

AFRICAN UNION

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UNION AFRICAINE

UNIÃO AFRICANA

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**REPORT ON THE INSTITUTIONALIZATION
OF THE PRIVATE SECTOR FORUM IN AFRICA**

**REPORT OF THE CHAIRPERSON OF THE AU COMMISSION ON THE
INSTITUTIONALIZATION OF THE PRIVATE SECTOR FORUM IN AFRICA**

1. ***Justification for setting up the Forum*** – The investment environment in Africa is characterized by the following facts. First of all, it should be clear that foreign direct investments throughout the developing world are increasing in volume, but essentially by-pass Africa to go towards Asia and Latin America. The main fact to be underlined here is that FDIs are considered as a non-debt generating external funding for the hosting country. Furthermore, we note that most of African economic operators are not risk-takers, which leads them quite often to invest only in peripheral industrial activities, or even in activities with a very poor added value for national economies. Moreover, it should be stressed that in Africa, we are witnessing a disparity of investment codes, less complementary than substitutable, and more favorable to floating capital, which in general move away from high value added activities sector. Thus, it is important to note that joint ventures among African economic operators are rare due to several reasons, among which appears the untapped economic potentiality that the continent has an abundance of, the inertia that has taken hold of the African private sector, the lack of risk takers, the lack of knowledge of comparative advantages or technological advantages which African countries enjoy the use of, and the lack of enthusiasm of the international private sector for business opportunities in Africa.

2. In the current era of globalization, the role of the private sector in addressing rapid and sustainable economic development has become critical. As such, it is the strong position of the African Union Commission that a strong private sector is key to claiming the 21st Century for Africa, for achieving rapid and sustainable development of our continent and reversing Africa's marginalization in the global economy. To this end, the Commission of the African Union has taken the initiative to organize on an annual basis, before every session of the AU summit, the AU-African Private Sector Forum as a key instrument of interface and partnership between the African Union and the private sector. This gives emphasis to the significant role African private sector can play in the implementation of the AU Strategic Plan and the New Partnership for Africa's Development (NEPAD) Programme, which is a flagship of the plan.

3. ***Justification for institutionalization of the Forum*** – Why institutionalize this forum? Among others majors reasons; the institutionalization will be considered as a symbol in African strategy to promote private sector's activities. In this regard, the Forum aims at capturing and impacting the African and international opinion on the effort made by the AUC to assist African countries in promoting their private sector. The Forum will also be an opportunity for the participants, to exchange views and

experiences on how to address the promotion of the private sector, to appreciate the constraints and the general trends of the international economic environment, and to see how best Africa can benefit from the advantages provided by the economics of market to develop its private sector. In the future, the institutionalized private sector forum will become a strategic meeting for African economic operators. It will welcome the African presidents who have performed in economic growth and development in order to address the participants and share their experience in economic management. It can also expect the participation of some prominent economists, business leaders and politicians.

4. It is against this backdrop that the annual AU – African Private Sector Forum needs to be institutionalized as it plays a key role in bringing together representatives of the African private sector, the public sector, experts and economic policy makers to discuss and strategize means on effective development of African private sector. Through this Forum, the AU in partnership with the African and non African economic operators will efficiently organize the African private sector and Africans in the Diaspora to contribute meaningfully by investing knowledge and resources in support of the Vision, Mission and Strategic Plan of the Commission of the African Union. As stated above, the AU – African Private Sector Forum will be held on an annual basis, before every session of the AU summit. It is also expected that the institutionalized future AU- African Private Sector Forums will be held on a rotating regional basis.

5. **Objective** - Thus, the primary objective of the Forum is to enhance the role of African private sector in the continent's development and integration process, with special emphasis on the implementation of the Vision, Mission and the Strategic Plan of the AU Commission and the NEPAD programme. In this regard, the Forum will reflect on the significant role African private sector can play towards achieving the paramount objective of the AU Commission, which is poverty reduction through accelerated economic growth, sustainable development and effective integration of African economies into the global economy. In short, the Forum aims at achieving the following objectives:

- Facilitate the share of experiences between the African and non African economic experts;
- Identify the investment opportunities of each African country through its investment code and its economic potentialities;
- Facilitate the creation of joint-ventures among African businessmen, on one hand, between them and those from Asia, Latin-America and Western countries in other hand;

- Provide opportunities to experienced eminent personalities to share their knowledge, know-how and experiences;
- Facilitate the creation of the African multinational companies; and,
- Develop business management skills and encourage risk taking.

