websites, such as the Investment monitoring Platform of UNIDO.
17. The AUC launched also the 2014 edition of Business Directory of Top African Companies, which aims at listing the African companies based on their turnover.

Plenary Session 1: Role of the private sector in catalyzing the inclusive growth and development

18. The session was moderated by Ms. Candide Leguede, president of FEFA, ECOWAS and the Panelists on the session were as follows:
- Mr. Erastus Mwencha, Deputy Chairperson (AUC);
 - Mr. Geff Rotschild, NEPAD Business Foundation; and
 - Mr. Gerd Trogemann, Deputy Regional Director of UNDP.
19. During the discussion, it was stated economic growth over the last two decades. However the sustained growth has not been necessarily been inclusive enough to generate the jobs needed by the continent's youthful population for poverty reduction and the achievement of the MDGs. The private sector and governments were called to work together and concentrate on the entire economy. The need to engage the private sector as well as policy makers including youth and that business community to be involved by government in business affairs in promoting dialogue and develop a strategy and a vision that drives them together. Moreover, it was equally imperative to bring together inclusive business and inclusive market. There was a question on the avoidance by the government to engage the private sector and how this concern could be improved. In this regard, innovative ways to manage issues could be explored taking into consideration analysis of the past. It was observed that it was detriment of getting together public and private sector in the form of exchange of best practices. However, there was need to change the format of the forums to be more practical. It was experienced that in the 50 years back, private sector was not properly regulated. However, although some steps were taken to overcome these challenges, there was still a window of opportunity to put in place an enabling environment that would place reforms needed for the development of private sector.

20. Following the fruitful discussion, the participants recommended the following recommendations:

- i. Need to adopt all actors and stakeholders in order to achieve inclusive growth in the development of Africa;
- ii. Create a platform form Public- Private Dialogue;
- iii. Promote the empowerment of Youth as the future of the future through putting in place the adequate technical vocational trainings and ensure adequacy between training and employment;
- iv. Need to change the paradigm of doing business in Africa.

PLENARY SESSIONS

Plenary Session 2: Expanding long-term finance for private sector development in Africa: The of Commercial and Development Banks

21. This session was moderated by Dr. Jonathan Aremu, ECOWAS and the following were members of the panel:

- H.E. Dr. Abdelaziz KHELEF, DG Arab Bank for Economic Development in Africa (BADEA)
- Mr. Guy M'BENGUE, PCA AFRILAND FIRST BANK, Cote d'Ivoire

22. The core of the session was to specifically look at the law of Commercial and Developing banks, which remains an important topic in the discussions of Africa's inclusive growth and development. In this regard, financial sectors played an important role in opening up opportunity for private sector which is the driver for transforming Africa's economic growth. Private sector could be reinvigorated through expansion of laws for long term investment.

23. It was noted that currently, financial activities are only available to minority private sector enterprises whilst substantial enterprises that could account for substantial impact on private sector are excluded. In addition, necessary prerequisites i.e. credit data base, settlement and payment mechanism that is needed to provide effective financial services to private sector are under-developed. Nonetheless, financial market development on the basis of the 8 conditions offered by World Bank remains a crucial aspect to address the issue of long term investment to private sector enterprises.

24. Expansion of long term finance for Private Sector development in Africa is seen as the option available for both economic and inclusive growth but this called for banks to provide better financial intermediary services and smart brokerage between those in excess of cash and those in deficit specifically the enterprises. The role of Commercial banks operating in regulated environment would thus be to leverage this imbalance by providing a mechanism for ensuring efficient use of

the funds to viable projects which in turn could guarantee reimbursement to the bank.

25. Regulation of the commercial banking system is needed to match long term needs to long term financing but this would entail addressing some of the deficiencies in the commercial banking sector which currently focusing on providing mainly costly short term financing options. To reach the levels where they can provide long term finance, their role in broadening financial opportunities for private sector needs to be expanded in order to cater for the needs of different segments, have a position in different value chains and connect main players in different countries (Jumbo financing).
26. As such, private sector need to explore other avenues available for low cost-long term financing through development banks and trade credit in order to catalyse inclusive growth driven by private sector. In addition, expansion of long term finance can be optimised through Private Public partnerships (PPP) and reinforcing the role of commercial banks not only as financiers but as advisors in all areas including profitability.
27. It was noted that SME access to banking services is a problem and as such for banks to assist SMEs to grow to transnational companies, it was imperative that clever banks have a long term vision on investment. The central bank or government at large should undertake the to subsidise the credit of SMEs as well as provide guarantees as a channel through which high levels of development and inclusivity to the private sector could be achieved. Pan-African Banks could further play an important role in creating guarantee funds, providing micro-financing and funding for capacity building for SMEs.
28. In conclusion, it was suggested that there should be enough focus on SMEs, and regional Institutions could play a spurring role in assisting SMEs to grow to transnational companies. This meant addressing some challenges in the banking sector that inhibited proper access to long term finance such as excessive interest rates, very high guarantees, new procedures i.e. state and RI intervention; Excess of liquidity but banks not giving out loans; capital flights (i.e. taking investments abroad) within the banking sector Banks etc. in addition, it was important to rethink new approaches so that banks are able to provide the needs of new African players, women and youth entrepreneurs and export facility.
29. Key recommendations:
 - Develop Institutions and instruments in the financial sector that encourage exchange of information and data. e.g. credit data base, settlement and payment mechanism.
 - Focus should have heavy inputs on SMEs, and in this regard heighten the role of regional economic communities in assisting SMEs to progress to transnational levels and introducing new procedures and regulations to reduce the high margins/ cost of financing.

