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CLUB DU SAHEL

Private Sector Support Programme

ENGAGING AFRICAN ENTREPRENEURS FOR GLOBAL COMPETITIVENESS

Enterprise Networks' First Pan-African Conference
Addis Ababa, Ethiopia, 14-16 October 2000

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I. Executive Summary:

The general membership of the three regional Enterprise Networks- WAEN (West Africa), EAEN (East Africa) and SAEN (Southern Africa) met for the first time in Addis Ababa, Ethiopia for a special Millennium Conference sponsored by the PSSP (OECD-Club du Sahel Private Sector Support Programme). Over 400 persons, including 175 entrepreneurs from the 31 Enterprise Network countries and 125 international guests, attended the conference's opening plenary at the UNECA Conference Center.

Opening speakers included Prime Minister Meles ZENAWI of Ethiopia, OAU Deputy Secretary-General, Ambassador Said Djennit and UNECA Deputy Executive Secretary, Lalla BEN BARKA. Private sector keynotes were given by Noah SAMARA, CEO of World Space Corporation and Robert LINDSAY, Coca-Cola Group Director for Communications for Africa and the Middle East.

Zem NEGATU, chairman of the conference, outlined the mission and achievements of the three regional networks. Ermyas AMELGA, national coordinator of the Ethiopian Enterprise Network, articulated the common objective of all three Networks to work with each other and with government to foster economic development in Africa. He described the Network's shared vision of becoming the voice of the African private sector on issues of crosscutting concern. **To achieve that goal, he announced the launch in Addis of the African Enterprise Network.**

1 Participants debated two issues key to entering global market : (1) access to finance and (2) strategies for competitiveness.

Speakers on the first issue included Steve CASHIN from Modern Africa Growth Fund, Okey ENELAMAH of Capital Alliance of Nigeria, Ken OFORI-ATTA of the West African Enterprise Fund and Rose MAZULA of Zimbabwe Progress Fund, along with Andrew DANINO of IFC, Ken KWAKU of MIGA and Elsadig MUSA of ADB. Speakers on the second issue included Giuseppe BELSITO of ITC, Tim MCCOY of Corporate Council on Africa and Anthony BOUTHELIER of CIAN France. Steve BRUNDAGE of the U.S. Dept of State described opportunities under AGOA. World Space Corporation outlined means of promoting global technologies. Dr. Angelo MONDLANE gave an update on SADC regional integration initiatives.

2. Five Round Table Sessions

In five Round Table sessions with external resource persons, Network members debated 3 topics : (1) ways of utilizing World Bank Group business support services such as those offered by APDF, AMSCO and the new SME Unit; (2) means of promoting South/South business linkages especially through MIGA's Africa/Asia Business Forum and ITC's buyer/seller conference; (3) mechanisms to promote business development and partnerships through programs such as IESC/GTN, the Dutch NMCD, CIAN and CCA; (4) new strategies for global competitiveness, as outlined by on the Frontier; and (5) conflict resolution and the private sector from the perspective of ACCORD.

*3. The culminating event of the conference was the signing on 16 October of the following declaration confirming the creation of the **AFRICAN ENTERPRISE NETWORK (AEN)***

Following the meeting of the three Enterprise Networks (West African Enterprise Network, Southern African Enterprise Network and East African Enterprise Network) during the Millennium Conference held in Addis Ababa on October 14-16, 2000, the following declarations were made:

- The Enterprise Network initiative has been successful in the Eastern, Southern and Western African regions. The regional Networks have met the objectives of business development, dialogue with the state and cooperation with development partners;

- The three regional Networks confirm that they share a common vision and recognize the need to develop pan-African business relations through increased cooperation among the Networks;
- A task force will be formed to examine mechanisms for effective collaboration, and will report to all the National Networks so that a full consensus is built, bearing in mind the dual practical goals of Business Development and Policy Advocacy.
- To achieve the objectives stated above, the Enterprise Networks hereby create The African Enterprise Network (AEN)

Signed by representatives of the 31 Enterprise Network countries.

