Leveraging Private Sector Engagement for the Africa we Want.

To set Africa firmly on the path towards economic and social transformation, private sector engagement is crucial. The African Union, has throughout the years worked closely with the private sector to define the great contribution and significant role the private sector plays in driving the economic development Agenda of the continent. The private sector in Africa accounts for over 80 per cent of total production, two thirds of total investment, and three fourths of lending within the economy. The sector also provides jobs for about 90 per cent of the employed working-age population. Further, Small Medium Enterprise (SMEs) are the backbone of the African private sector accounting for over 90% of businesses in Africa and translating to 63% of employment in low-income countries while contributing to over 50% of the Gross Domestic Product (GDP) according to the UN Economic Commission for Africa.

Although trends in intra-African trade point toward progress, trade within Africa remains very low in proportion to total global trade, highlighting the need for enhanced intra-African trade. The tides however look promising with the launch of trading under the African Continental Free Trade Area (AFCFTA). The AFCFTA is expected to increase intra-African Trade by over 50 per cent, and will boost the continent’s GDP by more than $40 billion, and its exports by more than $55 billion. To promote private sector engagement, the African Union has implemented programmes that seek to form strategic partnerships with the private sector through Public-Private Partnership (PPP) engagements, including developing strategic partnerships with African Philanthropists to support the implementation of key development initiatives at a regional and continental levels. Within the various pathways of the PPP, the AU seeks a more efficient and coherent engagement in driving the implementation of Africa’s development framework, Agenda 2063. In so doing, the AU is not only acknowledging the vital role the sector plays as a key driver of sustainable and inclusive economic growth, but also as efforts to create an enabling and conducive environment for the private sector players to set up thriving businesses in the continent. The success of the private sector landscape positively feeds into its role as a catalyst for the continent’s industrial development and broader transformation.

A commitment to inclusive development.

In developing policies and conceptualizing projects, the African Union undertakes a broader consultative process with stakeholders and experts. Such consultations enable the development of relevant, practical and implementable projects that address the actual deficits on the ground, for tangible economic transformation and in fulfilling the vision of the founding fathers to bring the African Union closer to the people. The private sector engagement has been a prominent feature in the continuous dialogue on key projects by the Union. Over the years, the African Union has focused on institutionalising the PPP engagement to provide an all-inclusive policy space for various stakeholders to explore realistic regional and global opportunities and network to expand business growth. The various structures serve as platforms for awareness and sensitization of AU Member States and citizens, including women and youth, on
Topical issues. The platforms bring together the African Union, member states, subject-matter experts and professionals, academicians, women, youth, the private sector, the diaspora and civil societies. The AU Commission has existing structures that include:

1. The **African Economic Platform (AEP)** a flagship programme of Agenda 2063, is the premier multi-stakeholder meeting bringing together the African political leadership, the private sector, academia and civil society to reflect on how to accelerate Africa's economic transformation by harnessing its vast resources to enhance the development of the African people. The forum looks into key opportunities and the constraints that hamper economic development and propose solutions.

2. The **African Private Sector Forum** is an annual gathering of stakeholders in the public and private sector convened by the African Union, to promote the work of the AU in the area of economic integration and private sector development and engagement. The Forum also acts as a vehicle for empowering the African Private Sector through advocacy, Networking, sharing of business and market information and skills. During the forum the African Stakeholders propose policy solutions for the resolution of Africa’s underdevelopment challenges, such as debt problem, illicit financial flows, unemployment, industrialisation and manufacturing challenges, value addition and provides a framework for the use of harmonised statistics which will be further entrenched through the establishment of the AU Institute for Statistics and the Statistics Training Centre.

3. The **African Inclusive Markets Excellence Centre (AIMEC)**. The AU is in the process of operationalising AIMEC. It is going to be the premier Pan-African regional platform for thought leadership and action on inclusive business (IB) and inclusive markets (IM), identifying, facilitating and replicating best practice and innovation in IB and IM policy, programming and public-private collaboration. Ultimately, this will foster inclusive growth and regional economic integration in Africa.

4. The **AU Foundation**, which focuses on engaging with private sector philanthropy to support key development initiatives on the continent such as agriculture and youth development.

The African Union has also engaged the private sector to support public health emergencies such as the “Africa Against Ebola Solidarity Trust Fund” and the towards the West Africa Ebola epidemic in 2014, investing in the continent’s capacity to respond to public health emergencies through the deployment of African Health Workers. A similar call to the private sector was also made in 2019 for the “Africa Against Ebola Forum” to support efforts in eliminating Ebola in the Democratic Republic of Congo.

