AFRICAN LEADERSHIP FORUM 2016

ENABLING AFRICAN BUSINESSES TO TRANSFORM THE CONTINENT

28th-29th July 2016 | Dar es Salaam, Tanzania

The United Republic of Tanzania
Former President of the United Republic of Tanzania
Benjamin William Mkapa

UONGOZI Institute

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ACP	-	African, Caribbean and Pacific Group of States
ALF	-	African Leadership Forum
AfDB	-	African Development Bank
AU	-	African Union
BEE	-	Black Economic Empowerment
BB-BEE	-	Broad-based Black Economic Empowerment
Brexit	-	Withdrawal of the United Kingdom from the European Union
CEO	-	Chief Executive Officer
COMESA	-	Common Market for Eastern and Southern Africa
EAC	-	East African Community
ECOWAS	-	Economic Community of West African States
EPA	-	Economic Partnership Agreement
EU	-	European Union
LDC	-	Least Developed Countries
NEPAD	-	New Partnership for Africa's Development
REC	-	Regional economic community
SADC	-	Southern African Development Community
SMEs	-	Small- and medium-sized enterprises
TFTA	-	Tripartite Free Trade Area
UK	-	United Kingdom
UN	-	United Nations
US	-	United States
WTO	-	World Trade Organization

Executive Summary

Africa needs a strong, modern, competitive, innovative and dynamic private sector to drive economic growth and sustainable development. The success of efforts to lift millions out of poverty and improve the lives of all Africans as envisioned by the African Union's Agenda 2063 will depend largely on the sector's ability to strategically exploit the continent's untapped natural resources and create jobs for Africa's young population.

Despite tremendous progress in recent years, African business still faces significant challenges, including the lack of infrastructure, particularly reliable power supplies, and lack of capital, especially for small and medium-sized enterprises (SMEs) and farmers. However, if supporting environments are able to be put in place, the opportunities for business across the continent are enormous. With a population of approximately one billion, predicted to double over the next ten to fifteen years, the continent has a huge market base. Africa is also opening up, both to itself and to the world. With greater regional and continental integration and cooperation, opportunities for cross-border trade within Africa are increasing as tariffs and non-tariff barriers are gradually being eliminated. In June 2015, the Tripartite Free Trade Agreement (TFTA), which brings together the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC), was signed by 27 African countries. Upon ratification by member states, the TFTA will create the largest trading block on the African continent, covering nearly 600 million people. In the same month, the 25th African Union summit in Johannesburg, South Africa, launched negotiations for the creation of an African Continental Free Trade Area by 2017.

It is against this background that the **former President of the United Republic of Tanzania H.E. Benjamin Mkapa** convened the third African Leadership Forum (ALF) in Dar es Salaam on 28-29 July 2016 under the theme "Enabling African Businesses to Transform the Continent". Organized by the Institute of African Leadership for Sustainable Development, popularly known as the UONGOZI Institute, the Forum brought together political leaders including former heads of state as well as leaders from government, business, civil society and academia. [1]

The event featured a keynote address and public plenary followed by three closed panel sessions. For the first time this year, selected youth representatives were invited to hold parallel sessions. A Statement from the Youth Forum was delivered at the conclusion of the event. [2]

Keynote address: Enabling African businesses to become an engine for transformation in Africa

Mr. Sipho Nkosi, former President of the Chamber of Mines for South Africa, delivered the keynote address. To begin, he enumerated a set of well-known pre-requisites for private sector development, including stable political and economic environments, clear implementable policies, and the availability of critical infrastructure and skilled citizens. Most of all, he suggested that passionate leadership in both the private and public sectors would be needed to achieve Africa's vision for inclusive growth and the advancement of society. The continent must also have a strategic vision for its development and use what it has today, not wait until tomorrow, because the global economy can move on very quickly such that what is valuable today may be rendered worthless tomorrow.

These two factors—passionate leadership and a strategic vision for development based upon using the resources available within rather than outside the country—were common threads in the successful economic transformations of Singapore, South Korea and South Africa, albeit not an inclusive model in the case of South Africa until apartheid was ended in 1994 and the black economic empowerment (BEE) strategy was introduced. Despite many challenges in implementation, Mr. Nkosi believed that BEE had made a great contribution in the lives of many South Africans, including his own. Most importantly, it continues to inspire a movement of young people wanting to own and run their own businesses.

Mr. Nkosi was emphatic in his belief that Africa can transform itself to become an economic powerhouse, and that African business can lead the way if a conducive environment for the private sector is put in place. Africa has vast natural resources, a young and enterprising population, a strategic geographic location to take advantage of transit trade, a huge market in its own right, and a diaspora with skills and resources that could be marshalled on behalf on the continent.

[1] See Appendix A for a list of delegates to the Forum.
[2] See Appendix B for the Forum program.

What factors would be essential for successful transformation? He advised that progress will depend upon growing the average income of citizens, and, in turn, this will depend on fostering inclusive, technology-based economies. All people need to be enabled to participate in their nations' economies. In particular, the informal sector, which encompasses most micro, small, medium-sized enterprises, as well as the rural economy will be vitally important. Ways will need to be found to strengthen these vast sectors. For all these things to happen, governments will be required to play an enabling role. Ultimately, it will take dedicated leaders to ensure that their countries and the continent as a whole excels.

Plenary and Panel Discussions

Following the keynote address, a plenary discussion on the theme of the forum and three closed panel sessions were held. The topics of the panel sessions were:

Session 1: Making African Business Inclusive

Session 2: Enhancing Business Through Regional Integration

Session 3: The Impact of Trade Agreements on Business and Private Sector Development

At each session, the panellists and audience were invited to contribute their experience and ideas on the challenges to and opportunities for African businesses to contribute to the transformation of the continent. Some of the key messages that emerged from discussions were as follows:

A shift in mindset from poverty to prosperity

Central to realizing inclusive, sustainable development will be changing the mindset of the continent away from poverty and towards wealth creation and prosperity, and empowering African people to find solutions to their own problems. In tandem with this shift in perspective, the African narrative on business needs to be changed. For many Africans, the concept of business is a relatively new economic and cultural phenomenon. Therefore, a culture of doing business and of entrepreneurship needs to be encouraged in African countries. Governments need to assume a role of fostering private enterprises within national economies, especially in countries where, in the past, doing business was almost taboo. The message should also go out to all transnational corporations operating in Africa that the old colonial-inspired model and era of doing business while reducing the locals to passive spectators was gone. If corporations wish to operate on the continent, local communities and enterprises have to be involved.

Inclusive development for desired transformation

As highlighted in the keynote address, economic growth is often hampered because people are effectively "locked" out of the economy. Unfortunately, many African countries have deliberately created policies that exclude sections of the population from the day-to-day business life of their nations. To promote greater peace, security and prosperity in Africa, inclusive policy formulation, inclusive policy implementation and the creation of inclusive national institutions will be essential. All citizens need to be given the tools and opportunities to participate in the development of their countries.

The role of the government to provide an enabling environment for business

Africa's growth will be led by the private sector, but the public sector has a critical role in putting in place an enabling environment for business. Important components of an enabling environment include: i) a stable and incentive-creating macro-economic environment that encourages saving and investment, and that enables businesses to plan and to access a mix of appropriate longer-term finance; ii) a fair and balanced framework of policies and regulations; and iii) supportive infrastructure, especially power and transportation networks.

Without policy certainty and predictability, it is extremely difficult for anyone wanting to get into business, no matter how determined and hard working they are. Hence, consistent dogged policy implementation of the right policies is required. Government leaders need to set a vision for development and then must follow through, not allow the path to be broken by the vicissitudes of political transition. In addition, institutions for private sector development in African countries will need to be better coordinated. Instead of fighting over turf, different ministries, departments and agencies need to develop and participate in a coherent program to enhance private sector development.

Enhancing trust and confidence between the government and business

Transparent governance and the rule of law will help to bridge the confidence gap that currently exists between the public and private sectors in Africa. Through enhancing the sense of confidence and security on the continent, and fostering positive, constructive and trustworthy relationships between government and business, African entrepreneurs, including those in the diaspora, will be encouraged to invest in their own economies, and capital flows out of the continent can be reduced. Integrity and commitment are required on both sides. Where there is a lack of integrity in the private sector, even a proper and well-functioning public policy environment will be corrupted.

Policies and strategies to expand productive capacity

African governments need to adopt bold policies and strategies to promote the productive capacity of the continent. Africa cannot continue to position itself only as a consumer. Upping the continent's production will strengthen its arm at the negotiating table because Africa will have more to offer and more to sell. Hence, the challenge is for governments to help businesses to boost productivity and capture a bigger share of trade. To this end, a true partnership between the public and private sector will be needed to identify and select priority areas of investment where Africa has a competitive advantage to produce and add value.

Participants, however, held varying perspectives as to whether national and regional industrialization policies should focus on supporting the development of a limited number of larger enterprises, or upon nurturing the small- and medium-sized enterprise (SME) sector. Whichever path is taken, national governments will need to do their homework when entering regional agreements and know which industries have the potential to develop national or regional champions. In turn, it is extremely important to have active mechanisms for stakeholder consultation so that the private sector and civil society are involved in negotiations and aware of new opportunities.

Leadership to accelerate integration

Africa's leaders must recognize the importance of creating conditions for the private sector to prosper, especially the indigenous private sector. In particular, accelerating regional integration will be critical for reducing the challenges and risks of doing business on the continent. The benefits of regional integration cut across many sectors including trade, energy, tourism, infrastructure development, agriculture, healthcare, capital and financial markets. However, regional integration is not happening fast enough. The African market remains highly fragmented and intra-African trade remains well below the level of other regions of the world. Yet, comprehensive regional agreements already exist and the intentions and ambitions of the agreements are excellent. They just need to be implemented. The recent launch of the Pan-African passport by the African Union is a promising step but concerted action and sacrifice on the part of Africa's leaders is needed to accelerate integration and advance the common good of the continent.

By opening up borders and allowing the free movement of people, skills, capital and goods, the continent will be able to command a huge market, create opportunities and jobs for young people, and raise the quality of people's lives. Regionalization can also help address many of the challenges facing SMEs. In particular, regional initiatives will be needed to solve the issue of infrastructure as one country alone cannot finance the estimated $13 billion needed to connect the continent. Rising to overcome this formidable barrier will be necessary to realize the goals of Agenda 2063.