II. Minutes of the Conference

SATURDAY, 14 OCTOBER 2000

1) OPENING PLENARY

A standing room only crowd of 400 private business persons and public sector officials congregated at the UNECA Conference Center in Addis Ababa, Ethiopia on 14 October 2000 for the opening plenary session of the first pan-African Enterprise Networks' Conference. Participants included 175 entrepreneurs from the 31 member countries of three regional Enterprise Networks in East, West and Southern Africa and over 125 international guests from offshore investor groups, business organizations, multilateral and bilateral donor agencies, the diplomatic corps and regional economic integration institutions.

Zemedeneh NEGATU, Chairman of the East African Enterprise Network (EAEN), the official host of the conference, greeted participants and thanked them for their vote of confidence not only in the Enterprise Network initiative but also in the conference host country, Ethiopia. He explained that the 500+ Enterprise Network members in 31 countries across Africa seek to promote economic development through practical business solutions and in partnership with government. He noted two overarching objectives for the Millennium Conference- first, to establish Enterprise Network credentials as the spokesperson of choice for the African private sector and second, *to set a framework for the launch of the African Enterprise Network (AEN)*.

Ermyas AMELGA, national coordinator of the Ethiopian Enterprise Network, described the vision underlying the launch of the African Enterprise Network: to create an entity, which will speak out on issues of concern to African entrepreneurs in their quest to promote economic development. He stressed that the Enterprise Networks are very young organizations, in existence since seven years in West Africa and two years in East and Southern Africa. The Networks are unique in that members are business owners whose agenda is economic, not political. Networks seek to (1) bring together dynamic, socially aware entrepreneurs to improve the business climate in their regions; (2) develop personal contacts among members based on solidarity, integrity and productivity; (3) reflect on problems of concern to the African private sector; (4) improve public/private dialogue; (5) develop trade and investment among member countries; (6) promote regional economic integration.

He noted the many problems confronting the diverse continent of Africa, including political instability, military conflict, poor health, corruption, low industrialization, debt burdens, weak infrastructure, weak government administrations, lack of effective development strategies, dominant role of the state in many sectors of activity. He acknowledged that it is beyond the capacity of AEN or any other single entity to address all these issues. A focused and selective approach is needed in order to make a difference.

The greatest assets of AEN are not its members' financial or technical resources, but their vision, integrity, commitment, practical business experience and desire to serve Africa first. AEN will develop the capacity

to analyze issues critical to the African private sector and to advocate coherent positions to influence pan-African policies and strategies. This will enable AEN to participate in continental, regional and national bodies and to engage international organizations such as the World Bank, IMF and WTO, to better shape programs for Africa. Issues of concern include lack of adequate public/private dialogue on economic policy, measures to improve national and pan-African business policy, national and pan-African industrial strategy, privatization as tool to strengthen the African private sector, attracting public and private capital to Africa, and image building for Africa as a whole.

Prime Minister Meles ZENAWI of Ethiopia gave the official opening address. He noted that the AEN initiative holds great promise as a catalyst for the future since above and beyond the benefit from a business standpoint, it has great significance for pan-Africanism and will help save Africa from further marginalization. Africa needs a dynamic and globally competitive private sector. He stressed that the initiative can only succeed if members are focused on value creation. Despite economic reform programs over the past decade, sustainable development in Africa has not been achieved. This can be explained in part by the nature of African governments and the African private sector and the relationship between the two.

The private sector has shunned the hard work necessary to penetrate global markets with products that are competitive in price and quality. It has tended to seek a sheltered environment for easy money. African governments have not performed better, tending to seek easy gains through rent seeking activities. The result is a tragic situation where the public and private sector feed on each other. This problem must be sorted out and a genuine partnership established between them. Government must focus on policy formulation, infrastructure development and the legal structure to create a positive environment. The private sector must focus on tasks, which will make African products globally competitive. On this basis, a solid partnership is possible for value creation. AEN is a promising development for achieving this challenging objective. The Prime Minister assured Network members of his support.

Ambassador Said DJINNIT, OAU Deputy Secretary General, traced the history of the relationship between the OAU and the private sector, noting the long journey which was required to recognize the role of the private sector in economic development in Africa. As Africa has matured and the world has changed, it is now necessary to release the energies of people to promote development. With the huge advances today in information technology, Africa can easily become marginalized in the global economy.