- Broadening financial opportunities for private sector needs to be expanded in order to cater for the needs of different segments, have a position in different value chains and connect main players in different countries (Jumbo financing).
- Encourage Private sector needs to explore other avenues available for low cost-long term financing through development banks and trade credit in order to catalyse inclusive growth driven by private sector.
- Expansion of long term finance should be optimised through Private Public partnerships (PPP) and reinforcing the role of commercial banks not only as financiers but as advisors in all aspects including profitability.
- The central banks or governments at large should undertake to subsidize the credit of SMEs as well as provide guarantees as a channel through which high levels of development and inclusivity to the private sector could be achieved.
- Pan-African Banks to play an important role in creating guarantee funds, providing micro-financing and funding for capacity building for SMEs.
- Develop new approaches that would allow banks to be able to provide the needs of new African players, women and youth entrepreneurs and export facility needs as well as prevent illegal outflow of money and tax evasion by multinationals companies.

Plenary Session 3: Innovative sources of funding for private sector development: Capital market, private equity and blending

30. The panel was moderated by Dr. René N'Guettia Kouassi, Director Economic Affairs Department, African Union and constituted by the following:

- Prof. Gervasio Semedo, Chairman of the Scientific Committee of African Integration Development Review
- Mr. Tidiani Jeff Tall, Emerging Markets Advisor
- Mr. Moubarak Lô, Former Adviser to the Prime Minister of Senegal and President of Emergence Consulting
- Mr. Serguei Ouattara, President & Executive Manager, EU-AFRICA Chamber of Commerce

During the debate, it was noted the existence of hundreds of billions of dollars in capital looking for higher returns, compared to what is available today in mature economies. In order to attract more Private Equity funds, the African Private Sector and African Governments must urgently address key governance and transparency factors.

The absence/inefficiency of judiciary that makes it possible to enforce contracts was also observed. The participants highlighted the importance of Tax and

customs policies that make it possible to abide by the rules and which do not create a substantial disadvantage for companies that operate within all proper rules and regulations. Many countries are perceived to have complex, confiscatory and unstable tax and customs systems, which is often counterproductive because it leads to unsustainable levels of fraud.

It was noted that regarding the Governance issues, most corporate boards do not fulfill their duties of supervising management and protecting the interests of all shareholders. The capacity and independence of board directors must be improved. It was observed that transparency is vital for business and accountability. Having one set of numbers for the tax authorities and another set for other purposes (bank loan, reporting to shareholders, etc.) is simply unacceptable for domestic and international investors. Another worrying practice consists in having management unduly extract value from the business to the detriment of shareholders, such as hiring friends and family, owning companies that supply good and services to the main company, etc.

Plenary Session 4: Doing Business in Africa: From perception to reality

31. Cette session a été modérée par Prof. Gervasio Semedo, Chairman of the Scientific Committee of African Integration Development Review et les panelists ont été les suivants:

- Dr. Moses Ikiara, Phd, Managing Director, Kenya Investment Authority
- Ms. Jacqueline Mugo, Secretary General of Business Africa and Executive Director of the Federation of Kenya Employers
- Mr. Enobong Umoessien, Head, Business and Enterprise Promotion, ECOWAS
- Mr. Jonathan Karanja, Associate Director, The Nielson Company, Kenya

32. Dans son propos liminaire, le modérateur de la session a présenté le cadre général de la session en faisant ressortir les aspects relatifs à la perception de l'environnement des affaires africain par les entrepreneurs d'une part et des institutions internationales, d'autre part. Pour ce qui est de la perception des entrepreneurs, il a insisté sur les déficiences récurrentes de l'environnement des affaires et du climat des investissements qui entravent le développement harmonieux des du secteur privé africain. Il a également mis en lumière les efforts encourageant réalisés par les pays africains dans le cadre de l'amélioration de la facilité de faire des affaires en Afrique. Dans cette perspective, le modérateur a insisté sur la classification faite par le Doing Business de la Banque Mondiale.

