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## **7<sup>th</sup> African Private Sector Forum**

### **Theme:**

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

**Nairobi, Kenya**

**3-5 December 2014**

*Keynote Speech by Anthony Mothae Maruping*

*Commissioner for Economic Affairs, AUC*

Economic Affairs Department

03 December 2014

**“Strengthening the private sector role in achieving Africa’s economic transformation under Agenda 2063”**

**Dr Karanja Kibicho- Principal Secretary, Ministry of Foreign Affairs of the Republic of Kenya**

**Excellency the Deputy Chairperson of the African Union Commission,**

**Mr Farid Masmoudi- Islamic Cooperation for the Development of Private Sector**

**Dr Mustata M Gunay, Secretary General of Tuskon**

**Excellencies,**

**Distinguished representatives of the Private Sector,**

**Guests**

**Dear Partners**

**Ladies and Gentlemen,**

At the onset, I would like to take this opportunity to thank the Government and the people of the Republic of Kenya for the warm welcome and hospitality as well as the courtesies extended to all delegations since arrival in this ever vibrant and fast paced city of Nairobi. Thank you all for being here and being prepared to make constructive contributions. It is encouraging. AUC listens. We are all ears. We eagerly look forward to listening with keen interest to what you have to say, within the framework of the theme of this conference.

I am delighted to add my voice by expressing AUC’s strong view on envisaged indigeneous private sector’s pivotal role in contributing to achieving Africa’s accelerated, stable, sustained as well as inclusive growth and radical economic transformation and thus socio-economic development under the continental framework of Agenda 2063.

**Exellencies Ladies and Gentlemen,**

The powerful role of the private sector as an engine of accelerated, stable and sustained as well as inclusive growth with equity; growth that is job creating, that leads to rapid, resilient and

inclusive as well as sustainable socio-economic development in Africa, cannot be overemphasized. Indeed private sector is the sine quo non instrument of economic transformation and value addition that is sought after.

In fact, during the last decade, the private sector has increasingly become an important development partner of African policy makers including the enlarging of opportunities for and upliftment of low income groups. Estimates show that private sector is providing 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 transformative agenda contained in Agenda 2063, the private sector is, therefore, needed as an investor in extractive activities, in manufacturing, services and 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 in general, private sector has, and will have, a major role to play in the socio-economic transformation towards an inclusive green economy. Given the private sector's potential for generating inclusive and sustained growth and sustainable socio-economic development in Africa, the private stakeholders, including a broad spectrum of entrepreneurs, financial intermediaries, employers and workers organizations, are emerging as the ever more active in the development field, not only as production agents but also as both a source of finance and as partners to the public sector, to developmental non-governmental organizations (NGOs).

### **Excellencies Ladies and Gentlemen,**

Over the last decade, there has been a significant improvement of Africa's business and regulatory environment. Increasingly developmental state is nurturing, supporting and even nudging private entrepreneurship. This is the step in the right direction. It is bearing dividends. More can be expected if private sector continues to be allowed to play its role unhindered.

Notwithstanding these reforms, Africa's investment and business climate has left room for further improvement. It is still characterized by a wide range of still obstacle-filled regulatory framework and scarcity of relevant labor skills, persistent logistical obstacles that retard value addition and impede enhanced competitiveness and thus constrain the smooth functioning of

the private sector. These obstacles can be seen from three angles: **first**, through inconsistent policies at the macro and sector levels and in each sector (regulation and taxation, stability and security, finance, appropriate skills development, inadequate quality infrastructure); **second**, can be seen through diminished credibility and public trust for governance institutions, and; **third**, through the often limited channels for wide participation in policy formulation. Inclusion is limited.

Despite wide variations across Africa, these structural and procedural deficiencies often result in bureaucratic red tape, poor control of rent-seeking and lack of transparency and accountability, all of which significantly diminish the credibility of public policy and its administration, and compromises governments' role as an enabler. Where corruption is rife and a threat, entrepreneurs prefer to remain unregistered to escape what they perceive to be somewhat predatory policies. These common phenomena makes for a difficult business environment across much of Africa for large and small enterprises alike, compared with most other parts of the world.

Africa's underdeveloped financial markets present further investment and business operation constraints to private sector development. African formal financial systems and capital markets are embryonic and face problems of scale, volatility, long-term liquidity, and accompanying macroeconomic and regulatory stability challenges, and are thus perceived as high risk by outsiders. Current global financial uncertainty is another often complicating factor, due to increasing economic risks in the aftermath of the 2008-2009 global financial turbulence, which has led to much more costly short-term commercial financing, especially in trade finance. Access to long-term credit is generally even scarcer on the continent.

The flow of credit to the private sector also remains below average of other developing regions' levels. Close to half of Africa's small businesses report that gaining access to financial services is a major constraint. Annual WEF competitiveness report, year-in-year-out, shows access to credit as one of the top, if not top-most, obstacle to investment in Africa. Only 22 percent of African companies hold a loan or a line of credit from a financial institution, compared to 31, 47, and 48 percent in developing parts of Asia, Americas and Europe, respectively.