African economies need a partnership between the public and private sectors, to produce a conducive legal framework for open competition and good governance. Ambassador Djinnit noted that the OAU welcomes the initiative by committed entrepreneurs to constitute a continental Enterprise Network and promised OAU's full support.

Mme Lalla BEN BARKA, UNECA Deputy Executive Secretary, praised the resilience of Africa's entrepreneurs, despite the bad news about the continent. Globalization complicates Africa's ongoing problems of finance, weak public/private partnerships, inadequate FDI, lack of competitiveness and constraints in science and technology. She encouraged drawing lessons from the best practices on the Asian continent, such as building public/private partnerships, creating a stable macroeconomic environment with low debt, instituting economic reforms to reduce public sector involvement in the economy, developing export-oriented strategies, attracting investment in technology, emphasizing human resources development, assisting creation and expansion of SMEs through access to credit, ensuring competent bureaucracy.

She noted specifically the need to promote trade and investment on a continent-wide basis. To that end, UNECA will create a new division for trade and investment to support the African private sector and hopes to work in partnership with the African Enterprise Network.

Noah SAMARA, CEO of World Space Corporation, provided the keynote address. His inspirational message to the members of the African Enterprise Network focused on the nature of entrepreneurship and the challenges faced by the African entrepreneur. Noah stressed the attributes of desire and creativity as the essence of entrepreneurship and affirmed that business is an art, the art of the impossible. Like artists, entrepreneurs create that which does not exist and defy common notions of what can be done. While there is no such thing as a blue horse, an artist can create one. Today's world takes wireless phones and computers for granted but not so long ago they were as rare as blue horses. Success in achieving the impossible enriches the entrepreneur, his family and society as a whole and shapes the way we live and work.

Entrepreneurship touches different people at different times for different reasons. When the spirit touches the soul, remarkable things like Intel, Microsoft or Ford cars are produced. The concept for World Space was born when Noah read about the spread of AIDS in Africa. He understood that Africa was not dying of the disease, but of ignorance, and decided to create a vehicle for providing information. He set out to create a system to send information via satellite to all of Africa in an efficient and practical manner. Governments, NGOs and companies all agreed the system was needed but no one stepped forward to make it happen. New technology was needed, governments had to allocate part of their radio spectrum for the service and financing was required.

Noah noted that entrepreneurship is good not only for the entrepreneur, but also for communities and government, but to get the most out of entrepreneurs, they must be treated in a way that is clear, rational and fair. Governments must create a level playing field for all businesses. Free markets deliver value through competition and for competition to function, it must be fair. If there are favored groups, entrepreneurs suffer and the nation as well. Noah appealed to everyone in the audience to do all that they can to ensure that entrepreneurs receive treatment that is fair, rational, transparent since such treatment will inspire entrepreneurs to do great things which will create the foundation for prosperity.

Robert LINDSAY, Coca-Cola Group Director for Communications for Africa and the Middle East, noted that the new generation African entrepreneurs, contrary to their parents, not only studied overseas but also worked overseas in very responsible positions. The new generation also has a very "can do" attitude and won't take "no" for an answer. This new generation is now faced with the challenge of global competitiveness, which requires them to understand costs, risks and innovation in order to create and maintain a competitive edge.

Robert offered suggestions on how African entrepreneurs can create and maintain a competitive edge. He identified the local market as the first and greatest edge, adding that the most successful and innovative economy in the world is the U.S. whose trade with the outside world has remained constant at 10% over the past 25 years.

Japan sells to the local market at a fixed cost and exports at the margins. He counseled Network members to look first right outside their door where they know the market and their customers, stressing that the bright light syndrome is not that bright.

He also counseled starting small and building on experience; working to improve Africa's image vis a vis the outside world and rebuilding trust with the international community; adding value to African products and currency; seeking trade and not aid and reinforcing trade with neighbors. He closed by encouraging Network members explore opportunities with Coca-Cola, noting that Coca Cola has 750,000 retailers 76 bottlers, 30,000 direct employees. Network members can contribute products Coca Cola doesn't make- glass, paint, sugar, water, electricity, trucks, plastic crates- for Coke's operations in every country in Africa except Libya and Sudan.