33. Les discussions du panel ont porté sur les points suivants :

- La facilité de faire des affaires en Afrique. Dans cette perspective, les échanges ont porté sur : (i) la stabilité du cadre macroéconomique des économies africaines ; (ii) l'intégration continentale en marche ; (iii) l'amélioration de la qualité des ressources humaines ; (iv) l'amélioration des infrastructures ; (v) la consolidation des cadres institutionnels nationaux de développement du secteur privé qui constituent des éléments fondamentaux permettant l'amélioration de la perception de l'environnement des affaires et du climat d'investissement.
- Les contraintes à l'investissement en termes de : (i) manque de prévisibilité de l'environnement des affaires lié à l'incohérence des politiques publiques mises en œuvre ; (ii) corruption et la faiblesse de la gouvernance ; (iii) la question de l'informalité ; (iv) la question du niveau d'imposition en Afrique.
- Le panel a conclu qu'en 2014 il est de plus en plus facile de faire les affaires en Afrique malgré les contraintes qui demeurent. Il de ce point de vue important de renforcer les programmes de réformes de l'environnement des affaires et du climat des investissements et améliorer la communication sur les réformes mises en œuvre.

34. Au terme des échanges, le panel a formulé les recommandations suivantes :

- i. Poursuivre les réformes en vue d'améliorer le climat d'investissement et des affaires en Afrique, en fournissant un appui aux gouvernements dans leurs efforts pour renforcer les lois, les politiques, les systèmes fiscaux, les droits, les réglementations et les procédures régissant les entreprises, non seulement pour développer leurs secteurs privés nationaux, mais aussi ceux de leurs régions respectives.
- ii. Lutter contre la corruption, et promouvoir la transparence financière et développer davantage le secteur formel. Dans cette perspective, les pouvoirs publics doivent mettre en œuvre des programmes de planification des investissements dans les infrastructures, à approfondir et à étendre leurs marchés financiers et des capitaux, renforcer leurs marchés du travail et perfectionner les compétences de leurs jeunes et de leurs entrepreneurs dans le domaine des affaires.
- iii. Renforcer les liens avec les institutions internationales pour renforcer le positionnement du continent dans le cadre de la gouvernance mondiale.
- iv. Pour que le secteur privé puisse prospérer, encourager une croissance inclusive et faire reculer la pauvreté en créant des emplois, certaines conditions doivent être remplies. Au nombre de ces conditions figurent la promotion de l'état de droit ; le développement des infrastructures « matérielles » et « immatérielles » ; la stabilité de l'environnement macroéconomique ; la disponibilité d'une main-d'œuvre éduquée, qualifiée et en bonne santé ; et la garantie de l'accès aux services financiers.
- v. Par ailleurs, pour que le secteur privé africain soit compétitif à l'échelle mondiale et pour qu'une telle compétitivité se traduise par l'essor significatif du commerce intra-africain et avec le reste du monde, l'approfondissement des marchés financiers, l'expansion de l'accès à l'enseignement supérieur

et à la formation, et la promotion de l'égalité hommes-femmes revêtent une importance cruciale.

- vi. La nécessité d'harmonisation des codes d'investissement nationaux pour la formulation de code d'investissements communautaires.

Plenary Session 5: Sustainable Energy Impact Investment

35. This session was moderated by Mr Gavin Maxwell, Executive Chairman, Coolfin Partnership Waterford, Ireland and chaired by Prof. Mosad Elmissiry International Business Gateway, NEPAD
36. The Session of the Africa Energy Impact Investment Panel was introduced by a Key Note Address by Amb. Gary Quice, Head of the EU delegation in Addis Ababa, Ethiopia, a statement by Prof. Mosad Elmissiry International Business Gateway, NEPAD and a presentation was made by Mr Gavin Maxwell, Key Expert and Author of the GEN-HUB Platform.
37. Participants discussed methods to support NEPAD's proposal to incorporate a form of Energy Sector Investment Assurance Bond to underwrite and facilitate greater Private Sector Impact Investment. The NEPAD led GEN-HUB Incubation project supported by the European Union, has examined a wide range of energy projects over the past 2 years, and draws further on 10 years of consultations to early stage projects by Key Experts in the energy sector. www.genhub-africa.com. GEN-HUB-Africa was designed as an "Online Technology and Business Planning Support Platform", which could measure the requirements of Energy Project Developers and provide global interface to Experts and Mentors. The central objective has been to enhance ways to make projects more attractive to investors and inform the ability of investors to directly engage with energy projects developers to lower the cost of pre investment diligence and post investment monitoring.
38. The Forum was informed that the GEN-HUB Expert Group found an awaiting audience of projects and developers in the private sector seeking to plan and deploy Sustainable Energy Solutions in Africa. There are however, major shortfalls in the provision of structured forms of Risk and Impact grade finance to support developers. Developers find in reality that there is only limited appetite for Risk even in the developed economies and so the problem is even more acute in regions of Africa, where Credit Assurance is endemically weak.
39. The participants recommended the following:
- i. Need to assist and support entrepreneurs to scale up their businesses in their various phases, including in developing business plans; and
 - ii. Adopt a new approach of developing appropriate financing mechanisms according to the size of projects, including for small scale projects;

Plenary Session 6: Africa's future: Creating an engine for inclusive growth by enlarging opportunities for youth and women