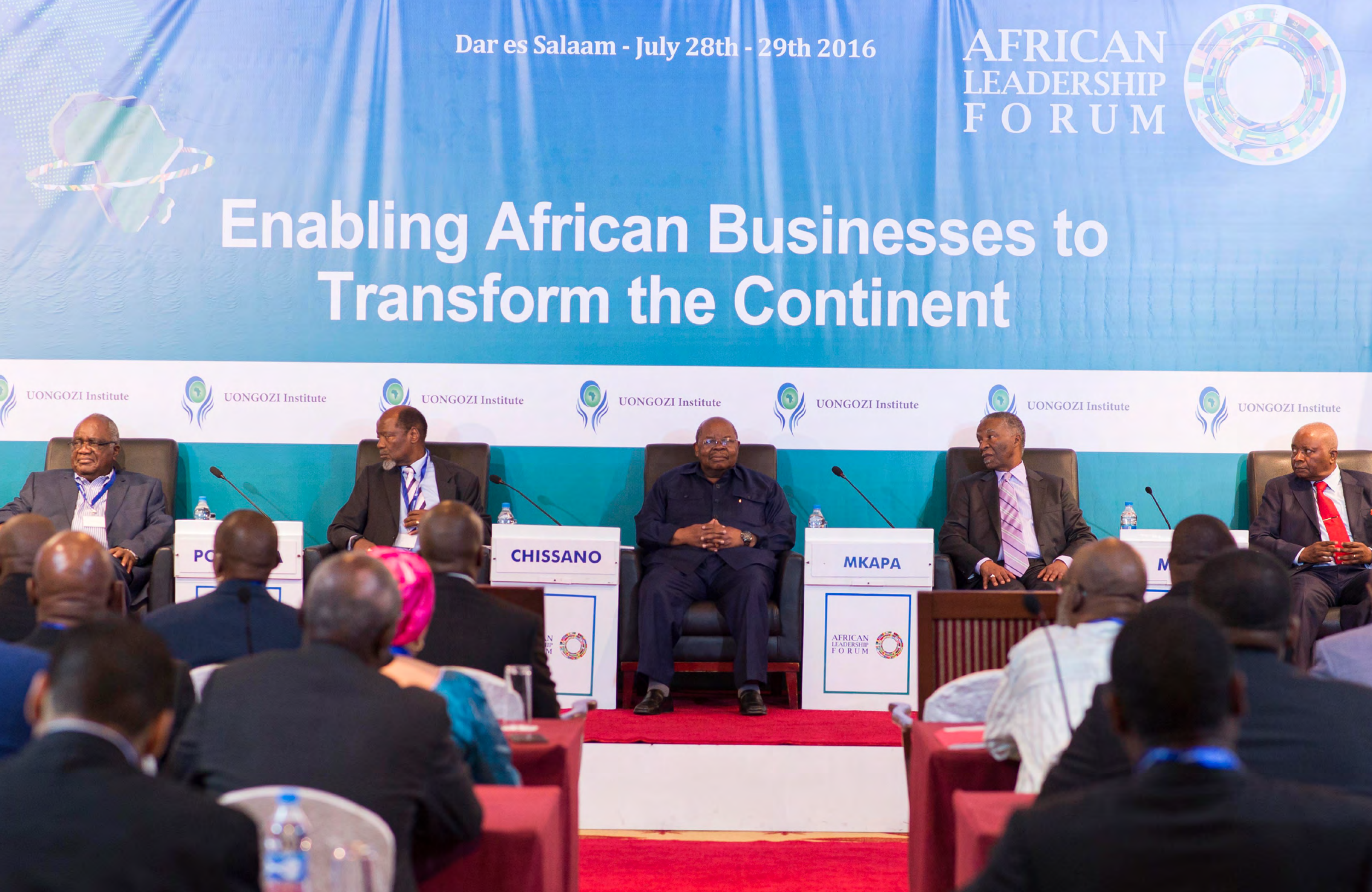
Beneficial trade agreements

Regional trade agreements present an opportunity for African economies to consolidate their productive capabilities and build demonstrable capacity to participate in global trade. On the other hand, Africa has been disadvantaged by a number of global and intercontinental trade agreements, which have led to stagnation in efforts to modernize African economies. Aid has often been offered as a replacement for fair trade. African governments, therefore, are encouraged to promote national and regional productive capacities to establish a firmer foundation for mutually-beneficial trade. In particular, deliberate policies should be implemented for countries to become self-sufficient in food rather than accept subsidized agricultural products. External trade agreements need to be closely evaluated to determine if and to what extent they detract from the regional trade protocols. Countries must also ensure that trade agreements fit in with their domestic trade policy and industrial policy and that the agreements reflect national and regional interests and the interests of Africa as a whole.

A progressive movement for youth empowerment

Africa must harness young people's minds and dynamism to transform the continent. All over the world, governments are recognizing that young people are a vital part of national development. However, while young people may be invited to express how they feel they typically have little power or influence to impact decisions that affect their lives. The Youth Forum, therefore, recommended that policies be implemented to empower young people to start businesses as a way of earning a living. For example, governments could put in place mechanisms to provide initial capital, set aside a proportion of government tenders for youth enterprises, and/or reduce administrative costs or delays in licensing.

Strong education systems will be an integral part of the enabling environment for business overall, and local knowledge and skills will be essential for industrializing the continent. To ensure that Africa's huge youth bulge is turned into a demographic dividend for development, schools, universities and other training opportunities must be available to prepare young people for employment in the rapidly evolving, hi-tech world of the 21st century. By building skills, investing in research and development, and focusing on science and technology, Africa's industries can be transformed and new industries created. Participants highlighted the success of the Nelson Mandela Institutes of Science and Technology in Tanzania, Nigeria and Burkina Faso and technology hubs such as Silicon Savannah in Kenya where enterprising young people are changing the way we use existing technology and developing amazing new technologies that respond to the needs of the continent.


Dar es Salaam - July 28th - 29th 2016
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H.E President Benjamin Mkapa opens the African Leadership Forum 2016.

1. The Opening Session

1.1 Welcome by H.E. Benjamin Mkapa

As the host of the African Leadership Forum, the former President of Tanzania H.E. Benjamin Mkapa warmly welcomed delegates and introduced the theme of this year's dialogue: "How can African businesses be enabled to transform the continent more quickly and more sustainably?"

To begin, he cited the thoughts of Mwalimu Julius Nyerere, Tanzania's first president. Nyerere considered that a poor country like Tanzania emerging from colonialism had to work with four pre-conditions in order to develop. First, the country's land could be deployed for development. Second, the people could be motivated to undertake this responsibility. Third, good policies would be required to enable the people to use the land for their development. Finally, good leadership would be needed to break the path for that sustainable development and growth.

President Mkapa highlighted that there are many differing perspectives on what sustainable development is, but there is no question that the people must drive themselves.

The challenge is theirs. Development will not be brought by anyone outside however well-meaning they may be. The people must make use of these resources themselves. How to make use of them is the challenge before us.

He then mentioned several key issues that he hoped the forum's discussions would touch upon. First, how can land ownership and its deployment drive development but not at the cost of tension and conflict between people of different races? Second, how can people be motivated both materially and attitudinally to pursue development? Third, how can people be empowered financially? And, finally, how can motivated and productive people find markets for their goods and services. He did not wish to anticipate how the discussions would unfold but considered that these issues would need to be addressed in order to meet the development goals of the African Union's Agenda 2063.

With great pleasure, he invited Mr. Sipho Nkosi, former President of the Chamber of Mines for South Africa, to deliver the keynote address to open the dialogue.


Mr. Sipho Nkosi, former President of the Chamber of Mines in South Africa gives the keynote address at the ALF 2016.

1.2 Keynote Address: Enabling African businesses to become an engine for transformation in Africa

Mr. Sipho Nkosi, former President, Chamber of Mines of South Africa

Following warm salutations to all assembled with special thanks to the host President Mkapa and to his mentor President Mbeki, Mr. Nkosi outlined that his address would cover two main issues: first, how African businesses can be a catalyst and an engine for transformation in Africa, and, second, to what extent the black economic empowerment (BEE) strategy implemented by the post-apartheid government in South Africa is working and whether this model of transformation introduced within the continent can be improved.

On "enabling" and "transformation"

To start, **Mr. Nkosi** highlighted two keywords from the title of his presentation: "enabling" and "transformation". Defining the first, he stated that "enabling" entailed the creation of:

…an environment or conditions and/or an opportunity for African business to thrive such that they are more inclusive and can make an impact in people's lives and, at the same time, instil confidence in the African people. In other words, who should and how can we give African business legs to run and to dominate the world."

He added that whatever is put in place needs to be as competitive as possible so as to give the continent nimble legs.

With respect to "transformation", Mr. Nkosi noted that the essential meaning of this term is:

…change, particularly change to the existing environment, whereby African business can play a key role in world markets, such that the world has no choice but to want to do business with Africa.

Passionate leadership will be essential for transforming the continent

He related that any transformation will require adherence to a set of well-known prerequisites, including a stable political and economic environment, clear implementable policies, and the availability of critical infrastructure and skilled citizens. But, most importantly, passionate leadership will be needed to make the change and to provide a vision for growth and the advancement of society.

Leaders in businesses and leaders in government must have love for themselves. To be a good leader you must love yourself first. The second thing, leaders in business and leaders in government need to have love and passion for their own people. If you don't have that, enablement and transformation of economies may not happen. The last thing that I want to add is that leaders in business and leaders in government need to have love for their own continent. If governments and businesses lack these three tenets, I can argue from my experience that there is greater chance that we might end up focusing on ourselves and be inward-looking at the expense of people.

Two successful models for national transformation: Singapore and South Korea

Mr. Nkosi then turned his attention to two examples of successful economic transformation: Singapore and South Korea. He described that, under the guidance of Lee Kuan Yew, Singapore's first premier, the country was transformed to become an economic powerhouse in Asia by strategically focusing on what it possessed and what could give the country a competitive advantage. Unlike many African nations, it had no natural or maritime resources, but it did have two things: a strategic location and its people. Armed with these and a vision for success, businesses emerged that were able to drive one of the largest and most efficient container terminals in the world. From a business-focused trade hub, Singapore also became a financial and technological hub. Investments poured in and global businesses relocated to Singapore as the country increasingly became a link between Asia and the rest of the world. And the quality of life of Singaporeans improved. In short, the government created an environment that enabled business to thrive, and, by doing so, created the opportunity to transform the whole country.

Turning his attention to South Korea, Mr. Nkosi related that beginning in 1963, the country's leadership instituted a series of five-year economic plans to modernize the country. Again, not richly endowed with natural resources, South Korea focused on improving the skills of its people to drive technology and innovation. Growth was achieved through an export-oriented policy. Furthermore, the wars and suffering the country had endured provided the foundation for patriotism in the hearts of young people. Never would they be dominated by other nations again. Above all, government leaders dedicated themselves to serving the people, eliminating corruption and ensuring that the business sector committed to making the lives of people better.

On the history of economic transformation in South Africa

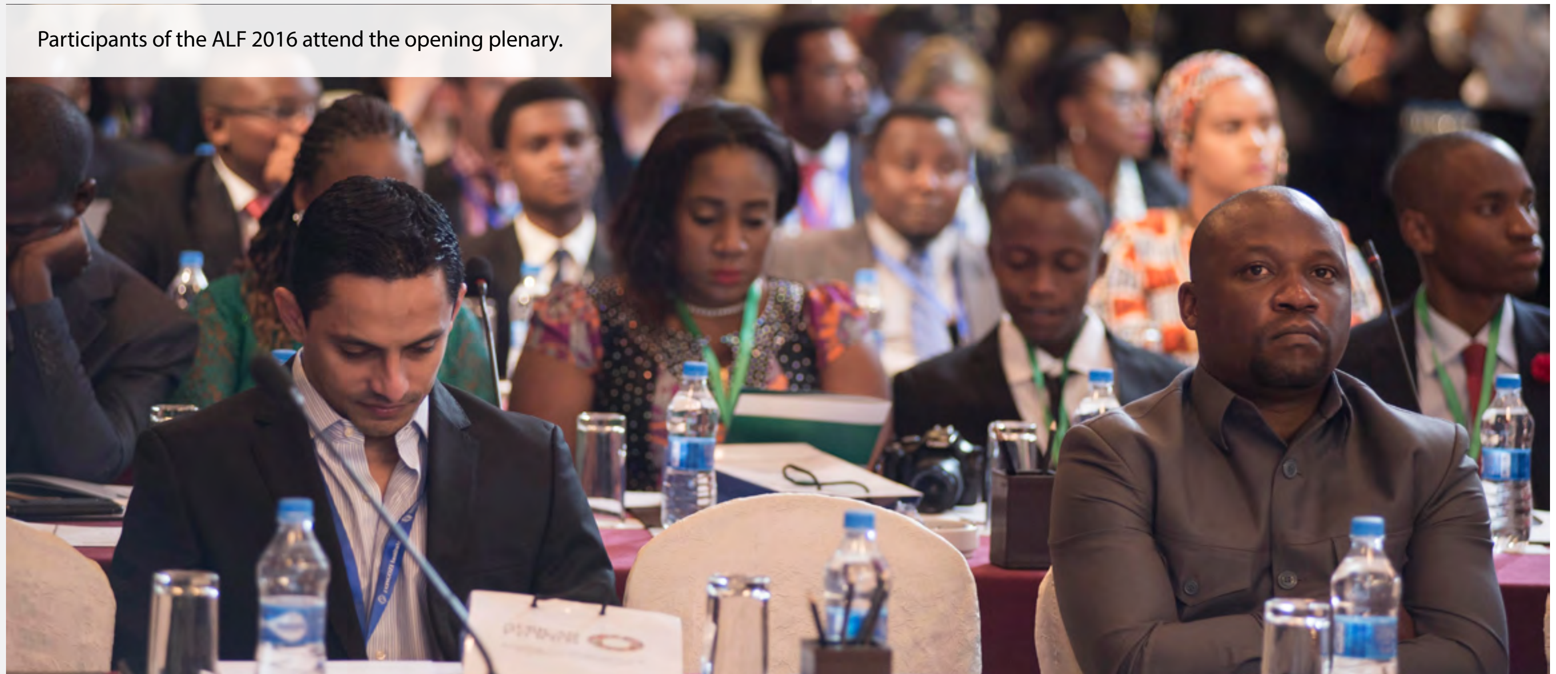
To preface his remarks on the strategy of black economic empowerment in post-apartheid South Africa, Mr. Nkosi gave a short history of his country's economic transformation over the last hundred years. From the time of discovery of diamonds [in the late 1860s] and gold [in the 1880s] foreign expatriates had flocked to South Africa and new businesses were created around the mining industry. However, following a series of mining strikes and a short-lived rebellion of white miners against the state in the 1920s , the country's leadership took decisive steps to industrialize South Africa so that the country did not rely solely on natural resources for its prosperity. To do that, the then Prime Minister Jan Smuts enlisted the expertise of Dr. Hendrick van Bijl, an accomplished South African scientist residing in Chicago. He tasked Bijl with transforming the economy away from agriculture and mining towards an industrial economy. Upon his return, Bijl travelled around the country. Following his fact-finding mission, he made several recommendations to promote industrialization. First, the country needed cheap electricity and the country had the coal to generate it. Second, it needed steel. And third it needed finance for all of these things could not happen without capital to drive growth.