A multitude of support services is needed and African entrepreneurs should be supplying them. In response to a question from the floor, Robert noted that Coca-Cola would support the Enterprise Networks

in their efforts to constitute a fund specially designed for African businesses. He indicated that the competitive edge to funds like those created by CDC was the ability of local management to understand the reality on the ground. AEN must have a management structure that gives comfort to investors that the right people are in place to know markets and maintain the right checks and balances. Coca Cola would help because it would be good for business.

2) FINANCE PANELS

A. Finance Panel- Private Sources of Capital

A four-person panel on access to private sources of capital was chaired by Jacob Amematekpo of Cote d'Ivoire and included Steve CASHIN, Managing Director, *Modern Africa Growth Fund*; Okey ENELAMAH, *Capital Alliance of Nigeria*; Ken OFORI-ATTA, *Databank Financial Services of Ghana*; and Rose MAZULA, *Zimbabwe Progress Fund*.

Steve CASHIN stressed that despite the issues facing the African continent, there is still tremendous opportunity. New technologies are available. Regulatory environments are opening up quickly and can support core industries. The challenge is to move from an environment in which new generation entrepreneurs manage specialized products for the African market to one in which those same entrepreneurs will manage products for the global market with significant returns for investors. Investment capital can play a role. The *Modern Africa Growth Fund (MAGF)* took five years to develop and has been in place for two years. Investors include Citicorp, Microsoft, ADM, Soc Gen and Equitable, with the U.S. Government's Overseas Private Investment Corporation. Meetings were held all over Europe and the U.S. with 250 investors to confirm six.

MAGF targets three sectors- telecoms and technology (broadband networks in Ghana, Tanzania, Kenya and Mozambique, a GSM operation in Cote d'Ivoire, a platform for information and trading among African stock markets); financial services (investment banking in Ghana, West African leasing company) and agribusiness and pharmaceuticals (Ghanaian firm exporting generic drugs especially AIDS inhibitors to the region, horticulture in Kenya). Deals are in the \$3.5 to 15 million range. The fund will be fully invested shortly but more opportunities lie ahead. The most challenging and exciting are those that will integrate Africa into the global market.

Okey ENELAMAH of Capital Alliance Nigeria spoke on his investment funds' experience with private equity and the early lessons learned. The Capital Alliance Fund focuses on Nigeria but can make regional investments. A group of five close associates who had worked together on macroeconomic issues affecting Nigeria agreed to pool their talents and resources. They joined forces with Tom Barry of Zephyr Capital who had launched a successful venture capital fund in South Africa after the transition. Together they marketed the Capital Alliance fund in 1997/98 under the Abacha regime.

Despite the adverse situation, Nigerian-based firms helped raise \$20 million demonstrating that there was appetite to do things that had worked elsewhere in Africa. Investors included Citibank, Chevron, Diamond Bank, pension funds from Nigerian banks, a Nigerian insurance company and ultimately, three multilateral groups, IFC, CDC and FMO, the latter contributing an additional \$15 million. The Fund targets investments from \$1 to \$5 million with projections of 30-50% returns after holding periods of 3-7 years. The early lessons learned, drawing also on the South African fund which Okey had managed prior to returning to Nigeria, and which performed well, with results exceeding 30% on most investments, include:

- Capital is not the primary concern- the competences gap is the greatest challenge in Africa. AEN provides value added by assisting members to leverage the experience of others.
- The market place is the most important indicator of success. You cannot attract investment unless you can demonstrate that you can sell your product. Competitiveness is key.

- The business with the right success formula will succeed. This usually entails starting small and scaling up. It also entails the ability to manage people. The success formula for Capital Alliance entailed building on the reputation of Arthur Andersen and Dick Kramer, with aggressive dreams but conservative implementation.
- Build on a solid foundation. Strong achievement and commitment among the team members were key to making the fund a success. The rules of the game won't change for Africa. Africa must change to play by rules. Once you can play by rules, your inner resourcefulness will give you the edge.

Okey challenged the Network is to adopt an Olympic mindset, so that each member seeks to compete in the global marketplace. The new generation can change Africa, in spite of the continent's limitations.

Ken OFORI-ATTA of Databank Financial Services spoke on the creation of the West African Enterprise Fund (WAEF) and lessons learned to date. He noted that while Modern Africa took five years to constitute, it is even harder in the African environment to assemble capital since external partners are very skeptical about returns in emerging markets, especially Africa. The idea for WAEF grew from Ken's realization of the depth of expertise within the West African Enterprise Network and of the degree of lack of long term capital. How could a financial product be packaged in order to attract capital to grow WAEN businesses? Ken took on that challenge and for the last four years has devoted considerable resources to mount a \$30 million fund.