40. Inclusive growth must generate opportunities for all and in this regard, access to business by women and youth is paramount. From statistics, it is evident that involvement of women in entrepreneurship brought about positive impact on household and thus contributed to poverty reduction. The session therefore looked at ways and means of ensuring sustainable growth by integrating women and youth in the business sector by identifying the appropriate approach that would facilitate this.
41. Women in particular represent dynamic force in African and are vital to entrepreneurship in Africa, and Africa currently has a high youth population. However, these groups are highly disadvantaged and hence the need to invest more in the entrepreneur skills of women and youth to be part of the private sector development in Africa particularly SMEs. A strong link between poverty reduction and inclusive growth and the private sector is an engine for this. In this regard, private sector development strategies should adequately integrate gender equality initiatives i.e. access to socio-economic opportunities for women. Also, there should be heavy investment in the right education and training as well as innovation reform for young people to reduce labour imbalance and provide skills for future employments.
42. Africa is presented with many opportunities that can easily lure investment but Africa needs to address the challenges that come with investments in Africa i.e. illegal tax evasion, illegal capital flights etc. that tend to rob Africa's prospects particularly impacting on women and youth. Entrepreneurship should be seen as the first option rather than as an alternative and this mind-set needs to be inculcated in youths from the on-set. With regard to women, it was stated that the ambition of women should not be perceived in a negative way and their contributions therefore needs to be valued regardless of what position they hold in office. To take the views of both groups into consideration, it was necessary to engage the informal sector in dialogue as well as form collaboration or networks between the informal and formal sector. Information, right education, training and capacity building are also prerequisites to matching the right skills with the market needs and to make the youth competitive at national and regional levels.
43. Key Recommendations were:
- i. Governments should send a positive political message particularly to the youth in order to inspire entrepreneurship and initiatives to guide youths to think of innovative projects. This would mean understanding the mind-sets of the youth in order to provide the right incentives in entrepreneurship
 - ii. Redefine the education system to ensure it corresponds to the labour market

- iii. Create income opportunity for women and youth by addressing the obstacles and encouraging new ideas
- iv. Lessons learnt from the Kenya project of junior entrepreneurship programme
- v. Rather than formalise informal sector, concentrate on producing policies that foster productivity

PARALLEL SESSIONS

Parallel Session 1: Improving African SMEs access to regional, continental and Global Value Chains

This session was moderated by Ms. Lucy Muchoki, CEO Pan African Agribusiness and Agroindustry Consortium, Kenya and the following were panelists:

- Ms Nigest Haile Goshu, Executive Director, Center for accelerated women's economic empowerment Executive
- Weyinmi Omamuli, International Trade Center (ITC)
- Dr. Said N Silim, Country Manager-Ethiopia, Coordinator Sub-Saharan Africa Program, ICARDA

44. Dans son propos introductif, la modératrice de cette session a insisté sur l'importance de la création de chaînes de valeur dans une perspective de réduction de la dépendance excessive des pays africain à l'égard des exportations de produits de base, concourant ainsi à une plus grand participation des secteurs manufacturiers, des télécommunications, du tourisme et des finances au Produit Intérieur Brut (PIB). Elle a présenté les chaînes de valeur régionales et continentales comme un outil puissant permettant d'éviter l'écueil de l'étroitesse des marchés nationaux dont la demande pour les PME est très faible. L'extention des marchés permettrait ainsi aux PME d'accéder directement à des intrants indispensables à la production de biens manufacturés à plus forte valeur ajoutée. Dans ce contexte, la création de valeur, à travers la mise en commun des ressources et le développement des marchés locaux pourrait stimuler la production industrielle, le commerce et l'investissement dans les pays africains.

45. Les échanges interactifs des panelistes ont porté sur les points suivants :

- a) L'importance de la création de chaînes de valeur nationales dans les pays africains, pour répondre aux impératifs de la demande nationale avant de tenir compte des besoins de la demande régionale, continentale et globale. L'exemple de PME féminines éthiopiennes a permis d'illustrer cette nécessité et à mettre en lumière les contraintes rencontrées par les petits entrepreneurs locaux dans leur stratégie d'intégration des chaînes de valeurs globales ;
- b) L'importance du développement des infrastructures matérielles et immatérielles en vue de la facilitation du commerce intra-africain et la

réduction des coûts de transaction (coûts de transports, coûts des opérations commerciales du fait de la corruption aux frontières etc.) ;

- c) La nécessité de la formation technique et professionnelle dans les domaines compatibles avec les besoins du secteur privé africains afin d'assurer la compétitivité des PME;
- d) La nécessité de moyens de financement adaptés pour le développement des PME africaines ;
- e) L'importance des transferts de technologie dans une perspective de booster l'innovation et catalyser la compétitivité des PME africaines.