Perhaps, most importantly, Mr. Nkosi related that van Bijl encouraged people to use the resources within the country rather than look outside. From those early initiatives, significant public utilities were created, including Eskom (the South African electricity public utility), Iscor Ltd. (a parastatal steel company) and Sasol (an integrated oil and gas company). Efforts were also directed to encourage people to save money and be self sufficient. Therefore, insurance companies, building societies and banks were established. In these ways, the country was re-created and given the legs to run and compete. This economic model worked well but it was clearly not an inclusive model. As is well-known, the country was a divided society such that every benefit and development supported one racial group at the expense of the other. In light of this historical context, Mr. Nkosi turned to address the issue of black economic empowerment (BEE).[4]

On the strategy of black economic empowerment in South Africa

Given the breadth of the subject, Mr. Nkosi provided a summary of the BEE initiative. To start, he identified different pillars of the strategy. First, with respect to existing businesses, the majority of the population needed to have a stake, so processes were implemented both with respect to the transfer of business ownership but also employment equity, whereby companies were encouraged to ensure that historically disadvantaged people were appointed to positions at various levels within their organizations. This included looking at company supply chains. Other pillars of the strategy included enterprise development, whereby every business had to commit to develop smaller businesses and support the communities in which they were located. Mr. Nkosi said that these policy levers worked well but the system requires ongoing improvement. Despite significant challenges, he felt that black economic empowerment had made a great contribution in the lives of South Africans, particularly in inspiring a movement of young people who want to own and run their own businesses.

Former African Heads of State listen to former President of the Chamber of Mines in South Africa Mr. Sipho Nkosi as he delivers the keynote address. From left is H.E. Hifikepunye Pohamba of Namibia, H.E. Joaquim Chissano of Mozambique , H.E Benjamin Mkapa of Tanzania, H.E. Thabo Mbeki of South Africa and H.E. Armando Guebuza of Mozambique.



Participants of the ALF 2016 attend the opening plenary.

On realizing the potential of African business to transform the continent

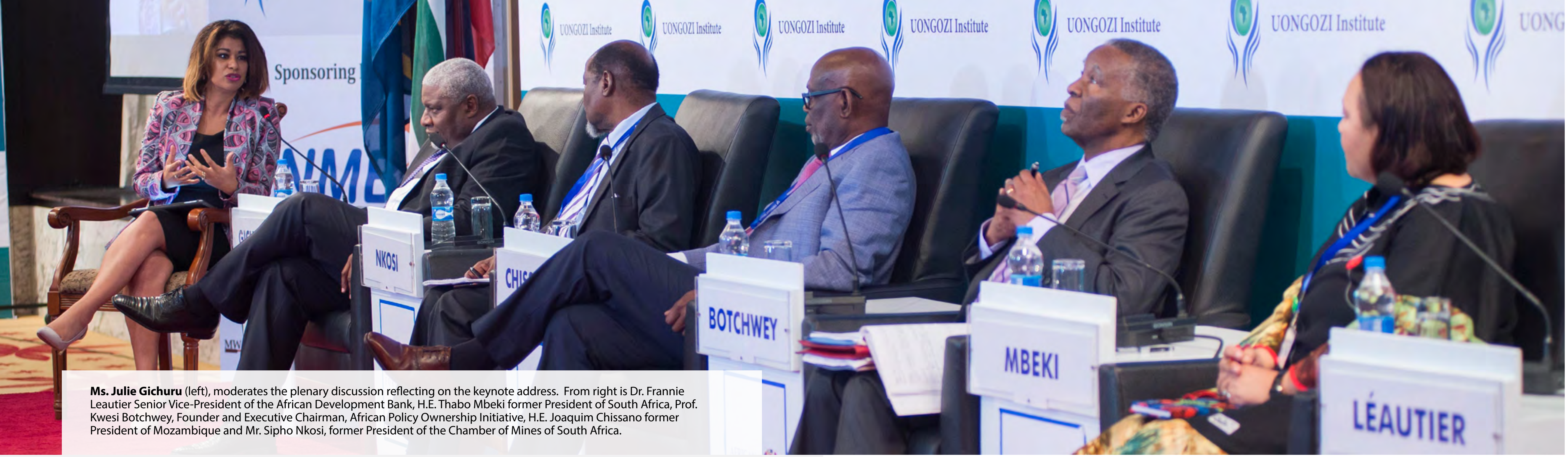
Mr. Nkosi was emphatic in his belief in Africa and in business on the continent. However, to achieve this, African governments and businesses will have to visualize the future with all its uncertainties and utilize what is has today, not wait until tomorrow. The continent has vast natural resources, including land for agriculture and massive rivers and dams. It is ideally located between the United States and Europe and the Far East to take advantage of transit trade. It is a huge market in its own right. And just as Hendrick van Bijl once sat in Chicago, the continent has a diaspora with skills and resources that could be marshalled on behalf of the continent.

In conclusion, Mr. Nkosi posited a number of factors that would be essential in transforming African business and the lives of Africa's people. Notably, progress will depend upon growing the average income of citizens. In turn, this will rely on fostering inclusive, technology-based economies. Even agriculture needs to be high-tech. All people must be enabled to participate in the economy. For this to happen, the informal sector, which encompasses most micro, small and medium-sized enterprises, and the rural economy are vitally important and ways must to be found to strengthen these vast sectors. Ultimately, dedicated passionate leadership in both the public and private sectors will be needed for Africa's successful transformation.

Yes we can! Africa can transform itself and become a powerhouse. African businesses can lead the charge only but only if a conducive environment is provided for businesses to thrive.

[3] Between 1919 and 1921, a global depression saw the world price for gold fall dramatically. In response, gold mining companies in South Africa attempted to reduce their operating costs by cutting miners' wages and promoting lower-paid black miners to skilled and supervisory positions. In protest at company actions, a general strike was called by white mineworkers in late 1921. The government of the day under Prime Minister Jan Smuts responded to the strike with force. The situation rapidly deteriorated into an armed uprising in February 1922. Starting in the Witwatersrand region, the Rand Rebellion expanded to other areas of the country including suburbs of Johannesburg before being violently put down by state military forces and police in March 1922.

[4] Following the end of apartheid with the general election of 1994, the South African government decided that direct intervention in the redistribution of assets and opportunities was needed to redress the economic inequalities created under the apartheid regime, which favoured white business owners. Based on the BEE Commission report released in 2001, a BEE program was launched in 2003. Subsequently, a modified Broad-Based BEE program was implemented from 2007.



Ms. Julie Gichuru (left), moderates the plenary discussion reflecting on the keynote address. From right is Dr. Frannie Leautier Senior Vice-President of the African Development Bank, H.E. Thabo Mbeki former President of South Africa, Prof. Kwesi Botchwey, Founder and Executive Chairman, African Policy Ownership Initiative, H.E. Joaquim Chissano former President of Mozambique and Mr. Sipho Nkosi, former President of the Chamber of Mines of South Africa.

1.3 Plenary Discussion

Moderator: Ms. Julie Gichuru

Panellists

- H.E. Thabo Mbeki, former President of South Africa
- H.E. Joaquim Chissano, former President of Mozambique
- Mr. Sipho Nkosi, former President, Chamber of Mines of South Africa
- Dr. Frannie Leautier, Senior Vice-President of the African Development Bank
- Prof. Kwesi Botchwey, Founder and Executive Chairman, African Policy Ownership Initiative

Preamble

Although recent growth rates in Africa are celebrated in policy and development circles, significant challenges remain in realizing the potential of the private sector in Africa. Therefore, the plenary session at this year's forum focused on the overarching issues, challenges and opportunities facing the private sector, as well as the often overlooked supporting institutions and conditions that are pre-requisites of a thriving private sector. Edited highlights of the discussion are summarized in the sections below.

On achieving stability in Africa as a prerequisite for business development

To commence the plenary discussion, the moderator **Ms. Julie Gichuru** reflected on the diverse circumstances prevailing in countries across the continent. She remarked that some African states have achieved high levels of democracy and good governance, such as Rwanda, while other countries are wracked by conflict and seem to be falling apart, for example, South Sudan. Acknowledging that stability is a prerequisite for the success of African business, she started by asking panellists: *"How do we ensure that we have a safe and secure Africa and play a role in ensuring stability in some of these states?"*

Dr. Leautier observed that in the case of South Sudan, the country has a dire lack of skills to transform the economy. For many years, the southern part of Sudan was unable to participate in the development of the country, which contributed to structural poverty.

When you are poor, you are desperate. Desperation sometimes leads to conflict and in this case it is very clear.

Asked what he thought was the root cause of instability in Africa and how it could be overcome to enable the progress of the continent, **President Mbeki** reflected on the words of the keynote speaker. Mr. Nkosi had raised a very important point that:

…leaders must love themselves, and, therefore, don't want to be seen as having left a bad example. They must love their people. They must love their countries and continent.

But during the address, he had quipped to President Mkapa.

where are these African leaders that he is talking about who've got all of these lovely attributes.

Relating his experience of the conflict in South Sudan and the peace process, the President highlighted that in peace negotiations in 2004, Salva Kiir, now President of South Sudan, had accused the then chairman of the Sudan People's Liberation Movement (SPLM), the late John Garang, that he was treating the Movement as his personal property. He also charged that the country's leadership had no regard for the lives of the ordinary people but saw them merely as instruments for their personal aspirations, and that leaders not only held foreign bank accounts but owned companies. Kiir considered that corruption was so deeply entrenched among the SPLM leadership that he did not know how it could be wiped out as the region moved towards independence.

Turning the clock forward to the outbreak of civil war in 2013, President Mbeki observed that the tragedy of this conflict is that the leadership had not attended to the challenges that they themselves had correctly identified in 2004.

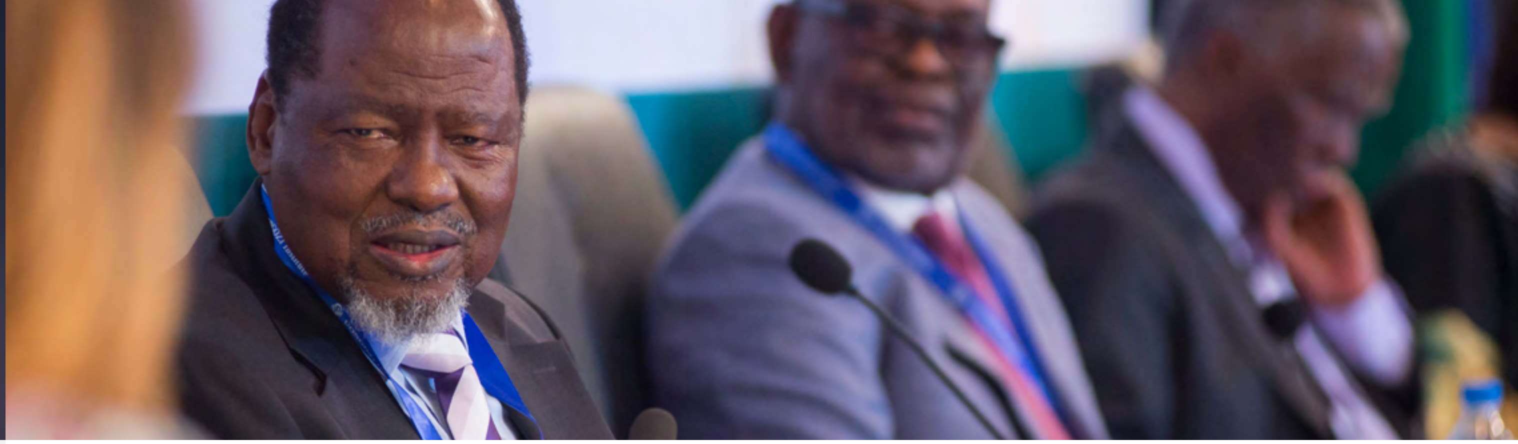
It is exactly for the same reasons that a civil war breaks out in South Sudan in 2013. Therefore, the quality of leadership is central for achieving stability across the continent and the comments of Mr. Nkosi on leadership are vitally important and relevant for the transformation of Africa.

On what is needed to enable African businesses to thrive and transform the continent

Asked by the moderator to share his experience on what things were most needed to enable African businesses to thrive, **Prof. Botchwey** described three challenges impeding the development of the private sector in Africa. First, a stable and incentive-creating macro-economic environment needs to be put in place, i.e., one that provides incentives for saving and for investment, and enables business businesses to plan and to access a mix of appropriate longer-term finance.

The second challenge is infrastructure generally, but especially power. Reliable and stable electricity is essential for business to operate and be competitive.