Other venture capital funds are being discussed in East and Southern Africa. Clearly these initiatives cannot fund every Network member firm, but only those who can hope to produce the 35% returns which investors in venture capitalist seek. The most important challenge is to demonstrate that there are African fund managers who can produce the type of returns international investors require.

WAEF should be operational in 2001. It targets investments from \$500,000 to \$4 million with no more than one-third of the investments in any one country and a seven year holding period. There is no target sector since WAEF believes that many areas are underperforming. Two immediate prospects are a leasing company in Mauritania and a furniture manufacturer in Ghana. Network members have real potential to become part of the Fund's pipeline and WAEF estimates that 60-75% of its resources could be allocated to members with strong management capacity.

ROSE MAZULA, managing director of the Zimbabwe Progress Fund (ZPF), presented conclusions from her experience with venture capital on the ground in Africa. ZPF was stated in 1996, with assistance from U.S. private investors and a Swiss NGO head by a Zimbabwean. The fund was capitalized at \$3 million. In 1998, the investors opted not to increase its size so that they could focus on producing results. Zimbabwe was well positioned for venture capital, given that in 1996 it has an active stock exchange and an understanding of the nature of venture capital. Zimbabwe also offered good infrastructure and a well-developed financial sector. The challenge, as for all venture capital initiatives, was exit.

ZPF made a variety of investments, including a local hotel, two lodges, a leather tanning operation (with IFC) and a fruit and vegetable freezing plant (with SAEDF). A number of smaller investments were also made, certain of which were converted into loans. In every instance, the exit mechanism had to be carefully evaluated. Developed countries use the stock market but low liquidity in Africa makes this impractical. The AEN should push governments to constitute regional stock markets to permit multiple listings. Another option is to identify an industrial buyer which could acquire the local company (case of ZPF's insurance company investment). Entrepreneurs may also buy back their shares. If Network members seek to retain their firms, the deal should be structured to facilitate that at the time of exit. Venture capitalists can also facilitate loan vehicles for the investee company. For the smaller venture capital funds in Africa, financial buyers for the fund itself is another possibility.

Rose noted that many interesting ventures are in agribusiness and IT. African funds should examine how they can work with research institutes and universities, which are untapped resources, especially in the field of biotechnology

B. Finance panel- Public Institutions:

Andrew DANINO of IFC explained IFC's relationship to the World Bank Group, noting that the World Bank works through government, MIGA provides non-commercial risk insurance and IFC supports private sector development by assistance to projects, mainly through equity or debt financing. Technical support is also available to SMEs in Africa. The investment range for IFC projects in Africa is from \$1 to \$100 million. IFC does take risks when it invests and expects to share in the returns, but does have a long term view on projects, ranging from 5-10 years for most investments and up to 15 for very large projects. A grace period of 2-3 years can be provided. All projects must have sponsors who contribute a portion of the capital.

The criteria for investments are broad- any sector qualifies provided the project is commercially viable, has development impact and has no negative environmental impact. IFC is keen to work with AEN through its eleven offices in Africa and three regional hubs (Abidjan, Senegal, Ghana, Nigeria, Cameroon, South Africa, Zimbabwe, Mozambique, Kenya, Ethiopia, Uganda). Local offices are the only way to facilitate smaller transactions. In the year just ended, IFC approved 259 projects of which 80 were in Africa. Although the dollar value is smaller in Africa, it is a key region for IFC. IFC has two affiliates to support investee companies. APDF provides support for developing business plans and finding finance. AMSCO can provide managers for periods up to five years, while ESSFA (Enterprise Support Services for Africa) provides shorter term support.

Ken KWAKU spoke on MIGA, the Multilateral Insurance Guarantee Agency, the youngest member of the World Bank Group, which has two mandates, provision of political risk insurance and investment promotion. Risk insurance covers four areas- transfer restrictions, expropriation, breach of contract with host governments, damage to tangible assets from terrorism or coups d'etat. MIGA is the only group that provides this insurance cross border in Africa.