6. **Expected Outcome** - The AU African Private Sector Forum is expected to achieve the above stated developmental objectives by **(i)** strengthening public-private sector partnership and building appropriate mechanisms for this purpose; **(ii)** empowering the African private sector through a strategic African public-private sector partnership in building effective link and collaboration with the international private sector; **(iii)** developing an enabling environment for increased domestic resource mobilization, and foreign direct investment (FDI) inflows, including the resources of Africans in the Diaspora; **(iv)** encouraging information sharing; and, **(v)** increasing capacity building.

7. **Implementation** - The upcoming AU African Private Sector Forum, the second in a series of such meetings, will be held in March 2005. This second Forum will carry on from the declaration made by the representatives of the African private sector at the first Forum towards enhancing effective public-private sector partnership at the national, regional, Pan-African and international level. The Forum is organized by the AU Commission – Economic Affairs Department and is planned to be held annually, a couple of months before every session of the AU Summit. Participants in the Forum will be officials from AU Commission, NEPAD, ECA, ADB, the regional economic communities and several representatives of African private sector. The Forum is estimated to cost around 120,000. USD. The bulk of the cost (88 percent) is expected to be funded by donors/partners and the remaining will be financed by AU Commission.

8. **Consideration** regarding the Institutionalization of the African Union Commission - African Private Sector Forum;

The Executive Council is invited:

1. **To consider** the institutionalization of the annual AU - African Private Sector Forum;
2. **To recognize** the importance of the Forum as a key instrument of interface and partnership between the AU and the private sector in effective development of the private sector for rapid and sustainable development; and,

3. **To adopt the report and mandate** the Commission, in collaboration with the African private sector, to take all the necessary steps to organize the Forum annually a couple months before every session of the AU Summit; and set aside funds from the ordinary budget for the implementation of this Forum.

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Annex
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AIDE-MEMOIRE
FINAL VERSION

THE SECOND AU-AFRICAN PRIVATE SECTOR
FORUM

I. BACKGROUND AND JUSTIFICATION

1. In the current era of globalization, the role of the private sector in addressing rapid and sustainable economic development has become critical. As such, it is the strong position of the African Union Commission that a strong public-private partnership is key to claiming the 21st Century for Africa, for achieving rapid and sustainable development of our continent and reversing Africa's marginalization in the global economy. To this end, the Commission of the African Union has taken the initiative to organize on an annual basis, before every session of the AU summit, the AU-Private Sector Forum as a key instrument of interface and partnership between the African Union and the private sector. This gives emphasis to the significant role African private sector can play in the implementation of the AU Strategic Plan and the New Partnership for Africa's Development (NEPAD) Programme, which is a flagship of the plan.

2. The first AU-Private Sector Forum was successfully launched on 27 June 2004. In this first Forum the discussions focused on:

- (i) The Vision, Mission and the Strategic Plan of the AU Commission;
- (ii) Financing of the African Union and the implementation of its Strategic Plan and the NEPAD Programme: the Role of the African private sector;
- (iii) The creation of the Pan-African Economic Community: enhancing the contribution of the African private sector; and,
- (iv) The response of Africa's private sector to the challenges and opportunities of globalization (WTO, ACP-EU, EPA negotiations and AGOA).

3. The first Forum was effectively completed with the declaration of representatives of the African private sector on the need for urgent action plan and implementation in:

- Strengthening public-private sector partnership and building appropriate mechanisms for this purpose;
- Empowering, through a strategic African public-private sector partnership, the African private sector in building effective partnership with international private sector;

- Developing an enabling environment for increased domestic resource mobilization, and foreign direct investment (FDI) inflows, including the resources of Africans in the Diaspora;
- Building database and the exchange of information and experiences to enhance awareness of best practices, available investment opportunities in Africa; and,
- Working together in partnership to popularize the Vision, Mission and Strategic Plan and to mobilize resources for its implementation.

4. The representatives also stated the need for the African Union Commission to mobilize and intensify its effort to strengthen the African private sector through the creation of the necessary enabling environment for the promotion of trade, investment and industrialization and the effective organization of the African private sector both in the continent and in the Diaspora.

II. OBJECTIVES

5. The primary objective of the Forum is to enhance the role of African private sector in the continent's development and integration process, with special emphasis on the implementation of the Vision, Mission and the Strategic Plan of the AU Commission and the NEPAD programme. In this regard, the Forum will reflect on the significant role African private sector can play towards achieving the paramount objective of the AU Commission, which is poverty reduction through accelerated economic growth, sustainable development and effective integration of African economies into the global economy.

6. The upcoming AU African Private Sector Forum, the second in a series of such meetings, will carry on from the declaration made by the representative of the African private sector at the first Forum towards enhancing effective public-private sector partnership at the national, regional, Pan-African and international level.