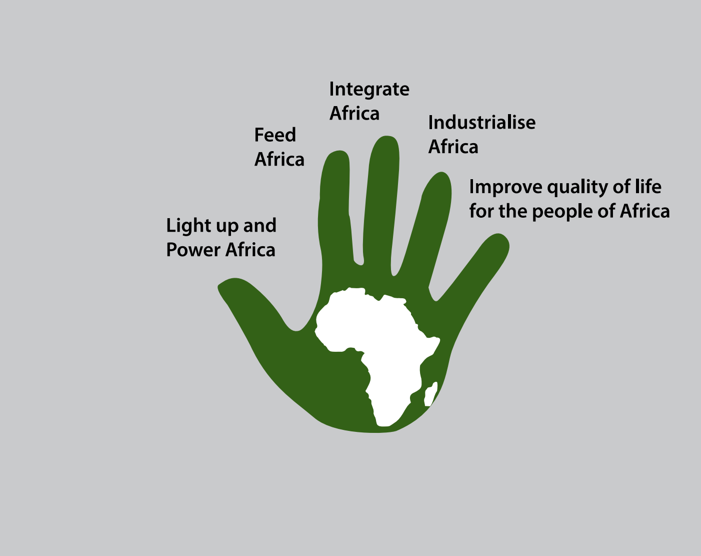
Dr. Frannie Leautier, Senior Vice-President of the African Development Bank and H.E. Joaquim Chissano former President of Mozambique deliver points during the panel discussion.



The third challenge is policy implementation. Following the examples of Singapore and South Korea, consistent dogged policy implementation of the right policies is required. Government leaders need to set a vision for development and then follow through, not allow the path to be broken by the vicissitudes of political transition. He remarked that too often when a new government is elected it will say:

I don't like what the other guys were doing; I will chart a new course. And worse, they hound businessmen who they think were affiliated or aligned with previous governments. There are many instances where a new government comes to power and businessmen flee the country, go and live abroad and wait for the parties with whom they were associated or perceived [to be associated with] to come back to power.

In response to the same question, **Dr. Leautier** introduced the African Development Bank's "High-Fives" initiative—an integrated set of key priorities which aim to enable business on the continent and accelerate Africa's economic transformation. The AfDB's strategy posits that Africa's growth will be led by the private sector but that the public sector has a critical role in putting in place an enabling environment for business. Her comments affirmed and expanded upon Prof. Botchwey's recommendations.



The first of the AfDB's High-Fives is to Light Up and Power Africa. Businesses of all types depend upon reliable access to electricity. Presently, however, most enterprises and households in Africa are forced to use power that is battery operated or expensively generated, or rely on wood, charcoal, kerosene and other fuels that cause pollution.

The second High-Five is to Feed Africa by investing in and transforming agriculture into business. In doing so, land becomes more valuable, and production can be sold or preserved for future use. Moreover, at present, most cross-border trade is around food. Hence, expanding food production and improving food security for the population is correlated with the third High-Five which is to Industrialize Africa. Here, local knowledge and skills will be essential to industrialize the continent. Hence, increased investment in research and development on the continent will be vital. By building skills, investing in R&D and focusing on science and technology, Africa's industries can be transformed and new industries created. For example, in Arusha and Abuja they are working on packaging products that don't need refrigeration. Because, as you fix the energy problem, perhaps you can fix the food production problem in a way that responds to conditions on the continent.

The fourth High-Five is Integrate Africa. Here, the AfDB is financing roads across Africa including the soon-to-be-completed tarmac road from Cape Town to Cairo. In addition to roads, the AfDB is working on instruments to integrate capital markets across the continent and expand companies' access to finance. In addition to facilitating direct private equity, the AfDB supports banks and financial institutions to lend to small and medium enterprises, to women-owned companies.

The fifth High-Five is Improving the Quality of Life for People in Africa. Because if you are not healthy, if you are not educated, if you cannot get a job, you cannot contribute to the transformation of Africa. Clearly, this is a huge investment that will require mobilizing resources from the AfDB in conjunction with the domestic resources of the African countries that are the Bank's principal shareholders. Positively, over the last decade there has been a huge increase in the contribution of domestic resources to Africa's development. Sovereign wealth funds, pension funds, foreign direct investment, and other forms of investments can also be harnessed to transform the continent.

Beyond infrastructure and finance, the continent needs to increase trade. At present, trading among African countries is well below the level of other regions. Therefore, borders need to be opened up and restrictions on visas need to be relaxed or removed.

"We have vast land resources in Mozambique. We can feed Southern Africa if we had the knowledge, the technology and, of course, the finance."

H.E. President Chissano

…if we can fix this area of allowing ourselves to travel around our continent, we would be able to get the mobility of people and skills, the mobility of capital and the mobility of investment by companies and therefore trade which will integrate the continent and make this future market of 2 billion people able to really command huge value and create opportunities and jobs for the young people and to raise the quality of lives.

On private sector development programs to support SMEs

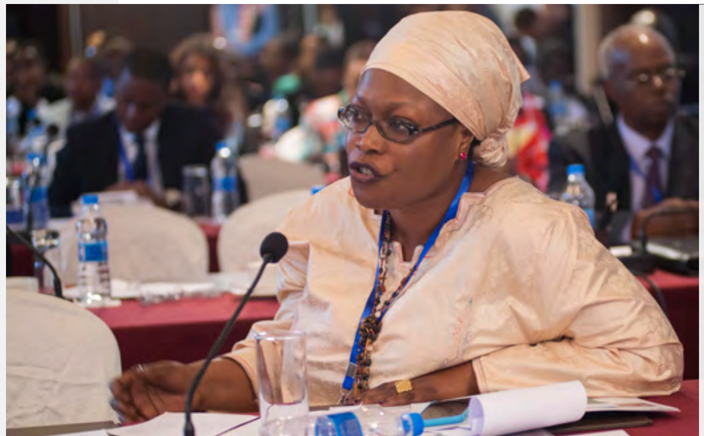
Later in the plenary, **Prof. Botchwey** highlighted two further issues with respect to small- and medium-scale enterprises (SMEs), which he described as "the nursing ground for huge globally competitive businesses". First, institutions for private sector development in African countries are not well coordinated, which leads to conflict between different ministries. Instead of fighting over turf, ministries need to develop and participate in a coherent program to enhance private sector development. Second, with respect to business financing, a change in attitude among people in the private sector is needed so that they take up opportunities to secure risk capital through stock exchanges rather than simply seek bank financing, especially given banks' risk perceptions of SMEs that translate into high interest rates being charged on loans. Citing his experience leading a private sector development program in Ghana, he related that:

We wanted to invest in the SMEs not by giving them money but by putting equity in…then we could put somebody on their boards and help them with policy making. Most of them didn't want any such equity because they wanted to own the enterprise all by themselves. So these attitudes must change as well.

Mr. Deogratius Kilawe Managing Director of Excel Management and Outsourcing, recommended that each country in Africa should have a dedicated Ministry of Small Business. Currently, countries typically have a Ministry of Trade which largely promotes big business. If countries like Tanzania truly desire to industrialize, a ministry is needed that will focus and support the 3.2 million small businesses in the country.

Awa Dabo, Country Director with UNDP Tanzania, also spoke up on behalf of small businesses. To begin, she stressed the importance of recognizing that the context for business, particularly small businesses, varies widely between countries. She further acknowledged the commonly-held belief that small business is the bedrock of development and will be the foundation of transformative change in Africa from the household level upwards. But, ironically, it is small businesses in Africa that suffer most from the complex quagmire of policies and regulations in their efforts to earn a viable income. She added that access to finance is important and concurred with Prof. Botchwey's comments about the present heavy reliance on banks. But she related that the reality of many African women and men at the lower level is that they have no idea where to get finance in the first place, whether from a bank or elsewhere. In closing, she said:

I think it is more complex and it goes back to the original issue of governance…You can have good businesses and good investments but without the good governments and the governments' will to create the environments, and not to just say so but do it in the real sense, nothing is going to change.



Ms. Awa Dabo, Country Director of UNDP Tanzania.

H.E Thabo Mbeki, former President of South Africa stresses on the challenge of governance in the public and private sectors.

On the challenge of governance in the public and private sectors

Focusing on the central theme of the forum on how to enable business to transform the continent, **President Mbeki** described three issues which highlighted the pressing need to improve governance in African countries. In 2015, he attended the Annual General Meeting of the Manufacturers Association of Nigeria, an institution which has sustained itself for over four decades. At the meeting, participants reiterated that the critical problem facing manufacturing in Nigeria is lack of infrastructure. The government had failed to provide electricity so businesses were forced to buy generators. The government had failed to build roads so it was a continual battle to transport production from factory to market.

So, rather than just focusing on the role of the private sector in Nigeria to help in the modernization and industrialization, President Mbeki highlighted the challenge of public governance in the country.

Nigeria is going to fail, not because of absence of the will on the part of the private sector, not even hostility, but [because of] certain failures in Nigerian governance which have existed for many years, many decades. I do not know if that is a general African problem but it is certainly a Nigerian problem. So, if we are talking about the role of the private sector in the way that the question was posed here this is one of the matters to look at. It's not just the absence of the infrastructure but what is it that causes the absence of that infrastructure. So that becomes a challenge. It is a challenge of governance.

President Mbeki next described how lack of trust in the government among business people in the South African private sector is undermining capital investment in the country. He related that since the end of apartheid in 1994 and the election of a black government, the private sector, which is predominantly white-owned, has been very skeptical and uncertain about the future of South Africa. As a consequence, businesses are maintaining levels of liquidity way above the global average. What drives this phenomenon of high liquidity? In explanation, President Mbeki felt that the all-too-common perception within the private sector was:

…never mind how smooth the transition was, but because we are an African country, there is bound to be disaster tomorrow, and, therefore, I can't invest all my money because in the end I will have to run. I know that for a fact. And I can't take away a factory and run with it, but cash I can…We don't trust this black government. There is bound to be a disaster tomorrow, so I need to have enough in my pocket to run away.

President Mbeki then turned his attention to illicit capital flows. He said that:

Huge volumes of capital are leaving the continent illicitly and part of the problem is with us. Whether it is oil or diamonds or tanzanite, clear evidence exists that the private sector is under-reporting production and illegally exporting millions of dollars worth of resources out of the continent every year.

All of these critical challenges of governance need to be addressed collaboratively by both the public and private sectors to ensure that business can drive the transformation of the continent.

Prof. Botchwey agreed entirely with President Mbeki. The right relationship must be established between the private and public sectors to create trust. With respect to this connection, he suggested that:

…we shouldn't be belittling the very important role of the public sector, the state, in creating the right policy environment that provides the incentive framework for the private sector to thrive.

The correct balance needs to be struck. He said that:

If you have a private sector that is led or defined by a good proportion of businessmen who don't pay taxes, [who] don't provide any support to community development and so on, obviously it is not growth-creating because revenues don't thrive and that has other implications even [on] the stability of [the] macro-economic environment. On the other hand, if the state in setting policies creates conditions for corruption, that's a problem. Obviously if you set taxes or levies or tariffs that are prohibitive, people will find a way of evading them. So let's speak to the integrity and good sense of public sector policy making and enforcement of the laws.

Asked how he would advise the African private sector on what the government requires of them, **President Chissano** emphasized the need to facilitate dialogue so as to establish trust between business and the public sector. He added that:

…we have to be careful when we demand things from the private sector. We have to be sure we are demanding things they can fulfil by analyzing what is the situation of our private sector at any given time in our countries.

However, he said that one thing that should be demanded of businesses is that they must be honest.

In his closing remarks, **Prof. Botchwey** spoke candidly on the issue of trust and integrity between the public and private sector. He related that every single time a government issues a big tender, a horde of vendors will immediately target every public official who is involved in the decision making. He said:

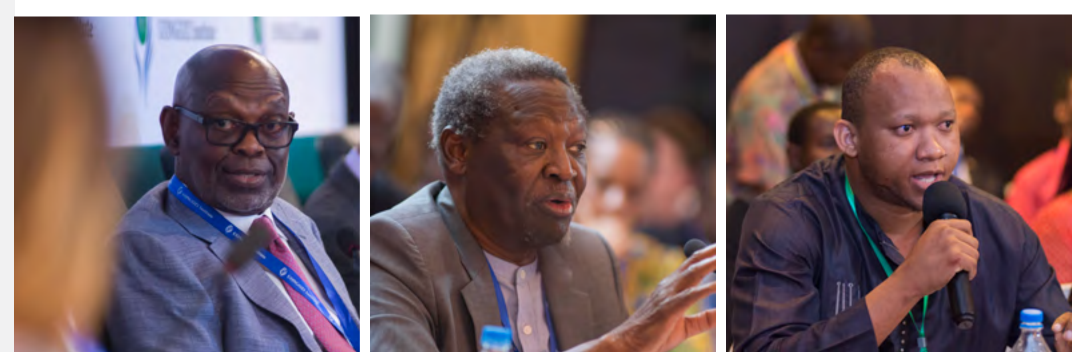
Where there is no integrity in the private sector, even a proper and well-functioning public policy environment will be corrupted. So, when you talk about trust it must involve a real situation of integrity and commitment on both sides so that the rules we make can be implemented for the good of our group.