46. Au terme des discussions les recommandations suivantes ont été formulées :

- i. Le succès de toute politique de développement des PME nécessite la création d'un environnement favorable aux entreprises et un renforcement des capacités nationales et régionales, en particulier dans les domaines des infrastructures physiques et sociales, du capital humain, des systèmes financiers et de la gouvernance.
- ii. La promotion de normes inclusives et le développement des capacités technologiques sont nécessaires pour la compétitivité régionale et internationale des PME africaines.
- iii. *L'appropriation du processus de création de chaînes de valeur est vitale dans la mise en œuvre de l'agenda d'industrialisation du continent.* A cet égard, une attention particulière doit être portée à la mobilisation de ressources endogènes, par les Etats membres et au niveau des Communautés Economiques Régionales (CER). Dans ce processus, la mobilisation des transferts des migrants de la diaspora et des IDE intra-africains pourraient jouer un rôle crucial dans la mise en œuvre de l'AIDA.
- iv. *Eviter une industrialisation exclusivement introvertie.* Le processus de création de chaînes de valeur doit, compte tenu de la petite taille des marchés intérieurs, être tourné vers les marchés extérieurs, régionaux et mondiaux. Dans ce cadre, il convient d'insérer le développement industriel du continent dans le processus global de création de chaînes de valeur mondiales.
- v. *Créer des liens entre le secteur primaire et le secteur industriel.* La réalisation de la sécurité alimentaire passe par l'intégration du développement agricole dans la stratégie de création de chaînes de valeur. Les chaînes de valeur régionales peuvent ainsi permettre le développement des marchés, en offrant des incitations aux investisseurs privés afin qu'ils investissent à long terme dans la transformation des produits agricoles en produits agroalimentaires dans le cadre de la mise en œuvre de l'AIDA et du Programme Détaillé de Développement de l'Agriculture Africaine (PDDAA) du NEPAD/UA.
- vi. *Mettre l'accent sur l'intégration régionale afin d'améliorer les liens horizontaux dans la création de la chaîne de valeur régionales et continentales pour le développement des PME en Afrique.* Les chaînes de valeur régionales offrent l'avantage de maximiser les gains d'efficacité découlant de marchés intégrés. Un gain d'efficacité évident se traduit par

des gains de productivité et des économies d'échelle sur les plans de la fourniture des services d'appui et d'infrastructures requis pour relier les prestataires de service du secteur privé local aux chaînes de valeur régionales et mondiales. Ce serait non seulement un moyen de renforcer la compétitivité des économies nationales mais également d'améliorer les stratégies en matière de logistique et d'arrangements commerciaux au niveau régional.

- vii. Intégrer systématiquement l'approche genre dans les stratégies de développement des PME à l'échelle continentale. Dans cette voie, une attention particulière doit être portée à l'adoption de lois favorisant l'entreprenariat féminin.
- viii. Eviter une industrialisation imposée par le haut. La création d'un secteur des PME compétitif nécessite la mise en œuvre d'un processus intégré de Dialogue Public-Privé, à l'échelle nationale, régionale et continentale. L'interaction et la coordination entre les Etats et le secteur des PME permettra la prise en compte des contraintes pesant sur les entreprises, spécifiquement l'incidence des accords commerciaux internationaux en cours de négociation sur le développement du secteur privé en Afrique.
- ix. La stabilité politique est indispensable au développement des PME en Afrique. Dans un environnement politique propice aux investissements, les entrepreneurs locaux et étrangers participent à la création de chaînes de valeur nécessaires à une croissance inclusive et durable. En outre, l'instabilité politique entrave le développement industriel dans la mesure où elle est souvent associée à la destruction des infrastructures et au renchérissement du coût du crédit résultant de l'augmentation de la prime de risque.
- x. Le rôle du leadership est essentiel dans la mise au point d'une bonne stratégie de développement des PME en Afrique. Un leadership cohérent et visionnaire permettra d'éviter les errements des stratégies mises en œuvre durant la période 1960-2009. Grâce à un engagement de haut niveau en faveur d'une vision commune, les gouvernements feront du développement industriel une priorité absolue, traduisant ainsi la forte volonté politique pour l'industrialisation en mesures permettant de soutenir les secteurs stratégiques identifiés. Dans ce contexte, les gouvernements devraient mettre en place des politiques appropriées et utiliser des instruments pertinents pour faciliter le développement industriel.
- xi. Développer des services d'appui techniques aux PME/PMI africaines par un renforcement des capacités en ce qui concerne la formation, la promotion des PME/PMI et le dialogue Public-Privé dans les domaines leurs permettant d'accéder aux services financiers et aux marchés, de s'intégrer dans les chaînes de valeur régionales, continentales et mondiales y compris par la promotion de technologies et connaissances menant à des produits industriels écologiques.
- xii. Soutenir les transferts de technologie et de compétences, ainsi que la circulation de la main d'œuvre qualifiée au sein du continent en facilitant les investissements privés transfrontaliers.

Parallel Session 2: Impact investment in Africa: Challenges, success stories, lessons learnt and opportunities

47. This session was moderated by Dr. René Kouassi N'Guettia, Director Economic Affairs Department, African Union Commission. Panelists of this session were:

- Mr. Tomas Sales, Manager, UNDP African Facility for Inclusive Markets (AFIM)
- Mr. David Rice, Africapitalism Institute, The Tony Elumelu Foundation
- Mr. Herbert Thuo, Virtual City
- Mr Gabriel Negatu, AfDB's Regional Director in charge of the East African Regional Centre (EARC)

48. A UNDP Study on impact investment in Africa espoused a number of issues that led to the recommendation that investor should be abetted to grow their impact investment in Africa. Impact investment is that investment meant to bring about positive socio-economic impact beyond financial returns.