7. The specific objectives of the second AU- African Private Sector Forum will be to:

- Review various pragmatic approaches (and experiences) in creating an effective public-private sector partnership at the national, regional and Pan-African level;

- Develop a step by step compressive approach in creating an effective public-private sector partnership custom-tailored for African countries; and offer recommendations and proposals for its implementation;
- Offer specific recommendations and proposals for the effective organization of the African private sector both in the continent and in the Diaspora;
- Propose a research work in developing an enabling environment for increased domestic resource mobilization, and foreign direct investment (FDI) inflows, including the resources of Africans in the Diaspora; and,
- Propose a research work in building database and the exchange of information and experiences to enhance awareness of best practices and available investment opportunities in Africa.

III. PARTICIPATION

8. Participants in the Forum will be officials of the AU Commission and NEPAD, UN Economic Commission for Africa (ECA), the African Development Bank (ADB), several representatives of African private sector, the regional economic communities (RECs) and the academia.

IV. BUDGET

9. The second AU – African Private Sector Forum will bring together representatives of African private sector, policy makers from international organizations and prominent resource persons to deliver and chair various themes of the Forum for a maximum of three days. The sponsoring institution will cover the expenses regarding the participants. Invitation letters will indicate the cost items to be covered, i.e. travel, per diem, hotel accommodations and other related expenses.

Cost Breakdown of the Second AU-Private Sector Forum Meeting

Item	Rate (US\$)	Duration	Sources		Total
			AU	Partners	
Coordination of Forum			3,000.00		3,000.00
DSA for 40 invitees	200./ days	3 days		24,000.00	24,000.00
Travel for 40 invitees	1,500./ person			60,000.00	60,000.00
Travel & DSA for 4 resource persons	2,100./ person			8,400.00	8,400.00
Fees for Interpreters (4 persons – 2 Fr. & 2 Eng.)	400./ day	2 days	3,200.00		3,200.00
Rents: Conference facilities	800./day	2 days	1,600.00		1,600.00
Transportation (from hotel to Conference Centre & Back)	500./day	2 days	1,000.00		1,000.00
Reproduction			3,000.00		3,000.00
Publication of Forum Brochures				7,000.00	7,000.00
Communication			1,000.00		1,000.00
Reception			2,500.00		2,500.00
Sundries				2,000.00	2,000.00
Sub. Total			15,300.00	101,400.00	116,700.00
Contingency (5%)				5,500.00	5,500.00
Grand Total			15,300.00	106,900.00	122,200.00

V. DATE AND VENUE

10. The second AU – African Private Sector Forum will take place in February 2005 at the Conference Centre of the AU Commission in Addis Ababa, Ethiopia.

VI. FORUM WORK PROGRAMME (PROVISIONAL)**Day 1: February 2005**

08:30 – 9:00 a.m. **Registration**

09:00 – 10:00 a.m. **Opening Session**

- Welcoming Remarks – AU Commissioner, Economic Affairs
- Remarks by the Head of African Business Round Table
- Opening Speech by Director of AU Economic Affairs Department

10:00 - 10:30 **Coffee Break**

10:30 – 11:30

Session I**Overview of African Private Sector Development**

Presenter: (AU Representative)

Strategies in Creating an Effective Public-Private Sector Partnership in Africa

Presenters: (World Bank and African Private Sector Representatives)

**Public-private Sector Partnership:
Country Experiences**

Presenters: (African and Asian - Country Representatives)

11:30 – 13:00

Discussion

13:00 – 14:30

Lunch Break

14:30 – 15:30

Session II**The Role of African Investment Promotion Agencies (IPA's) in Private Sector Development**

Presenters: (IPA and African Private Sector Representatives)

Towards Building Database on Investment Opportunities in Africa

Presenter: (ADB or ECA Representative)

15:30 – 16:00 **Coffee Break**

16:00 – 17:30 **Discussion**

Day 2: February 2005

09:00 –10:30a.m. **Group Discussions**
Small Groups

Group A - Public-private Sector Partnership
B - The Role of IPA's in Private Sector Development
C - Database on Investment

10:30 – 10:45 **Coffee Break**

10:45 – 12:30 **Plenary Discussions**

12:30 – 13:00 **Any Other Business**

13:00 – 14:30 **Lunch Break**

14 :30 – 16 :30 **Writing of Forum Report**

16 :30 – 17:00 **Coffee Break**

17 :00 – 18 :00 **Adoption of Forum Report**

18:00 – 18 :15 **Closure**

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