MIGA also provides technical assistance in investment promotion to developing countries, in three areas- use of technology for investment promotion, training for investment promotion agencies and assistance to business people for joint venture partners.

The initiative is run under the Promote Africa program, managed by Ken, with three regional offices, one in Windhoek for Southern Africa, in Lome for West Africa, and as a joint venture with UNECA in Yaounde for Central Africa. The services are free of charge to entrepreneurs. There are inward and outward exchanges, including linkages with Malaysia, Pakistan and India, among other countries. A publication, MIGA and the New Africa, is now available on MIGA's business on the continent.

Elsadig MUSA of the Private Sector Department of the African Development Bank (ADB) explained ADB's mechanisms for assisting African SMEs, noting that ADB finances projects in all African countries and in all sectors. Until 1992, all ADB lending was guaranteed by the governments in whose country the project was being implemented. Lines of credit for the private sector were provided to DFIs owned by government. Loans in the amount of \$3 billion to SMEs had been lent by end of 1999.

Support services for project implementation were also made available. Results of these programs have been mixed to date and several factors have affected the efficiency, including the foreign exchange risk due to hard currency loans, government interference, poor management of the credit lines.

To assist African SMEs, ADB contributed to the creation of APDF and AMSCO and decided in 1992 to lend to the private sector without government guarantees. A private sector unit was created in 1992 with a four year experimental time frame ; In 1996, a formal private sector department with divisions for investment, infrastructure and technical assistance. With globalization, national markets are no longer protected from external competition. African SMEs must learn to compete on the world market. Network members must take the initiative to contact the ADB about what should be done to assist them better.

At the close of Day 1, Enterprise Network members met in sectoral clusters to discuss strategic linkages, cross-border cooperation and information exchange. Clusters included legal services, transport, business consultancy, auditing, agribusiness, tourism and manufacturing.

SUNDAY 15 OCTOBER 2000

1) Panel on global strategies and opportunities for African entrepreneurs

Ken KWAKU of MIGA challenged Network members to think out of the box about who they are and where they belong. He noted that knowledge and scale are what count today. Land and labor have as factors of production are being replaced by satellites and robots. While capital is important, entrepreneurs don't have to own it all. Shareholding and partnerships have replaced the mom and pop operation. Mergers and acquisitions are the new trends. The Internet cuts across borders without out passports or visas and defies bureaucracy and administrative restrictions. Those who don't grasp its importance will remain marginalized. Open systems must be in place to accommodate the changing technology sector and the huge amounts of information on the web on line free of charge. Business today is about real time knowledge supported by technology. MIGA can provide training and resources on technology, especially for investment promotion and identification of partners. Africa must be able to play in the new economy, and on a significant scale.

The Enterprise Network must intensify pressure on governments for the progressive liberalization of private ISPs. Africa is a vast source of untapped resources for software, e-commerce, the Internet. To maintain its own markets, Africans need operating alliances. Unless Africans develop their own scale, foreign companies will invade. Software with content adapted to Africa is a growth area. Smart partnerships are needed in this new economy rather than going it alone. The destiny of Africans can only be shaped by Africans themselves. This places strong pressure on the new generation.

Thirty percent of Africa's GDP is exported as flight capital while investments in Africa by the North are achieving returns in excess of 30% in real terms. Many multinationals are already led by Africans. Africa has talent but entrepreneurs must identify the opportunities and aggressively market them to have global impact.

Giuseppe BELSITO of ITC noted that culture plays a key role in trade relationships. Studies show that there is great diversity among the goods produced in Africa and \$800 billion of trade opportunities in SADC countries alone. Tariffs are beginning to disappear. There are some continuing non-tariff barriers, including transportation, but above all else, African needs to know what is available in Africa and to learn to trust each other.

ITC organizes buyer and seller meetings all over Africa to promote intra-African trade. Giuseppe encouraged Network members to avail themselves of these opportunities.

Tim MCCOY of CCA pointed out that in the 1980s, CCA was a blue horse. Only a handful of U.S. businesses were vocal about U.S. policy towards Africa. They drove the creation of CCA in 1992 as a

membership-based organization headquartered in Washington, D.C. Tim noted that in response to Ken Kwaku's question about where do Network members belong, CCA believes many belong in partnership with U.S. firms. Some 80-90% of U.S. private investment in Africa is made by CCA member firms. The message has gone out in the U.S. that Enterprise Network members are worth a good look as partners, especially for the increasing numbers of CCA members who are SMEs themselves.