49. In the discussions, it was pointed out that deficiency in internal human capacity of businesses which in most cases fall short of the required criteria within the discourse of impact investment was the main challenges for businesses failure to access finance. A lack of capital compounded the problem. Access to information especially for young African entrepreneurs was also another contributing factor in addition to underdevelopment in many areas i.e. infrastructure, energy, manufacturing sector, etc. which is required to attract big investment in Africa. Other challenges identified included: Micro finances seem to adopt the approach of requirements as banks; problems of regulation and policy inconsistencies; Manufacturing sector is under-utilised; Problems of free movement, Funds available for Africa investment does not match Africa. These challenges necessitate the need to look at all aspects to remove barriers that restrict investment and more specifically impact investment.

50. To address some of these challenges, there was need to harness vocational training particularly for young entrepreneurs as well as provide aspiration for entrepreneurship through school curriculum. More importantly, it was crucial to create space for young ideas and transform those ideas into implementable projects. In this regard, it is necessary that countries facilitate this transformation by providing the support needed for these youths to realise their initiatives, while investors such as EU investors could be prospects through which this can be realised. There is need to rethink of innovative ways to bring in touch investors from other continents and African investors and opening up opportunities for dialogue to overcome certain challenges. Reinforcing monitoring mechanisms is also key.

51. To enhance growth opportunities the Africapitalism Institute has set up a pan African fund worth 1 million euros that will provide seed money to 1000 entrepreneurs identified with good business ideas. Various processes will lead to the seed money and successful business will be eligible for second round of funding. This is one way to unlocking private sector ability.

52. The UNDP study though useful leaves room to narrow down the objective specifically to impact investment in order to distinguish the challenges from those of private sector development in Africa and also come up with key recommendation to make impact investment more inclusive; taking into account social and economic return and engagement of young entrepreneurs. Forums to identify problems and next steps to take are also key.
53. Key recommendations were:
- i. Harness vocational training particularly for young entrepreneurs as well as provide aspiration for entrepreneurship through school curriculum.
 - ii. Create space for young ideas and transform those ideas into implementable projects. In this regard, it is necessary that countries facilitate this transformation by providing the support needed for these youths to realise their initiatives,
 - iii. Rethink of innovative ways to bring in touch investors from other continents with African investors and opening up opportunities for dialogue to overcome certain challenges.
 - iv. Reinforce monitoring mechanisms in the area of private sector
 - v. The UNDP study should pin down on impact investment so as to allow recommendations specific on impact investment

Parallel Session 3: Technical and vocational training for private sector innovation and competitiveness

54. The session was moderated by Ms. Rosine azanmene. In her remarks, she generally touched on the importance associated with the provision of technical training. She stated that Public and private-sector institutions need to work together to shape cooperative vocational training. However, Cooperative (dual) training can only be shaped by pulling together, making the necessary adjustments and setting the legal framework. Panelists on the session were as follows:
- Doctor Emmanuel Mousso
 - Prof. Khalil Timami
 - Mr. Zakaria Dosso
 - Ms. Nathalie Beatrice Chinje
55. Panelists gave different cases on vocational training particularly on the African side. They were of the view that government, universities and private sector need a stronger collaboration that would support training in their programme and promote the master tradespersons and small and medium enterprises (DSME programme) taking into account the cultural dimension that supports consumer behavior. Discussion also reflected on investing people on training. However, training should meet the vocational needs as well as reflect the needs of the companies. To this end industry, trades, tourism services and Teaching among others should constitute another focus, to ensure good training standards in the long term. Moreover, school curriculum should constitute vocational training and every year the private sector should look at the curriculum and bridge the gap.

56. Among the most important observations arrived at the session, were as follows:

- Inadequate government and private sectors involvement in vocational education and training.
- Unify efforts by the various establishments representing the private sector, and strive to have a complementary role, not competitive one.
- It is also necessary to have one entity that represents the private sector before the government;
- Apply the program of apprenticeship, due to its different benefits, whereby students are provided by the theoretical aspect of the problem; it also encourages establishments to participate in designing curricula suitable for their needs.
- The Government and private sector should accept the idea of real partnership with training institutions to participate in developing vocational education and training;

57. Following were recommendations made:

- i. Government, universities and private sector need a stronger collaboration that would support training in their programme;
- ii. Training should meet the vocational needs as well as reflect the needs of the companies; and
- iii. Establish specialized training centers that serve a certain sector or industry, especially training programs that are not available in the public sector;

Parallel Session 4: Follow up of the EU-Africa Business Forum (EABF)

58. The Session was chaired by the Director for Economic Affairs of the AU Commission. The EU Commission was represented by Mr. Gary Quince Head of the EU Delegation in Addis Ababa. On the private sector side, key actors, including Business Africa and African and European private sector were present.

