

**Securing Africa's Renaissance: Role of the Private Sector**  
**Keynote Statement by**  
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**Addis Ababa, Ethiopia**  
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***Salutation.***

Your Excellency the Chairperson,

Your Excellencies

Distinguished Guests;

Ladies and Gentlemen;

**Introduction.**

1. **Fifty years of postcolonial history** have seen significant transformations in the role of the private sector in Africa. From a predominantly country based trade oriented sector the African private sector has transformed into a modern industrial and commercial Base increasingly engaging in a complex and competitive global economic environment.
2. The post colonial phase of Africa's political economy showed a **tendency towards state domination** of the key economic sectors. Most governments, emerging from colonialism, felt a responsibility to directly create employment, provide education and livelihoods to its citizens. This led to direct state participation in key economic sectors ranging from mining, agriculture, and industry to tourism and transportation.
3. By the mid 1980's it was obvious that **state direct involvement in the economy was not sustainable** and there was need for change.
4. **Macroeconomic and structural reforms in the 1990s** led most African governments to reduce the scope of public

sector control of over the economy and to make space for greater participation of the private sector.

### **Public Private Sector Partnerships**

7. Up until the mid 1980s, the debate on the role of the private sector was seen as part of the bi-polar cold war argument; communism versus capitalism; dictatorship versus democracy; state controlled versus private owned;
8. Ironically the end of the cold war demonstrated clearly that neither side could succeed on its own. If anything, it showed the need for the two sides to work together as partners.
9. Thus private public partnership became a mainstream strategy that required the private sector to work actively with the public sector on the basis of comparative advantage and the identification of complementary expertise and shared commercial, entrepreneurial political and development interests with a view to promoting inclusive growth.
10. Until recently, private sector was seen as a sector solely interested in its profits and as a result, were not really considered as potential vehicles for development or sources of ideas and input in development debates and policies.
11. However, attitudes are shifting and policy discussions are now increasingly addressing the role and importance of private sector and civil society actors in development matters including human capacity development, poverty reduction, enterprise innovation, and participation in global trade.

### **The Private Sector As The Engine Of Growth.**

5. Today, the **role of the private sector as the engine for growth** and economic development in Africa and the rest of the world is generally accepted.
6. Most countries have made significant moves to promote this, through restructuring of the financial sectors and the adoption



of policies to create the enabling environment for private sector participation.

12. Africa's private sector accounted for more than 80 percent of total production, two-thirds of total investment, and three-fourths of total credit to the economy over the 1996-2008 period. It was also responsible for 90 percent of formal and informal employment.

### **Opportunities and potentials for growth in the coming decades.**

13. The potentials for growth in the coming decades are self-evident. The numbers reveal the opportunities. Africa has
  - 1 billion people
  - 54 countries,
  - Annual population growth of 2.3 million.
  - 60% of the population below the age of 25.
  - Middle class of 300 million
  - Land mass represents more than 50 % of the world's surface.
  - 60 % of the world's arable land
  - Significant percentages of the world's gold, copper and oil.
14. These numbers represent huge markets for the private sector. Africa is now one of the most profitable regions for investment. Virgin lands, a youthful population and vast natural resources, present opportunities for higher returns.
15. Moreover, African is now safer and indications are that both foreign direct investment and intra-African investment are picking up. Stability and security due to the AUs intervention in collaboration other partners are improving.
16. It is true that Africa faces vast infrastructure gaps, but this also presents opportunities for investment, both from the private sector and through public-private partnerships in the

areas of energy, housing, transportation technology and social amenities.

17. It is estimated that Africa needs 7-8 % annual growth and the creation of 1 million small- to medium-sized enterprises (SMEs) over the next 10 years to meet the challenges of expansion and growth. This is a challenge both for the private sector and for African governments and calls for mutual cooperation.

### **The Role of the Private Sector in the Coming Years.**

18. Today's programme is taking place as part of the 50th Anniversary commemoration of the OAU/ AU. That is why the theme: *Role Of Africa's Private Sector Over The Next 50 Years* is important.
19. The AUC has just adopted a new strategic plan for 2014-2017. At the same time the AU is developing for the first time a continent wide "agenda 2063" which will be the blue print for integration and development over the next 50 years.
20. I see Africa in 50 years from now as a continent integrated economically and politically and with one market of more than 2 billion people. A continent with the biggest work force in the world with highly trained and dedicated workers to drive the economy. A continent where Gender equality will be the norm and our grand daughters and sons will have equal opportunity and access to the common good. I see Africa's share of world trade rising to at least 15% and intra African trade at more than 50% compared to today's 11%. In fifty years I see Africa as a world industrial leader competing with the best in the world and using our vast mineral resources to drive the global economy.
21. In the envisioning this future eight priorities have been identified.
22. The priorities areas are:
  - *Human Capacity Development.*



- *Agriculture and Food Security.*
- *Inclusive Economic Development.*
- *Peace and Stability.*
- *Gender and Equity.*
- *Resource mobilization.*
- *Communication and participation.*
- *Institutional capacity development*

23. All these areas require active private sector participation and partnership with the public sectors and the role of the private sector will be measured by how it contributes to achieve these priorities.