On the capacity of the African capitalist class

Professor Mkandawire offered a historical perspective on the African capitalist class. He remarked that Nyerere and Nkrumah, the founding fathers of Tanzania and Ghana, argued for the adoption of socialism because they doubted the capacity of the domestic capitalist class. Of further note, he said that during the last thirty years of structural adjustment, no pro-business policies were implemented in Africa, only pro-market policies. Even today, World Bank programs to support to business are largely focused on reducing transaction costs, not on reducing production costs. Therefore, the process of enabling business on the continent to prosper is an extremely complex problem.

It is not enough to say that we want business to prosper; we have to know what capacity they have and what capacity the state has of providing those things that the private sector wants.

Commenting during the plenary discussion, **Mr. Kilawe,** observed that to help business to transform African continent will require developing the best people to take over the leadership of the top companies in their countries. However, he cited that presently in Tanzania more than 90% of the CEOs of big companies are non-Tanzanian. In turn, to protect their positions and interests as investors, these people prefer to hire people from their own countries. Hence, it is very difficult for local entrepreneurs to succeed in this kind of environment because the decision makers who effectively control the economy are non-Tanzanian.



From left: Prof. Kwesi Botchwey, Founder and Executive Chairman, African Policy Ownership Initiative; Prof. Thandika Mkandawire, Chair and Professor of African Development at the London School of Economics; and Mr. Deogratius Kilawe, Managing Director of Excel Management and Outsourcing.

On a shift in the cultural mindset towards business

A further challenge is culturally based. **Prof. Botchwey** considered that a change is needed in the way business and business people are perceived, especially indigenous business people. He said:

I fear that in many countries we have difficulty accepting to see…industries thrive, especially where they become very wealthy, millionaires, billionaires. Somehow we find it easier to accept a billionaire in our country who is foreign. When we see a native who is a businessman and hugely wealthy, he is a thief; that is what comes to us immediately. He couldn't have got where he's got honestly, even where in the case of the foreign businessman, evidence of thievery is widely known. So we need to change our culture.

During plenary discussion, **former MP and Chairperson of the United Democratic Party Mr. John Cheyo t**ook a similar line.

I think there are a few statements we need to change in our African countries. Statement number one: we have over-drilled our people with the word 'poverty'. Every time and everywhere we go, Africa is poor, and probably our leaders they may have a lot of money in their pocket but they want to be seen as poor. So I think the word we should now be drilling is that we have to create an environment of people to create wealth, make money, and create an environment for people to make money and it is not impossible.

Ambassador Ami Mpungwe, Chairman of the Tanzania Chamber of Minerals and Energy, remarked that a culture of doing business, of entrepreneurship needs to be developed in African countries and that the government has a role in fostering private enterprises within national economies, especially in countries like Tanzania where in the past doing business was almost a taboo. The message should also go out to transnational corporations operating in Africa that the old colonial-inspired model and era of doing business while reducing the locals to passive spectators was gone. Local business enterprises have to be involved.

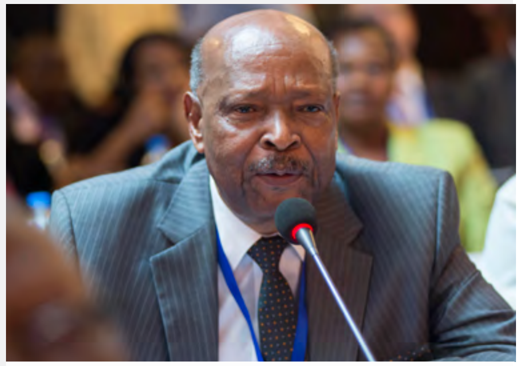
On the desired nature of transformation

In response to a question from **Prof. Akilagpa Sawyerr, President of the Ghana Academy of Arts and Sciences** as to what and whether the continent has agreed on the nature of transformation to be pursued and how a transformed Africa will be recognized, **President Mbeki i**dentified two principal goals: the eradication of poverty and the eradication of underdevelopment.

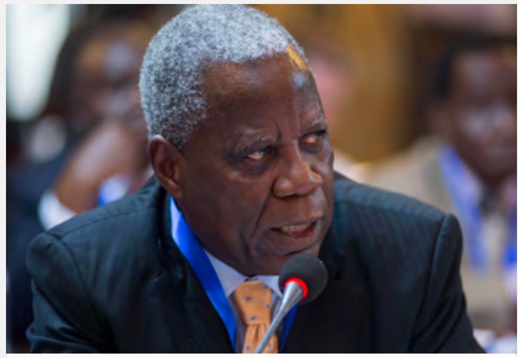
President Chissano agreed.

We have to see that the target is the development of the country, is the development of the citizens. It's human development in other words.

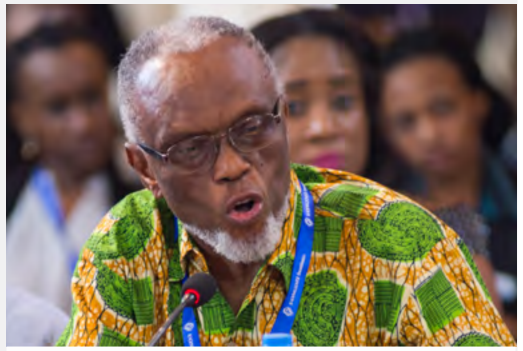
He added that Agenda 2063 set by the African Union provided the long-term vision for the development of the continent. The overarching goal of the agenda is a prosperous Africa based on inclusive growth and sustainable development. The concerted efforts of all stakeholders, government, business and civil society will be needed to create the necessary mindset to realize this vision.



Mr. John Cheyo, former MP and Chairperson of the United Democratic Party



Ambassador Ami Mpungwe, Chairman of the Tanzania Chamber of Minerals and Energy.



Prof. Akilagpa Sawyerr, President of the Ghana Academy of Arts and Sciences.

Mr. Ali Mufuruki, Chair of Infotech Group gives his thought on the importance of leadership.

On the importance of leadership

During plenary discussion, keynote speaker **Sipho Nkosi** reiterated the importance of leadership in each country. He said:

There must be someone in any situation in any country… The 80/20 rule sometimes works, where it's not the 80% that drives growth and development, but it's just a small group of people who instil confidence… South Africa and many African countries would never have been liberated if there was no focal vision.

Prudent leadership was needed that guides and motivates but rejects corruption.

We…are looking to you as our leaders, lead us well!…It's important that you motivate us. It's important that you give us guidance and direction because whatever in a large way you advise us to do, we are likely to follow that…[and] as you lead me, let me not corrupt you and you must not corrupt me. And whatever we do, we do it for the benefit of ourselves and our people because we put people first.

In plenary discussion, **Mr. Ali Mufuruki, Chair of Infotech Group,** contributed his thoughts on the theme of leadership. Leaders must recognize the importance of creating conditions for the private sector to prosper, especially the indigenous private sector.

There is absolutely no meaning to political power that is not underpinned by economic power. We have seen so many African leaders who are so obsessed with being politically powerful but forgetting that all the economics that were happening in their country, they had nothing to do with. Until their political power translates to economic empowerment of their citizens, they will not have led. I think that's very important for all leaders to remember.

Mr. Abdoulie Janneh, Executive Director of the Mo Ibrahim Foundation, also emphasized the need for visionary leadership that will govern the continent better. And, by governance, he stressed that this entailed governments delivering the goods and services that the average citizen wants and that governments are expected to provide, which includes providing the enabling environment for African business to thrive.

In a similar vein, **Tanzanian economist and politician Ibrahim Lipumba** observed that leaders must not only be able to inspire but also be able to manage and implement what is required to make the private sector function well.

However, the **Hon. Janet Mbene, Member of Parliament and former Deputy Minister of Industry, Trade and Marketing in Tanzania,** added a cautionary note. She pointed to growing tension between leaders and their people, including ordinary citizens, non-state actors and the business community, which she attributed to a breakdown in communication. She counselled that leaders needed to better communicate the national vision so that all groups will work together for the good of the country.

In his closing remarks, **Prof. Botchwey** remarked that visionary leadership is not a metaphysical concept.

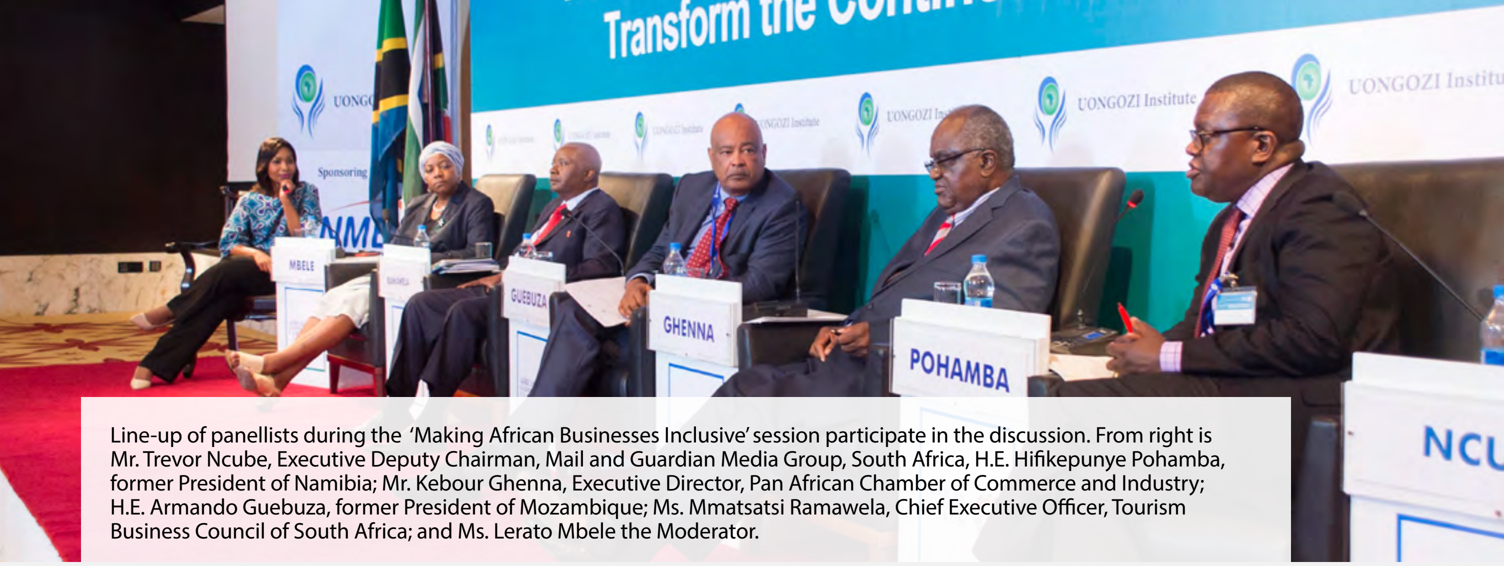
A good leader is one whose vision is informed by the yearnings of the people…and what will secure this visionary leadership is the leadership of the masses of the people, the leadership of an informed civil society that will keep those leaders on track.

Love, Knowledge and Creativity: Three infinite concepts to guide Africa's transformation

To conclude the plenary, **Dr. Leautier** commented that there are only three "infinite" concepts. The first is love; love is infinite—the love of a mother for a child, a patriot for their country, a founder of a company for their business. The second is knowledge which is linked to learning. The third is creativity which leads to innovation. She suggested that focusing on these three infinite concepts would provide a guide to travelling and negotiating the very complex world of enabling African businesses to transform the continent.

Mr. Abdoulie Janneh, Executive Director of the Mo Ibrahim Foundation.

Hon. Janet Mbene, Member of Parliament and former Deputy Minister of Industry, Trade and Marketing in Tanzania.



Line-up of panellists during the 'Making African Businesses Inclusive' session participate in the discussion. From right is Mr. Trevor Ncube, Executive Deputy Chairman, Mail and Guardian Media Group, South Africa, H.E. Hifikepunye Pohamba, former President of Namibia; Mr. Kebour Ghenna, Executive Director, Pan African Chamber of Commerce and Industry; H.E. Armando Guebuza, former President of Mozambique; Ms. Mmatsatsi Ramawela, Chief Executive Officer, Tourism Business Council of South Africa; and Ms. Lerato Mbele the Moderator.