59. Following the successful conclusion of the 5th EU-Africa Business Forum (EABF) held in Brussels on 31/03 and 01/04 2014, a second follow-up workshop was convened, on a parallel session, in the margin of the 7th African Private Sector Forum held on December 3 to 5 in Nairobi, Kenya, in order to ensure continuity and discuss concrete follow-up actions to the recommendations that emerged from the two day deliberations.

60. After a brief introduction by the European the Director for Economic Affairs, the Head of the EU Delegation presented the new EU approach on private sector engagement and the EU contributions to the Panafrican Programme in 5 areas: Peace and security, Democratic governance, Human Development, Inclusive and Sustainable Growth and cooperation in global issues.

61. Afterwards, the representative of Business Africa presented a synthesis of the main recommendations that emerged from the different thematic roundtables of the EABF. He grouped them into six macro-recommendations:

- Business Climate: need to continue enhancing the business and investment climate in Africa to improve the ranking of African countries on various indicators of the Doing Business Report; adopt an inclusive approach in defining the business climate;
- Improve the Regulatory Framework: need to improve the legal and judicial systems, compliance with the rule of law, IPR protection, investment policy for infrastructure; improve compliance with consumer protection laws, fight against counterfeit (particularly medicines); establish and improve Public Private Dialogue schemes in various sectors;
- Eco System: support entrepreneurs to bring their projects into the market via incubators, business centres and ensure cooperation between donors, governments and private sector; set up a social business incubator;
- Infrastructure: promoting new procurement procedures, involving local companies in infrastructure development, partner between European and African companies;
- Finance: risk mitigation, creation of a Pan-African stock exchange for companies to access the capital market; put in place a technical assistance programme for banks, work with pension funds and sovereign funds; create a capital market in Africa that would bring back to Africa the capital that is fleeing the continent;
- Human Resources: strong signal was given by the private sector on the importance of the educational system and the creation of the right set of skills as well as the promotion of respect for the rule of law.

62. The Session discussion focusing on key points related to:

- Assessment of the forum. General agreement among participants that the EABF was a successful event and provided the opportunity for focused discussions in a variety of key sectors. Some voiced disappointment that their recommendations were not reflected sufficiently in the political EU-Africa Summit declaration. The Session further noted the need for follow-up through structured dialogue: General agreement that dialogue in-between the EU-Africa Business fora should be continued, private sector-led and possibly grouped within thematic sectors.
- Examples of concrete activities linked to the EABF. The Meeting underlined the cooperation between some EU enterprises with local

investors in Africa (EIB); involvement of African diaspora (B2B event between African and European private sector in May 2015) and call for businesses to integrate corporate social responsibility and environment concerns (Africa CSR Awards in Brussels in Nov. 2014) both events organized by the EU-Africa Chamber of Commerce; support to small and medium enterprises in Africa; e-Schools (enhancing connectivity in rural schools of Africa), pilot project in Kenya (SES);

- Assessment of the need for a more structured framework and further follow-up activities. Participants to the session voiced the need for Africa and EU to set up a concrete follow-up process of the recommendation of the EU-Africa Business Forum as well as the possible organization of events in Africa to raise awareness. The need for an EU-Africa Business Forum organized in a yearly base was also noted.

63. Subsequently, the following recommendation were made:

- i. Organization of Mission for Growth in Africa to practically create strategic link between the African and the EU private sector;
- ii. The need for a Communication strategy with African SME's to bridge the communication gap they are facing and provide relevant information's for their participation in the achievement of the recommendations of the Forum;
- iii. Need for a continental approach on Corporate Social Responsibility in Africa;
- iv. Need for quality assurance in the Medicine Sector in Africa with a view to strengthen the legislative framework of that sector.

Parallel Session 5: Building inclusive financial systems in Africa: The role of microfinance and mobile banking in private sector development

1. The nature of clients that use micro financial services are often excluded the formal banking sector. The financial market presents one paradox: few individuals hold bank accounts but this presents an opportunity for the private sector to develop mechanisms to provide services to the void created.
2. From government perspective, Governments can support and provide necessary infrastructure and gateway for micro-finance institutes (Tunisia experience)
From the perspective of a micro-financing institute i.e. FCB, Financial inclusion means delivery of financial services at low cost to all categories farmers, slum dwellers, migrants, etc. ranging from providing small loans to big loans, providing savings, credit services, etc. To mitigate the risk associated with in the lending sector, a number of have to be taken into account i.e. group methodology including guaranteed loans by group members; saving mobilisation and training on financial literacy. It has also been useful to partners with larger financial

providers as this allows diversification to remote areas and mobilise many customers.