CCA focuses on three areas of activities: policy (e.g. passage of AGOA); business linkages (including two projects which are USAID-funded, one to support business linkages in West Africa, working primarily through EXIM Bank Export Finance Guarantees and a second to support business linkages in South Africa) and programs (geared to introduce African public and private sector representatives to the U.S. business community). Tim encouraged Network members to provide information to him should they wish to explore partnerships in the U.S. and provided they have done their own homework on their end. He alerted Network members to the next CCA Summit, scheduled for Sept 16-19 2001 in Philadelphia, during which CCA hopes to facilitate in depth contacts between African and American business persons in the same sector of activity. It is hoped that between 200 and 300 African business persons will be present, many of them Network members.

Anthony BOUTHELIER, Secretary General of CIAN, the French Investors Council for Africa, noted that his organization brings together 80% of the French companies who have investments in Africa. In addressing global opportunities, Anthony noted that although Africa has a long history of entrepreneurship, globalization can render small firms obsolete. To counter that, it is critical that regional economic integration become a priority in Africa. Development cannot take place without private sector investment, but the international community is turning away from Africa. Governments must answer for the degradation of Africa's image. The Network conference demonstrates to the international community that Africa has energy and ability.

The challenge is how to identify opportunities and the key to opening up opportunities is the environment. Each year CIAN asks its members what they consider the primary obstacles to be to increased investment and trade. The details of the survey are not made public, but the general conclusions are released. The level of satisfaction with the legal and regulatory environment has never exceeded a rating of 2 out of 5. To improve that situation, real dialogue between the private sector and public officials is needed to make it clear that no investment will take place until the private sector is motivated to do so. This requires an administration that is trustworthy and credible. When Singapore hit its only recession in 1986, it recognized that international investors were needed. They organized a task force to inquire of each foreign community in Singapore what was needed to attract FDI and those recommendations were acted upon. This same approach could be useful in Africa if it is to increase its share of FDI.

2) **African Growth and Opportunity Act (AGOA)**

Steve BRUNDAGE of the U.S. Dept of State presented the latest information regarding the Africa Growth and Opportunity Act (AGOA). He noted that for the first time, African entrepreneurs will have access to the U.S. market that is preferential to that of any other part of the world except for NAFTA countries. Textiles and apparel have been specifically included in the bill and some 1900 products under the GSP should also qualify. Thirty-four African countries were designated as eligible on 2 October 2000.

Steve provided the names of the most informative websites for information on AGOA, including www.agoa.gov maintained by the U.S. Dept. of Commerce and USTR's www.ustr.gov. A specific component of AGOA provides for public/private sector dialogue through the African Economic Forum which will ensure high level dialogue among U.S. Secretaries of Commerce, State, Treasury and USTR and periodic consultations between USTR and its African counterparts.

Regular meetings are also called for between the U.S. and African private sector and U.S. and African NGOs. AGOA received strong bipartisan support so that whoever becomes the next president of the

United States, there should be strong follow through, in part because the Act is privately driven. Significant increases in trade and investment in Africa are expected. On October 2, 2000, the list of 34 eligible countries was published, based on a review of individual country records of human rights, terrorism and labor rights. For additional local information, every U.S. Embassy has a designated point of contact for AGOA.

A strong partnership in each African country between government and private sector will enhance the prospects of benefiting fully from the act. USTR is also carrying out a series of workshops implemented by interministerial teams from the U.S.. These traveling shows are valuable sources of information. Within the U.S. government, there is a move to have things done quickly. Products under GSP should be designated by the end of the year. The increase in garment imports alone over the next eight years is considerable, estimated to move from \$1 billion to \$4 billion by 2007. There will be regional workshops on issues such as phyto-sanitary standards for exports to the U.S. There will also be information available on standards for visas systems for customs officials to certify that goods are not transshipped.