2. Panel Discussions

This section presents selected highlights from the series of three panel discussions hosted during the 2016 African Leadership Forum. The three sessions were:

Session 1: Making African Business Inclusive

Session 2: Enhancing Business Through Regional Integration

Session 3: The Impact of Trade Agreements on Business and Private Sector Development

2.1 Session I: Making African Business Inclusive

Moderator: Ms. Lerato Mbele

Panellists

- H.E. Armando Guebuza, former President of Mozambique
- H.E. Hifikepunye Pohamba, former President of Namibia
- Mr. Trevor Ncube, Executive Deputy Chairman, Mail and Guardian Media Group, South Africa
- Mr. Kebour Ghenna, Executive Director, Pan African Chamber of Commerce and Industry
- Ms. Mmatsatsi Ramawela, Chief Executive Officer, Tourism Business Council of South Africa

Preamble

Enabling all Africans to participate in private enterprise is critical if African business is to take its rightful place as the engine of sustainable development and transformation. Inclusive businesses integrate a diversity of individuals into value chains whether as consumers, producers, employees or entrepreneurs. In this way, the benefits of growth can be transmitted more directly to and across all communities. This is not charity. Inclusive businesses create a strong foundation for profit and long-term growth by bringing previously excluded people into value chains. This session investigated how to make African businesses more inclusive and transformative. Key issues discussed during the session are highlighted in the sections below.

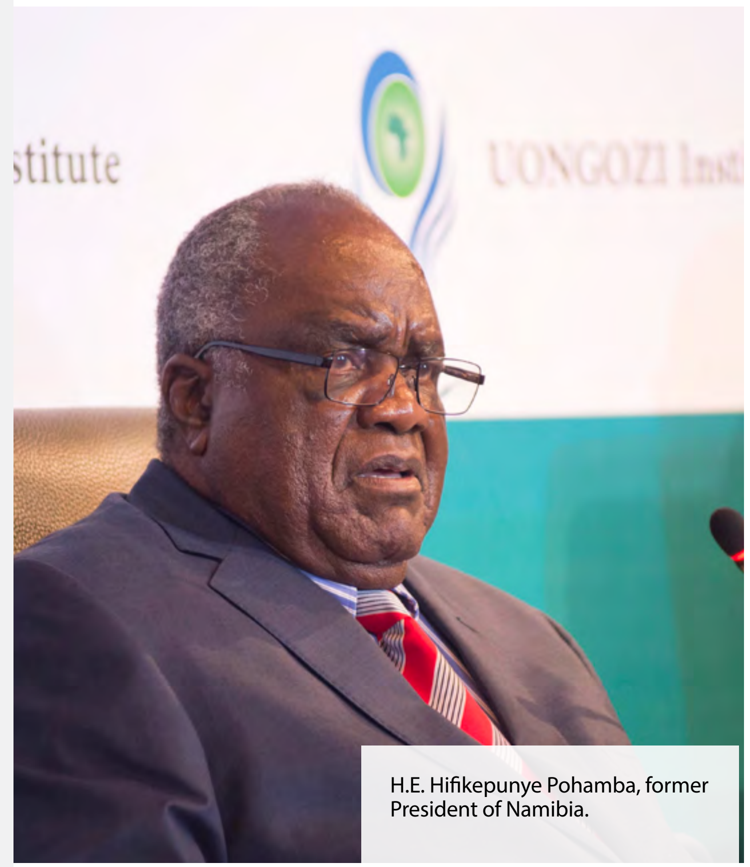
On the need to redistribute wealth: Shifting away from the entrenched economic model of rich and poor

In his opening statement to the panel, **President Guebuza** counselled that for Africa to create wealth for its own people, a shift is needed away from the entrenched two-sided global economic model of a rich North and a poor South. Up to now, elites in African countries have replicated this dichotomous model on the continent whereby one side is rich and can become richer, while the other side is poor and destined to always be poor and serve the rich. Clearly, a shift is required.

We do not want the rich to be poor, but we do not want…the poor to continue to be poor.

Reflecting on the case of Mozambique, he related that the process to change this model may take generations as the complex problems of lack of food, lack of schools, lack of infrastructure, lack of energy and lack of social services in rural areas must all be addressed. In the past, he said that economic theory held that richer urban areas would influence nearby rural areas, but, in practice, this is not the case. Instead, he proposed that innovative solutions needed to be tried to extend opportunities for everybody to move out of poverty, starting with food and employment. For example, in Mozambique, districts were allocated monies to invest in community projects to increase food production and create employment. Rather than channel funds through banks, projects were approved and funds distributed to hard-working individuals via committees elected at the local level. In the early stages of this government initiative, there were many complaints and problems with respect to the lack of capacity of districts to manage the funds and how monies were being spent. But, over time, such a system can provide the impetus to not only:

H.E Armando Guebuza, former President of Mozambique.



H.E. Hifikepunye Pohamba, former President of Namibia.

…train people faster, but also, a challenge to democratize more the society, the rural population, and to put leadership under constant pressure so that they are accountable to the people.

New models like this one need to be created so that people are encouraged to go to school to learn skills to solve problems and provide benefits for their communities to fight poverty more positively and distribute wealth to all people in our countries. Later in the discussion he highlighted that during 500 years of colonial domination, only one university was established in his country, in Maputo in 1962. Today, institutions of higher education have been created in all of Mozambique's eleven provinces.

President Pohamba expanded on the thoughts of President Guebeza. In particular, he said that the redistribution of wealth in African countries following decolonization is a long-term exercise. Citing the case of southern Africa generally and Namibia specifically, he related that most of the land after independence was still owned by people of European origin. However, the constitution of Namibia includes the provision that the government must pay fair compensation for any property acquired.

Since independence, the government has been trying to normalize the situation by setting aside budget funds to purchase properties, particularly agricultural land. But this process is slow and difficult to rectify. Economically, black Namibians remain extremely disadvantaged in comparison with their fellow citizens. And this extends to the business sector as most people do not have access to capital. The government has created a number of financial institutions to provide access to loans but still very few people are using these facilities. The reality remains that the majority of Namibia's citizens are without money and without employment, while those with money control business and employment.

On empowering people

Taking up a comment from the plenary, **Mr. Ncube** said that the African narrative on business needs to be changed. Central to making business more inclusive will be empowering people to find solutions to their own problems and to think that they can.

Because at the moment we have a sense all across the continent that people have been disempowered unless government rides into the rural areas with the solutions or into urban areas or into the townships, people have no solutions to the problems that they face. That's not correct and we need to run away from that notion.

Ms. Mmatsatsi Ramawela, Chief Executive Officer, Tourism Business Council of South Africa .

Mr. Trevor Ncube, Executive Deputy Chairman of the Mail and Guardian Media Group in South Africa.

On a related front, inclusive policy formulation, inclusive policy implementation and the creation of inclusive national institutions will be essential.

…unfortunately on the continent, it doesn't matter which country you look at, we have policies that have been created deliberately to exclude certain sections of the population. We have incidents and events that have occurred that have created a sense where big chunks of the population do not feel included in the day-to-day business activities of their countries.

In her opening statement, **Ms. Ramawela** said that the huge disparities in terms of wealth and poverty within Africa cannot be ignored. To empower people, Africa must meet the fundamental needs of its people. A person must have a full stomach and a roof over their head before he/she can engage successfully in business. To this end, she felt that the present understanding of wealth needs to change and be replaced by an African perspective. For example, in many parts of Africa, the ownership of cattle denotes wealth. If value was placed on these assets, collateral could be created for people who want to go into business. In this way, Africans can be empowered with more opportunities to develop what they possess now.

In turn, Africa needs to change its conversation with the rest of the world to address the issues of inequalities and this starts with addressing trade. For example, why does Africa always look to trade with countries outside the continent or give preference to foreign companies over its own. Africans need to work together to empower the continent.

On the role of government to reduce barriers and enable people to do business

Mr. Ncube also considered that the fundamental role of government is to improve the ease of doing business not create barriers. The government needs to ensure that farmers have a market and a road to take their goods and services to the market. The government also needs to ensure economic stability and price stability. Without policy certainty, without policy predictability, it is extremely difficult for anybody wanting to get into business, no matter how determined and hard working they are.

From abundance to scarcity: Responding to the new reality of the global economy

Taking the perspective of businessman, **Mr. Ghenna** wondered what the concept of inclusive business meant in practice. "What is the distinction between real business and inclusive business? Is one less than the other one?" He considered that inclusive business is a rather new phenomenon and quite different to the nature of business understood by most people. He felt that the concept had evolved due to the level of problems faced by African countries that have been unable to create jobs and prosperity. As a result, a major expectation has been placed upon businesses to be inclusive. Personally, he was reluctant to:

"…go with the flow and say this is something that we need really to build. But I do understand that business, civil society and government have to come together and address the problems of our times. And the problem of our times is we have just come out of a century where the economic model was built on abundance, and now we are entering a period where scarcity is a part of the world and we have to adapt to that scarcity.

He also observed that the very concept of business was a new economic and cultural phenomenon for many Africans.

I would say I am perhaps the first generation who went into business…And so, this is a new phenomenon actually for us—business! And I am sure for many Africans…business is not something that has been with us for hundreds and hundreds of years.

First and foremost: The need for education

Hence, **Mr. Ghenna** considered that the very first thing needed was education. He cited the important efforts of the government in his home country of Ethiopia to develop industrial parks to attract manufacturing companies from Asia to relocate operations to Ethiopia with the potential to create hundreds or even millions of jobs. This is particularly critical given the huge youth bulge in Africa's population. But he added that the jobs of the 21st century will be gradually taken by drones, by automation, by robots. Therefore, education must prepare young people for the world that they will be living in twenty-five years from now.

Mr. Ncube also emphasized the vital importance of education as an integral part of the enabling environment for emerging business people, especially youth. Citing the success of Silicon Savannah in Kenya, he said that the role of the government has been to put in place the necessary infrastructure, regulations and legislation, encourage businesses to put up technology hubs for young people to go and experiment, and ensure that schools and universities are available for these young people who are hungry for knowledge.

When their eyes have been opened to what is possible, they then go hunting for what it is that market is able to provide and to create.

For example, the iHub in Nairobi is a fascinating model.

What's been done is a space has been created for young people, young people who walk in with computers, some of them walk in without computers, the computers have been provided. Those young people sit there and create stuff. Kenya, as we sit here is exporting technology to the world…So it can be done… Fundamentally important is the enabling environment. "How do you create that enabling environment?" You provide the education; you make it an aspirational issue for me in the townships, in the rural areas to want to go to school because I have seen role models in my neighborhood going to school.

Later in the discussion, **Ms. Ramawela** concurred that training and education and sending people to universities were fundamental. However, she added a note of caution:

In my own experience about universities…they are great for our learning process buts let's also remember that universities and institutions of learning in their nature are a little bit behind.

On the need for role models

On a personal note, **Mr. Ncube** said:

I went to university because I saw guy in the township who put on a white shirt and a tie and I said "One day I want to be like him". The problem right now is that a lot of us in Africa right now don't have those role models. The role models that we see unfortunately are role models that have stolen the tax dollar, that have gotten rich very quickly. Let's create an environment that produces role models that will create products that we will sell and be competitive in the international market.

Ms. Ramawela also highlighted the need for role models.

I think we do have role models but as Africans we don't celebrate our own role models. They are there but we think role models are people like Bill Gates. You have to celebrate people at the lowest level…because at that lowest level they are visible to the local boy or girl in that space…so that we begin to build that sense of belonging that they can get into business.

On governance and the rule of law that generates enthusiasm for business

Asked what needs to be put in place by African leaders and governments to promote and cultivate investment by Africans in their own economies, **Mr. Ghenna** responded that it all starts with governance and the rule of law. Governments need to create a supportive environment that encourages businesses to do well.

Business needs enthusiasm… from my own experience if I feel… pleased with the environment, if I feel like things are going well then I tend…to produce more…So it is very important to create an environment that is very supportive…encouraging [of] business to do well…This is what is perhaps lacking...in many African countries.

By enhancing the sense of confidence and security on the continent will also help to stem the flow of money flowing out of the continent and encourage Africans in the diaspora to come back and invest.

On inclusive growth: Promoting the equality and equity of local communities in business

With reference to the tourism sector in South Africa, **Ms. Ramawela** considered that communities needed to be empowered to become equal shareholders in business ventures in their local areas. For example, with respect to game reserves, local people own the land and need to be able to negotiate beneficial agreements with would-be investors. In this way, local people can be encouraged to see business opportunities, come in with equity and become entrepreneurs, not be at the mercy of investors.

It's all about bringing everybody into the conversation, not with anybody saying "I am superior", but [that] we all want to get into business. We bring the government, we bring people with money, and we bring the banks into the conversation.

On democratizing air travel to facilitate cross-border trade and exchange

Dr. Elijah Chingosho, Secretary-General, African Airlines Association, recommended that governments in Africa could facilitate the movement of people and cross-border transport through air transport rather than building expensive roads. Presently, air transport was considered a preserve for the rich and the wealthy on the continent, with taxes, charges and fees on air transport in Africa among the highest in the world. As a result of the high taxes and fees, ticket prices are very high. Dr. Chingosho felt that:

…we need to democratize air transport…We need to get governments to realize that we need to make air transport accessible to all. We need to open up African skies. We need free trade areas in Africa. We need visa [requirements] to be relaxed so that people can easily travel.