24. I will particularly, like to highlight the role of the private sector in the following areas

- Human capacity development.
- Agriculture and food security
- Boosting intra-African trade
- Gender and equity

#### **Human capacity development**

25. Six of the world's 10 fastest growing economies in the last decade are in Sub-Saharan Africa, and at a time when investors everywhere are hunting for promising new markets and worthy new ventures, Africa is attracting attention from all corners.

26. But a prosperous future is not guaranteed and cannot be achieved without the appropriate development of our human capital. Until recently investment in human capital development has been public sector driven. Over the last decade however Africa has witnessed increasing private sector investment in education. Most of the investments are however in the area of

formal education and in the arts and social sciences. But there is a lot that still needs to be done.

27. Two thirds of Africa's population is below 25. These young people are all coming of age at once and they are all connected. Creating jobs and opportunity for these young people is an enormous challenge, and one that we must all commit to addressing. Africa's youthful population provides huge potential for investment in science, technology and research, which will be essential for unleashing Africa's full potential.
28. Currently investment in research and innovation in Africa is amongst the lowest in the world. Private investment is virtually non-existent and leaves African industries vulnerable and dependent on imported technology and innovations.
29. As the Chairperson of the AU commission aptly puts it "*If we invest enough in the young population we have, this population will be one of the drivers for the future of the continent. But if we do not invest in the youth, they will be our greatest liability. When young people are restless and cannot reach their potential, they will be involved in revolutions*".
30. The private sector will therefore have to work closely with governments to create the enabling environment for greater private sector participation and investment in research, science, technology and innovation.

### **Agriculture and food security**

31. Africa can boast of one sixth of the world's arable lands and contains abundant reserves of natural resources. Yet Africa is a net importer of food and still remains an exporter of primary agricultural and natural resource products.
32. In spite of the rich opportunities for diversification most of Africa's highest performing economies are dependent on a single industry or a single export.



33. In order for the PS to play its part fully, it will require a combination of good policies, the development of facilitative infrastructure, access to finance and other enabling conditions. These can only be provided through constructive partnership between the public and private sectors.
34. By investing in agriculture and strengthening food security, we will see economies grow and stability increase. And the private sector has an important role to play in this.

### **Boosting intra-African trade**

35. Trade is a critical element in the African regional integration programme. However intra-African trade amongst African states is around only 10 % of total exports. This is lower than within any other region in the world. Yet with a continental population of around 1 billion people, Africa has one of the highest consumer base in the world. And the potential for growth by integrate 54 separate markets needs no exaggeration.
36. The low level of intra African trade is attributed to several factors. These include
  - Supply side constraints,
  - Infrastructural bottlenecks,
  - Existence of multiplicity of trade barriers,
  - Weak intercontinental networking and information sharing
  - Weak financial infrastructure and
  - Failure or reluctance to implement trade protocols.
37. In order to address theses challenges we need to take appropriate policy prescriptions and commit to the effective structural diversification of production and exports. The production of non-traditional export commodities with

comparative advantage on regional and global markets must be encouraged.

38. Africa's integration agenda includes the creation of a Continental Free Trade Area by 2017. The private sector can play an important advocacy role to encourage governments to take the necessary policies to remove all barriers and facilitate the creation of a continental market that will enable Africa's industries and trade companies to benefit from the economies of scale
39. The experiences of the East African Community, COMESA and the tripartite free trade agreement provides a model for us

#### **Women and the African private sector.**

40. Africa's true entrepreneurs are our women. Africa's women are the hardest working women in the world. Until recently these hard working often poorly educated women struggled and made sacrifices so that their male counterparts can go to school and be educated. And yet so often what our women do is not even included in the formal economy, nor is it measured in the GDP.
41. As Hillary Clinton rightly puts it "*if all the women in Africa, from Cairo to Cape Town, decided they would stop working for a week, the economies of Africa would collapse*".
42. The chairperson of the AUC Dr. Dlamini Zuma also emphasizes, "*75% of workers in agriculture are women. We must therefore invest so that women also become farmers and entrepreneurs for processing what is being produced*"
43. Necessary measures are required as a matter of urgency, to empower the women when it comes to economic opportunity and development.
44. Women constitute half of the African population and dominate the true private sector in most countries. They need the recognition, rights, responsibility and equitable access to



opportunity and finance. It is our joint responsibility to ensure this huge potential for growth of the private sector and the African economy is maximized.

### **Competiveness of the African economy**

45. In order for Africa to be competitive we need urgent policy action and investment to ensure that Africa sustains its economic recovery and continues to grow in the future. This requires a unified vision, shared by all our organizations, of the areas requiring critical attention. African businesses can become more competitive, but African governments and their international partners will need to improve access to finance, resist pressure to erect trade barriers, upgrade infrastructure, improve healthcare and educational systems, and strengthen institutions

### **Conclusion**

46. Africa needs flexible policies to promote private sector growth. There needs to greater collaboration between governments and the private sector. African nations need to democratize and liberalize to achieve growth and prosperity.
47. Clear policies must be made to enhance inclusive growth, recognize and harness all potential African resources including the African diaspora for the development of the continent.
48. Our common strategic goal with respect to the private sector should be to promote a proactive and vibrant pan African private sector that can play the lead role in energizing African economies to achieve poverty <sup>eradication</sup> reduction through creative and productive processes that accelerate economic growth, sustainable development and deeper integration of the Africa into the global economy.

Thank you.