**Fostering entrepreneurship; for the people, by the people.**

The private sector development, including SMEs in Africa, continue to be impeded by several challenges. The AU works to foster, within member states, an environment conducive to the development of the private sector through addressing skills gaps and skills mismatches which remains a great constrain, better institutional frameworks that enable skilling and development, access to financing to spur innovations and promoting private sector participation in industrialisation processes and value chains.
Through its various policies, projects and activities, evidenced by the start of trading under the African Continental Free Trade Area (AfCFTA); the launch of the Single African Air Transport Market (SAATM); the push for the implementation of the Protocol of Free Movement of Persons in Africa; and accelerating the infrastructure development in the continent, the AU has signaled its commitment to facilitate the growth and development could ensure that the continent benefits in employment creation for its young population and increase the beneficiation of the local products, while maximizing regional values chains.

This is especially significant in looking at the public debt levels within the continent, which though sustainable, remain high thus calling for the need to invest funds borrowed into productive sectors to generate returns that could allow timely repayment and enhance the countries’ growth prospects. To facilitate the growth and development of the African private sector, the African Union Commission places emphasis on several key aspects that include but are not limited to;

1. The need for Africa to diversify economically and add value through commodity-based industrialization raise productivity in agricultural and nonagricultural sectors.
2. Promote industrialisation in Africa to meet the requirements of private businesses, in particular SMEs that are the backbone of the African private sector. The continent undoubtedly needs to promote the “Made in Africa” in which the private sector, in particular SMEs, has a crucial role to play. This could reflect in the design, marketing and branding that promote the “Made in Africa”.
3. Africa’s industrial policies should be coherent with other policies, including trade policies, to promote value addition and economic diversification. These policies could include ‘smart protectionism’, of which nascent industrial sectors can develop productivity through learning-by-doing, technology upgrade, support from leading firms and reducing tariffs on imported inputs to industrial sectors, as well as reducing barriers to imports of services that are inputs to the industrial sector.
4. Mobilizing finance to support the private sector in Africa has been underscored as a crucial element. Promoting financial market development to harness domestic resources for long-term development, accessible to the range of economic actors would be a significant contribution to improving the capacity of Africa’s private sector to participate in Africa’s industrialization and value chain development.
5. At the regional and continental levels, harnessing cross-border financial flows from Africa’s diaspora is fundamental for the continent’s development. Initiatives to enhance the use of remittance channels, cutting the associated costs and mobilizing remittances for investment purposes, could help channel the diaspora’s finance into the industrialization process of African economies.
6. There is also a need for the continent to actively promote all viable means of domestic as well as foreign resource mobilization. This includes harnessing excess liquidity in the banking sector for development (particularly for long-term development projects) and stemming illicit financial flows out of Africa.
7. Member States are also urged to strengthen public-private dialogue platforms at all levels, in order to harness the goodwill of the private sector for it to be a reliable partner in Africa’s development.


Over the last 11 editions of the African Private Sector Forum, the annual forum has evolved to focus on the wide range of Africa’s development priorities and has
successfully provided a platform for information exchange, business networking and policy recommendations including business development services, regulatory reforms, and capacity-building for women and youth, with a particular focus on strengthening local micro, small and medium size enterprises. This forum offers varied sectoral engagement opportunities in the Business to Business (B2B); Business to Government (B2G); Business to Others (B2O); and Others to Others (O2O) models. The 12th edition set to kick off in Cairo, Egypt on the 10-12th November 2021, is convened under the theme, “Strengthening African private sector’s capacity to respond to disrupted markets and ensure economic resilience in the face of COVID-19 Pandemic.”

This will accord the various participants opportunities to; advance dialogue on issues of economic development between policy makers, specialized development agencies and financial institutions, civil societies, private sectors, researchers, and professional organizations; and explore avenues for greater private sector’s role and contribution to Africa’s growth and economic transformation in designing, implementing and monitoring economic recovery policies during the ongoing COVID-19 pandemic. The COVID-19 crisis has presented challenges to businesses to reconsider their products, services and business models in light of market disruptions. To do this, the African Private Sector requires a conducive business environment and a supportive entrepreneurial and innovation ecosystem. One that promotes productivity and better working conditions for business growth and sustainability. Governments should prioritize reforms and other support measures that promote growth and innovation of African Private Sector in order to help pull the countries out of the economic and social crisis created by the pandemic. This includes reforms that promote greater economic resilience to external shocks.

Learn more of the upcoming African Private Sector Forum here.

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