President Pohamba agreed. He strongly recommended that African governments, for example, all of the member states of SADC, be persuaded to establish a joint, state-owned airline, like the former Air Afrique.[5] He also remarked that he was very impressed with the recent decision of the African Union to launch a Pan-African passport, which is currently available to heads of state and diplomats. However, he encouraged the AU to work harder to extend these passports to business people.

On real structural change: Supporting the informal sector

President Pohamba also highlighted the importance of providing financial assistance to people in the informal sector to grow their businesses and move into the formal sector, for example, the government or the state can provide loans to small- and medium-sized enterprises and farmers through state-owned development banks.

On a related note, **President Chissano** offered an anecdote from a visit by Mwalimu Nyerere to Mozambique after President Nyerere had left office. Purposefully avoiding official protocol and security, the two Presidents travelled around the country in a Land Rover so that they could stop anywhere and nobody would know who was in the car. On one part of the journey, Mwalimu saw people selling goats on the streets and he exclaimed:

"Chissano! You allow them!? In my country they are chased away…" And this is the most interesting part of what Mwalimu said, "…but this is real structural adjustment… This is the structural adjustment program. Look at that young boy, young woman there. They are selling small goods there. They are laughing. They are not stealing. They are not smoking drugs. They are here, but if you chase them away from here, who is going to give them employment?"

[5] Air Afrique was as a transnational carrier for francophone West and Central Africa established in 1961. The airline was jointly owned by eleven countries—Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Cote d'Ivoire, Gabon, Mauritania, Niger, the Republic of Congo and Senegal—in partnership with Air France and the Union Aéromaritime de Transport. It operated until its liquidation in 2002.

On the importance of leadership, collaboration and partnerships

In her closing remarks, **Ms. Ramawela** remarked that Africa is rich so it is time for the continent to take her place in the global community. To achieve this:

We need leaders that are going to be decisive about the things that are going to happen, and leaders who are not afraid to have people who know much more than they do, because those are the people that make you look good.

Partnerships and collaboration among stakeholders, including business, government and local communities, would also be vitally important:

Because where do business people come from? They are people from local communities. Where do government employees come from? They are from local communities.

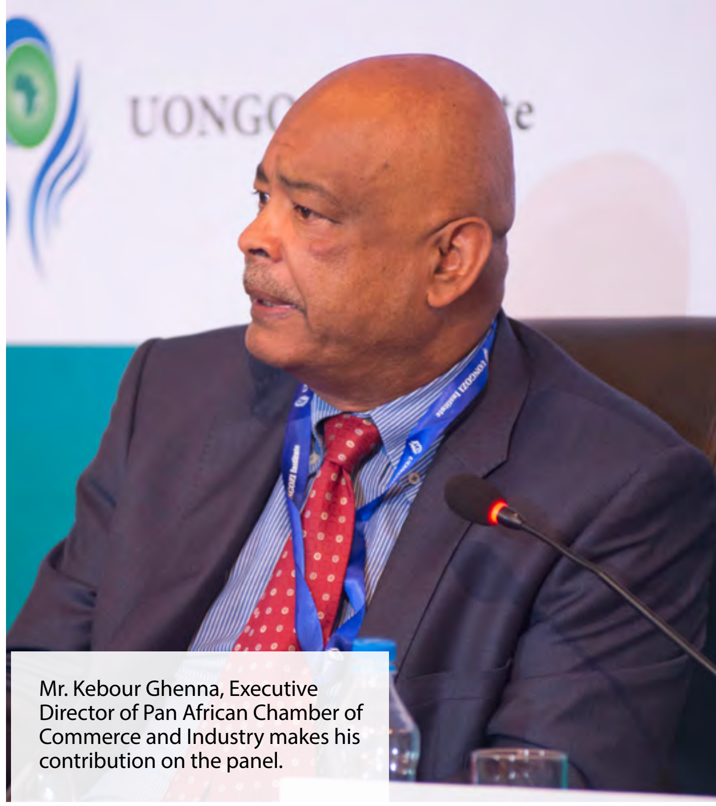
On a related note, **Mr. Ghenna** emphasized that both business and government had to do their fair share. In particular, on the business side, he said:

Business has a lot of opportunity but it also has to play fair. It has to pay its taxes. In many instances there is a tendency to avoid that and that is not the way to build a developed country and that is being also quite irresponsible.

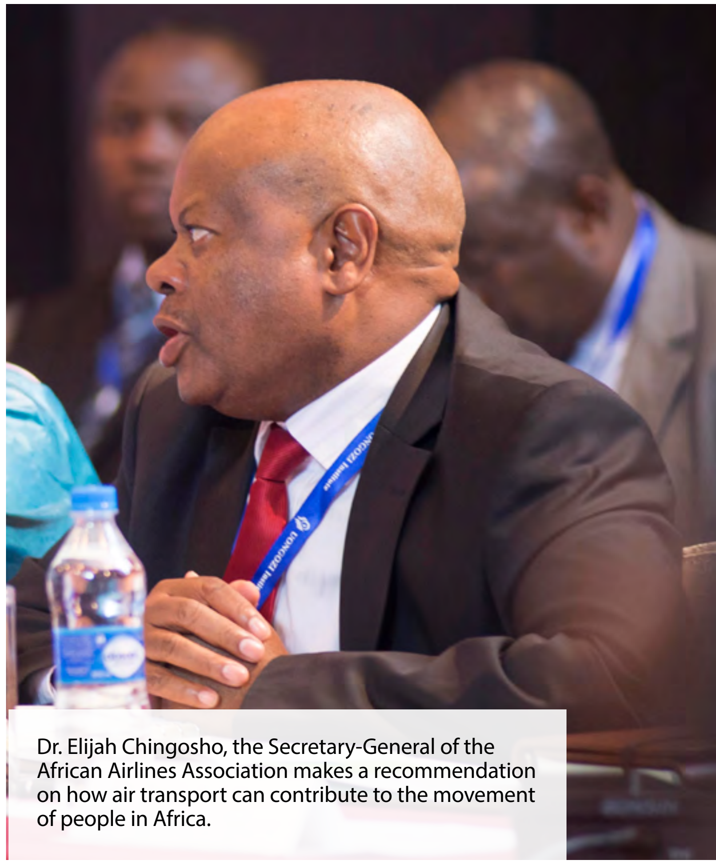
Mr. Ncube emphasized that citizens create jobs. Governments don't create jobs. Governments create an enabling environment for businesses and citizens to create jobs. Fundamentally important components of an enabling environment are education and skills, an empowering policy framework and regulations, and easy access to finance, particularly for small entrepreneurs. Small-scale businesses will need to be given access to cheap, concessional funding. He recommended that governments exercise both a light and heavy touch; a heavy touch where necessary on very high risk issues but otherwise let the citizens and business do what they know best.

Diverse contexts require diverse solutions…and continuous dialogue

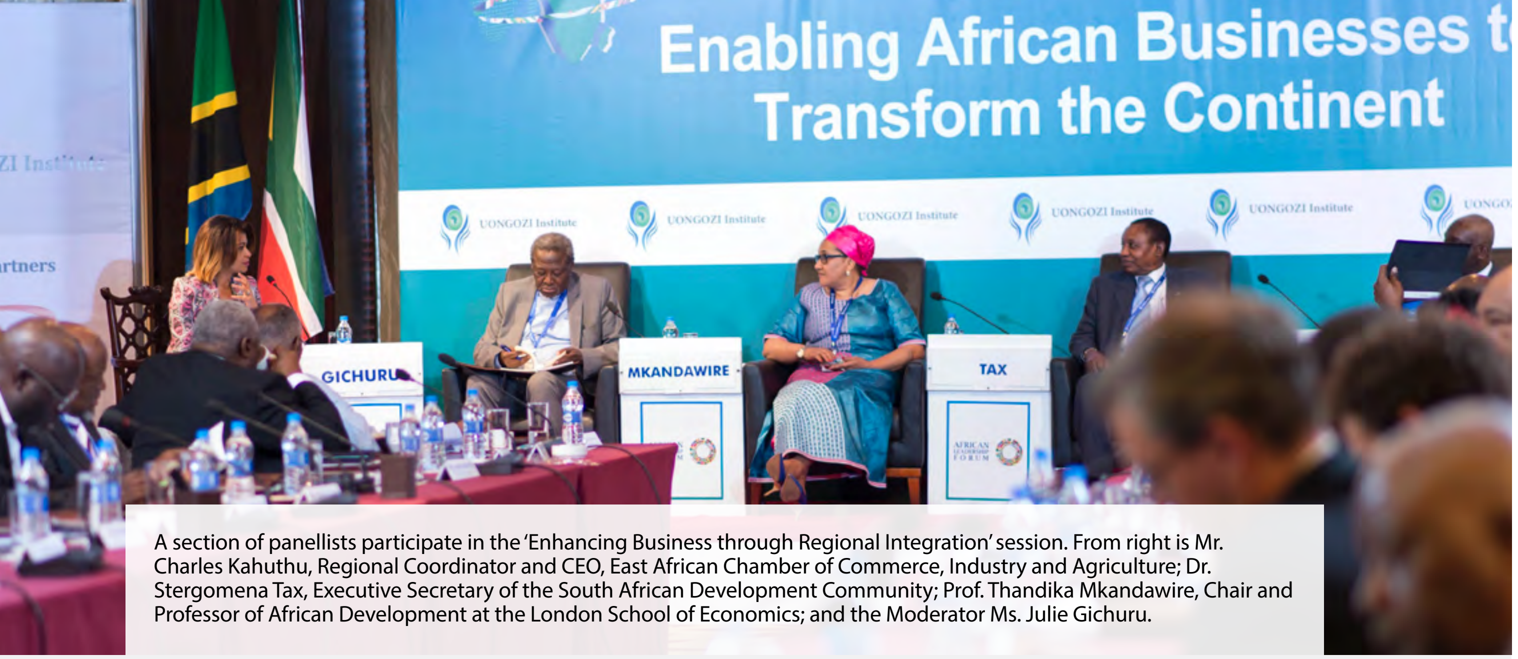
In his closing remarks, **President Guebeza** counselled that Africa was a diverse continent in terms of culture, geography and circumstances. To solve the problem of making business more inclusive, therefore, the continent should avoid applying a single solution but discover a diversity of solutions that respond to the realities of individual countries and communities. And to do that permanent dialogue between the different parties involved would be essential.



Mr. Kebour Ghenna, Executive Director of Pan African Chamber of Commerce and Industry makes his contribution on the panel.



Dr. Elijah Chingosho, the Secretary-General of the African Airlines Association makes a recommendation on how air transport can contribute to the movement of people in Africa.



A section of panellists participate in the 'Enhancing Business through Regional Integration' session. From right is Mr. Charles Kahuthu, Regional Coordinator and CEO, East African Chamber of Commerce, Industry and Agriculture; Dr. Stergomena Tax, Executive Secretary of the South African Development Community; Prof. Thandika Mkandawire, Chair and Professor of African Development at the London School of Economics; and the Moderator Ms. Julie Gichuru.

2.2 Session II: Enhancing Business Through Regional Integration

Moderator: Ms. Julie Gichuru

Panellists

- Dr. Stergomena Tax, Executive Secretary, South African Development Community
- Prof. Thandika Mkandawire, Chair and Professor of African Development at the London School of Economics
- Mr. Charles Kahuthu, Regional Coordinator and CEO, East African Chamber of Commerce, Industry and Agriculture
- Mr. Felix Bikpo, CEO, The African Guarantee Fund

Preamble

Regional integration will go a long way towards reducing the challenges and risk of doing business on the continent. The need for regional integration cuts across different sectors including trade, energy, tourism, infrastructure development, agriculture, healthcare, capital and financial markets. However, regional integration is still not happening fast enough and the African market remains highly fragmented. More than half of Africa's 54 countries are small, with populations of fewer than 20 million and economies of less than US$10 billion. A 2012 World Bank report shows how African countries are losing out on billions of dollars in potential trade earnings every year because of high trade barriers with neighbouring countries, and that it is easier for Africa to trade with the rest of the world than with itself. On average, only about 10-13% of African trade is with other African nations, whilst 40% of North American trade is with other North American countries, and 63% of trade by countries in Western Europe is with other Western European countries. Therefore, this session focused on how African countries can enhance implementation of existing regional integration agreements so as to boost business on the continent. Edited highlights of the session are presented in the sections below.

Where to begin? On the initial conditions for regional integration

In his opening statement to the panel, **Prof. Mkandawire** listed a set of 7 initial conditions on the continent which influence regional integration. The first initial condition is language, particularly whether countries are Anglophone or Francophone. The second initial condition is geography; Africa is huge.