3) Status of SADC Regional Integration Initiatives

Dr. MONDLANE, Chief Economic of SADC, made a presentation on the status of the SADC trade protocol. He noted that it had taken four years to negotiate the trade protocol which is now in the process of implementation since 1 September. This will lead to the creation of a SADC free trade area which is intended to enhance economic growth and to increase investment and create jobs. South Africa has a large trade surplus with other SADC countries, on the level of 8:1 which should adjust as tariffs are removed. Three categories of classification of products are provided for- immediate liberalization, gradual liberalization and sensitive products.

The primary non-tariff barriers should be eliminated first such as cumbersome customs documentation, import licensing, import/export quotas or bans. Other regulations will be modified progressively, including restrictive service charges, transit charges, visa requirements, sanitary standards, etc.

The challenge to entrepreneurs comes from fact that it is not only abolition of tariffs which will increase trade. It will also be necessary to produce those products which countries want to exchange with each other.

4) Reports from Round Tables

Five concurrent round tables were organized; conclusions from deliberations were reported.

1. Round Table 1 : World Bank Business Support Services

- a) The World Bank Group offers a series of programs for support to African SMEs, including APDF for project preparation and financing, AMSCO for project management, and the new WB/IFC SME Unit, for cross cutting analysis. However the structures are poorly understood on the ground. More information needs to be circulated. Local correspondents and consultants should assist in this effort.
- b) Individual companies must take the initiative to identify services they require and contact APDF or AMSCO directly or through local correspondents.
- c) The Enterprise Network could serve, as a useful intermediary between member firms and AMSCO/APDF, notably by carrying out firm level assessments to identify needed services.
- d) The Networks and AMSCO and APDF will examine means of joint cooperation.

2. Round Table 2- South/South Linkages

- a) MIGA's Africa/Asia Business Forum holds promise for trade linkages, especially with Malaysia. African exports to Asia have grown from \$5.5 billion to \$12 billion. The next forum is in Kuala Lumpur in November 2000. Members should indicate interest.
- b) ITC South/South Linkages Program is a joint initiative with UNCTAD and WTO to promote B2B linkages through buyer/seller conferences focusing on deals. Meetings are based on trade flow analysis to match supply and demand. There is clearly enormous opportunity in Africa for intra-African trade.
- c) South/south linkages require (1) an enabling environment created by governments and which will encourage peace; (2) improved technology and real time information available to entrepreneurs; (3) MT and LT financing to grow businesses, with information on sources and conditions readily available to entrepreneurs; (4) capacity building through training.

3. Round Table 3- Business Development/Linkages

The programs discussed provide support services for firms from start up to expansion. NMCD and IESC can supply retired executives as advisors and also help analyze sectoral issues, provide training and develop business plans and strategies. Local experts are also available. GTN facilitates the transfer of U.S. technology and offers seminars on doing business in the U.S., with focus on linkages in IT, health and environment. CCA has 2 regional programs, one in West Africa and one in South Africa. Once the AEN website is developed, the websites of these support programs will be linked to facilitate information sharing.

4. Round Table 4- Conflict Resolution and the Private Sector

The round table highlighted linkages between conflict and economic development. Three centers of power must be fairly well established in a country to avoid the risk of dominance by one or other. Those are a strong private sector, a strong government and a strong civil society. When only one center of power exists, such as in the DRC, conflict is likely.

Recommendations to promote conflict resolution include: (1) build capacity through a group such as AEN to engage political entities to help resolve disputes and create a conducive environment for business; (2) promote investment in the continent instead of flight capital; (3) assist in building a constituency for peace; (4) create bridges between the private sector and government; (5) become an agent for social mobilization in Africa. As a practical first step, AEN will develop a code of conduct and best practices for businesspersons in Africa.

5. Round Table 5- Strategies for Global Competitiveness

The round table noted that need for a paradigm shift in Africa to move from a slow physical marketplace to faster paced wired economies. Africa must also move from a macro to a micro focus to promote the growth of local firms and to enable them to compete in the global marketplace, given that they are mice surrounded by cats.

Participants agreed that African businesses must move from comparative to competitive advantages and become more innovative in how they compete with each other. Michael Porter's cluster concept has interesting applications. There are ways to compete, even in the global market, despite the environment.

MONDAY 16 OCTOBER 2000

The entire body of Enterprise Network member countries unanimously approved the resolution creating the African Enterprise Network.