3. The experience in Kenya with MPESA mobile banking provide exciting and great prospects particularly in capturing remote areas that do not have economic viability from the perspective of large retail/commercial banks. The application provides great flexibility especially for SMEs (requires only basic mobile phone) and opportunity for competitors to co-compete in areas of common interest (e.g. between banks and mobile companies).
4. From the perspective start-ups and SMEs – the problem is access to financing even through micro financing. On paper, the process seems achievable but practically very difficult. The issue of security is also another challenge. The banks believe that there is information gap and hence need more information to be disseminated and also there is need to take into account the risk factor
5. Key recommendations were:
 - i. Explore other avenue i.e. sharia Islamic banks that don't have stringent conditionnalities
 - ii. The innovation of MPESA by was created by a student, should impress upon banks to think about what they can do to enable the youth to develop through start-up programmes so they can become entrepreneurs in the future
 - iii. Find mechanisms to safeguard against capital flights particularly by multinational banks and Governments need to be tighter on foreign banks. Kenya has put up some measures with regard to this.
 - iv. Concentrate on people driven financial inclusion by tailoring products to needs of people
 - v. Need to explore how research (through Academia) can be matched with practice
 - vi. Come up with regulation to cover money lenders
 - vii. Explore the possibilities of financing based on Carbon credits
 - viii. AUC to make mobile banking based on MPESA experience as a continental initiative

Parallel Session 6: African Union Private Sector Development Strategy: The private sector facing the challenges of competitiveness and structural transformation

6. This session was chaired by Dr. Kouassi, Director for Economic Affairs and the panel was composed of: Patrick NDZANA OLOMO, Policy Officer IRM, AUC; Dr. Maurice Engueleguele, Programme Coordinator Africa Governance Institute; Pr. Jean-Marie Gankou of Yaoundé II University; Pr. BOLAJI of ECOWAS.

7. In his introductory remarks, the Director for Economic Affairs highlighted the role of the AU Private Sector Strategy in building inclusive societies under the global framework of Agenda 2063. He underlined the need for the private sector to fully engage on the structural transformation process of Africa and pledged for a stronger private sector role in the process of achieving inclusiveness in the continent during the next decade and beyond.
8. Afterwards, a general presentation of the strategy was made and highlighted the three pillars of the strategy: The first pillar “Business environment and Business Climate” the Commission will support the improvement of the business and the investment climate, especially for micro, small and medium –sized enterprises. The second Pillar “Productive capacities of the private sector”. In this pillar, the Commission support will capture the development of productive capacities in the triple perspective adopted by UNCTAD which includes: (i) productive resources; (ii) entrepreneurial capacity and; (iii) production linkages.
9. Under the third pillar “Private Sector role in inclusive growth”, the support will aim at mainstreaming private sector role and engagement in achieving Africa’s transformative and development Agenda. In this regard, the Commission will create opportunities for strengthening the role of the private sector with a view to achieving inclusive and sustainable growth in most areas of AU flagship programmes.
10. The Panel presentation and discussions recommended the following points:
 - i. The need to incorporate the issue of governance as a cross cutting issue on the three pillars of the strategy with a view to fight against corruption and build a continental PPP framework to catalyze infrastructure investments;
 - ii. The need to have a broader approach to take advantage of the current trends of globalization to build the competitiveness of the African Private Sector. In this respect the strategy should incorporate the issues of CSR, local content and ethical values for SME’s;
 - iii. The need for the strategy to provide a continental legal framework to deal with the issue of business failure in Africa;
 - iv. The need to build trust among African private stakeholder with a view to catalyze investments in Africa;
 - v. The need to have a concrete inclusive approach aiming to strengthen youth empowerment, inclusive and impact businesses in Africa;
 - vi. The need to take on board informal sector with the view to formalize it during the next decade;
 - vii. The need to address continental emerging problems such as health issues as well as natural disasters;

- viii. The need to build an inclusive consultative process in order to fully engage with the private sector in the process of designing the AU Strategy and propose a clear agenda for the preparation and endorsement of the Strategy by African Leaders.

VII. ADOPTION OF THE MINISTERIAL DECLARATION

41. The Conference considered and adopted its Declaration with amendments.

VIII. CLOSING CEREMONY

42. In his concluding remarks, the Representative of the Kenyan Government underlined the timely opportunity of the 7th African Private Sector Forum and the practicality of its overall theme “Promoting Africa’s Private Sector for Inclusive growth and Development: Exploring innovative mechanism of funding”. He voiced that this theme is fully in line with the continental current effort to achieve tangible development results in building strong and resilient economies. He thanked the African Union for its vision towards an African inclusive society during the next decade under the global framework of Agenda 2063 and expressed it’s the deep and sincere appreciation of the Kenyan leaders to the representative of Africa’s Private sector and wished them a safe return in their capitals.
43. In his closing remarks, the Commissioner for Economic Affairs made a wrap-up of the Forum highlighting the constructive recommendations that emerged for the six Plenary and Parallel Round Tables. He stressed the importance of a dynamic and resilient private sector towards Africa’s transformation and inclusiveness process. He conveyed to the Leaders of Kenya the AU’s deep appreciation for their firm commitment to Pan-Africanism and the cause and objectives of our Union. He finally thanked of the Representatives of the private sector for their participation and closed the Forum 7th African Private Sector Forum.