Furthermore, Africa's financial infrastructure is generally in nascent stages of development. Financial infrastructure comprises a set of market institutions, networks and shared physical infrastructure that enable the effective operation of financial intermediaries, the exchange of information and data, and the payment clearing and settlement systems among market participants. Previously informal savings and loans associations or societies have grown and hold large accounts in banks and thus count in promoting saving (thus mobilizing investible resources) and in contributing to financial stability and financial inclusion. They should not be overlooked.

### **Excellencies Ladies and Gentlemen,**

AUC is still pursuing harmonization of payment systems across Africa. Virtual Pan-Stock Exchange remains on the AUC agenda. There is need to hasten the pace towards realization of these endeavors. Building on past achievements and lessons of experience, and taking into account international experience, the African Union Commission is currently undertaking some activities with a view to strengthening private sector role in Africa's development. Allow me to briefly highlight three of those.

**The first** is related to the improvement of African Investment Climate through a Pan African Investment Network. The network will provide African and non-African investors with a virtual platform which will allow them to easily identify African private sector key stakeholders such as Investment promotion Agencies, Chamber of Commerce and Industry, Continental and Regional Business Associations, Continental and Regional Financial institutions with a view to receiving relevant updated data that they might need to take optimal investment decisions and therefore increasing the flow of investment in the continent.

**The second** is the classification of Top African Companies. The objective of this exercise is to promote excellence and competition among African private companies to strengthen their competitiveness. It is also a continental platform to fast-track Africa's integration to the Continental and Global Value Chains.

**The third initiative** is the AU Private Sector Development Strategy for 2015-2019 which will be discussed in a special session to take stock of Participants. Your views, comments and recommendations will be taken on board. The AU Private Sector Development Strategy was conceived and is perceived as a Continental strategic framework for strengthening the role of the private sector in achieving inclusive, accelerated and sustained economic growth. It consists of three pillars on which the AUC believes it can add value and effectively complement actions by authorities in Member States, private sector organizations, financing institutions and other development partners, to foster the role with a view to achieving accelerated and inclusive growth.

In the **first** pillar of its Private Sector Strategy “Business environment and Business Climate” the Commission will endeavor to support the improvement of business and investment climate, especially for micro, small and medium –sized enterprises.

Under the **second** Pillar “Productive capacities of the private sector”, the Commission support will focus on capturing the development of productive capacities in the triple perspective shared with UNCTAD, which includes: (i) productive resources; (ii) entrepreneurial capacity and; (iii) production linkages.

Under the **third** pillar “Private Sector role in inclusive growth”, the Commission’s 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.

For success in all these, full commitment and cooperation of the national and regional authorities is essential. We must work in concert.

**Excellencies Ladies and Gentlemen,**

As part of its support to micro, small and medium-sized enterprises and the creation of an enabling environment for their development, the AU Commission will strive to give particular

attention to women, youth and people living with disability (another marginalized group) entrepreneurship and employment. AU theme for 2015 is “ Women empowerment towards Agenda 2063”. It will certainly be the beginning of the offensive in this noble undertaking, certainly not a fad, a passing passion. As women, youth and people living with disability are under-represented in business communities in the continent, the AU Commission through its Private Sector Development Strategy will push for youth and gender-sensitive business regulation. It will address the specific training and support needs of women, youth and people living with disability as entrepreneurs and workers to ensure that recent improvements in girls’ education are translated into real economic opportunities for women and thus for the society as a whole.

Let me emphasize that people with disability, who also fall among currently marginalized social groups, should be included in all these initiatives.

The Commission’s efforts will also consist of endeavoring to promote the drivers of transformative and inclusive growth, including the provision of relevant essential human development services and decent job creation, as it is one of the six priority areas, or pillars, on which the Common African Position on post-2015 development agenda is built, and will hopefully influence formulation of the global post-2015 development agenda and are encapsulated in Agenda 2063.

### **Excellencies Ladies and Gentlemen,**

Agenda 2063 will respond properly to the challenge of achieving inclusive growth and sustainable development only if the private sector participates actively in formulating and implementing it. This, I am satisfied, has been amply done. Private sector was consulted. The door remains open but is about to be closed. 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. It will be part of the unpacking of Agenda 2063.

Through its 6 plenary and parallel sessions, I am confident that this Forum will facilitate frank and constructive discussions on how to fine-tune the intended and pledged support for

addressing and meeting private sector's contemporary challenges. This Forum, therefore, offers a unique platform for robust debates on how to better involve the private sector on the ongoing efforts for rapid, inclusive resilient and sustainable development in Africa.

I wish participants fruitful deliberations during this 7<sup>th</sup> African Private Sector Forum and pledge for a stronger role of the private sector in achieving Africa's economic transformation during the next decade and beyond. Do propose the format/modus operandi of the next forum with the view to keeping the forum effective and thus relevant.

No Active Indigenous Private Sector, No "Africa Rising", No Inclusive and Transformative Growth.

**I thank you.**