You've probably all seen a map which shows that within Africa you can include the US, China, India, Japan and Western Europe. They would all fit in the African continent, so it is a huge piece of real estate. And we are a trying to integrate such a huge thing! It's really evidence of an incredible sense of hope and African madness. But we want to do it and we will do it but it is just to be aware that we are trying to do something very large, whose GDP is the same as that of South Korea. So it's a big contradiction; little money to integrate a very large space of territory.

The third initial condition is that the idea of Pan-Africanism that was left to the continent by a very diverse range of people has sustained efforts to unite Africa. Prof. Mkandawire added that:

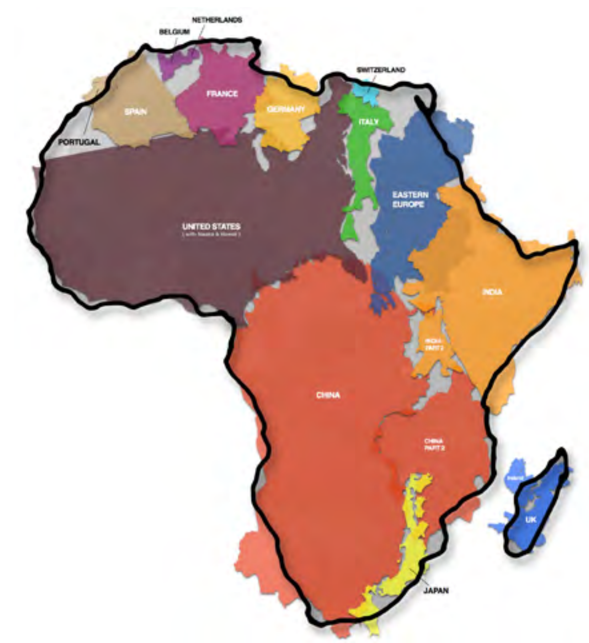
I get very shocked when I meet somebody working for…a young bureaucrat, say in a regional Pan-African organization who has never heard about Nkrumah. Now, I get shocked in the sense that, if we really are going to develop this African thing, our technocrats must at least be "Afrocrats". They must have a vision that they are interested in this thing called Africa.

The fourth initial condition is that Africa currently has lots of institutions, overlapping, sometimes contradictory institutions. Fifth, Africa has very low levels of industrialization and to integrate such a huge piece of land with such low levels of industrialization poses a huge problem.

The sixth condition is the international agenda, i.e., others have interests in Africa which conflict with our agenda. Regional integration is a political act, a diplomatic act. In taking its position on a global scale, Africa is saying, "I want to strengthen my region vis-à-vis the others". Therefore, it makes no sense to expect that other regions will want to strengthen you so that you can challenge them. Africa needs to be aware that others will not like and will try to encourage a version of integration which does not conflict with their interests.

"if we really are going to develop this African thing, our technocrats must at least be "Afrocrats". They must have a vision that they are interested in this thing called Africa".

Prof. Thandika Mkandawire



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The last condition is the diverse interests within Africa itself. Often the lack of progress in integration is put down to a lack of political will. However, Professor Mkandawire added:

I think we should open up this black box on "political will". Whose will are we talking about?...Not all business needs or wants regional integration; some businesses are happy with a national market and they will block any scheme of regional integration because they are satisfied with the local market. To some, it is just simply irrelevant; some may just want the black market.

On the status of regional integration

Dr. Tax observed that great progress had been made in regional integration but she identified three ongoing challenges, namely lack of implementation of regional protocols, insufficient participation of the private sector as a partner in regional integration, and the absence of a monitoring system to assess the progress made.

Taking SADC as an example, Dr. Tax remarked that intra-trade had increased from $6 billion in 2001 to $30 billion today, while over the same period, trade with the rest of the world had risen from $47 billion to $200 billion. With respect to the implementation, an assessment found that only 30% of the protocols for regional integration have been actioned by national governments. Most importantly, the Regional Indicative Strategic Development Plan (2005-2020), i.e., the master plan for regional integration, is not mainstreamed in national plans and budgets. Without commitment to this core platform, she felt that one could forget about implementing integration and achieving the desired transformation of the continent.

Later in discussion, **Mr. Abdoulie Janneh** voiced his opinion that tremendous progress in integration of the continent was being made. For example, at the most recent AU summit in Kigali, Rwanda, two significant things happened. First, a Pan-African passport was officially launched. Second, the AU decided that 0.2% of imports into Africa would be used to finance the AU, which means that African states will now finance its own institution, not rely on the European Union or others to fund it. Now, the question is how can African businesses can contribute to and accompany these very positive changes.

Dr. Stergomena Tax, Executive Secretary of the South African Development Community on how regional integration can promote businesses on the continent.

Mr. Charles Kahuthu, Regional Coordinator and CEO, East African Chamber of Commerce, Industry and Agriculture makes a comment during the panel discussion.

"When people trade with each other, even governments tend to work together nicely."

Charles Kuhuthu

Small, medium and/or large-sized enterprises? Where to focus regionalization efforts?

Mr. Bikpo considered that if regionalization is to be utilized as a tool for enabling business to prosper in Africa, then the focus should be on supporting small- and medium-enterprises as they comprise more than 80% of the businesses in Africa. Regionalization can help address many of the challenges facing SMEs. In particular, regional initiatives will be needed to solve the issue of infrastructure on the continent as one country alone cannot finance the $13 billion needed to connect the continent. If infrastructure is put in place, SMEs will have much improved access to markets, which, in turn, can assist with building economies of scale and boosting productivity. Rising to overcome this barrier will be necessary to realize the continent's vision.

However, **Prof. Mkandawire** expressed surprise at the focus on SMEs, remarking that the European Union was pushed by really large-scale enterprises, for example, national champions such as Siemens in Germany, Philips in the Netherlands and the Anglo-Dutch company Shell. It was not pushed by SMEs. But, to create regional champions, two things will need to be considered.

One is the capacity of our business. Can they deal with larger markets? Suppose you open up markets, are they strong enough to deal with larger markets? Some yes, some no. Secondly, can our states support our business to engage with larger markets? And I am not sure, quite frankly, that our states which cannot support business at national level are able to do it across borders.

Mr. Bikpo challenged **Prof. Mkandawire's** thesis. He pointed out that the world today is being led by emerging markets, and these emerging markets themselves have been led by the SME sector. He also remarked that you cannot create champions overnight. Even Siemens was once an SME. Therefore, you need to create an enabling environment for the SME sector to grow and to develop champion institutions of tomorrow.

Mr. Kahuthu was of the same mind as **Mr. Bixpo**. It is a statistical fact that African economies are led by SMEs with a sprinkling of a few large corporations. He also suggested that large companies were often a drain on economies, as they were the ones that do not pay taxes or the ones that hire accountants to evade taxes. In contrast, the very nature of an SME business is that, once in a while, it will require government interventions to grow. Hence, these enterprises will not evade taxes. Moreover, looking to the United States, almost 90% of their economy is led by SMEs.

In response, **Prof. Mkandawire** said that the number of people involved in SMEs is obviously larger. However, every industrialized country has deliberately built large-scale national champions. Indeed, one reason for doing so is to enable SMEs to continue getting bigger, for example, huge numbers of SMEs are linked to these big firms as suppliers or service providers. He said that he did not know any instance of SME-driven development. Rather, Africa needs to create a number of national champions that will be linked to the outside world on behalf of the SMEs.

Dr. Tax fully subscribed to **Prof. Mkandawire's** thesis. Africa's model of industrialization is based on the value chain. The continent needs to understand who are the players along the value chain and make sure that each and every player contributes the big picture. SMEs are obviously a part of that. But, perhaps most importantly, as done by the economic tigers in Asia, strategic interventions by African governments are needed to support economic development. This will require a true partnership with the private sector to identify strategic areas.

Mr. Bikpo reiterated that growth does not happen overnight. The government can prioritize growth but it will need to be created from a low level. Without a strong SME sector, an economy has no foundation.

Mr. Kahuthu re-emphasized the importance of the middle.

No government I believe can go flat out to put together an industrialization policy that focuses on one or two companies. It really has to be a mix of both. Because you can have one company, one General Motors, [that] will employ 2,000 people but 2,000 people for now. If you actually had a policy that can rope in 100 companies plus that one more, you get further along.

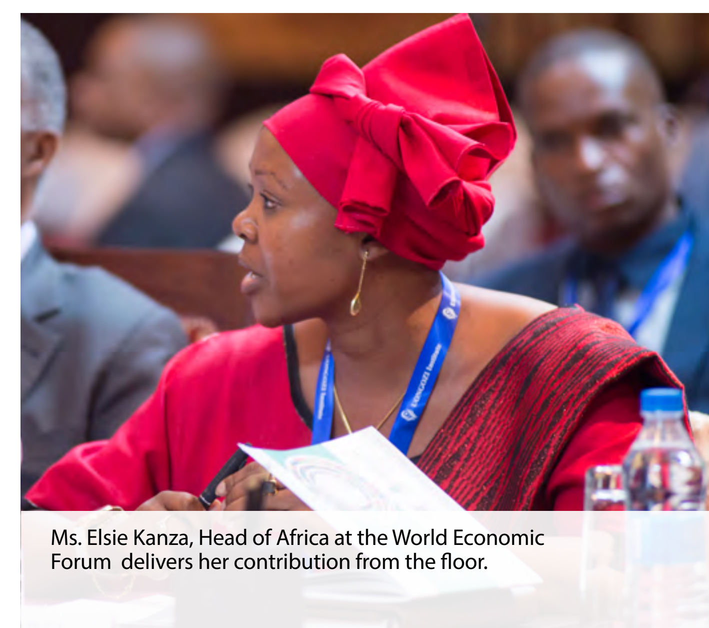
Citing the experience in Ethiopia, he cautioned that in pursuit of foreign investment for industrial development, government policy has to be careful not to allow multinational companies to come back into Africa and kill domestic industry. Hence, an industrialization policy focusing on SMEs may be a more viable route to development.

Later in discussion, **Ms. Elsie Kanza, Head of Africa at the World Economic Forum** remarked that Africa is a major source of inputs for global trade but accounts for less than 3% of the manufactured products traded. Therefore, how can Africa build on the regional value chains to be able to extract more value out of the global supply chains? Presently, over 70 member companies in the WEF are regional champions with annual turnover in excess of 3 billion dollars in Africa. However, of these, only 5 enterprise are global champions, i.e., have annual turnover exceeding 5 billion dollars.

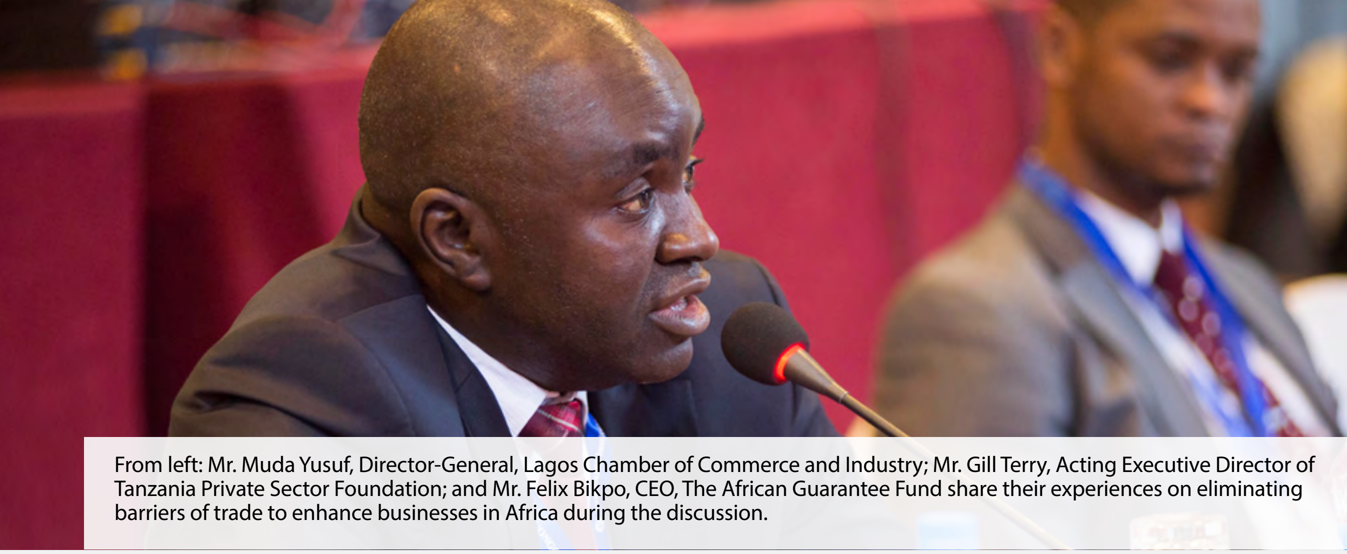
On economic integration: Eliminating barriers to trade

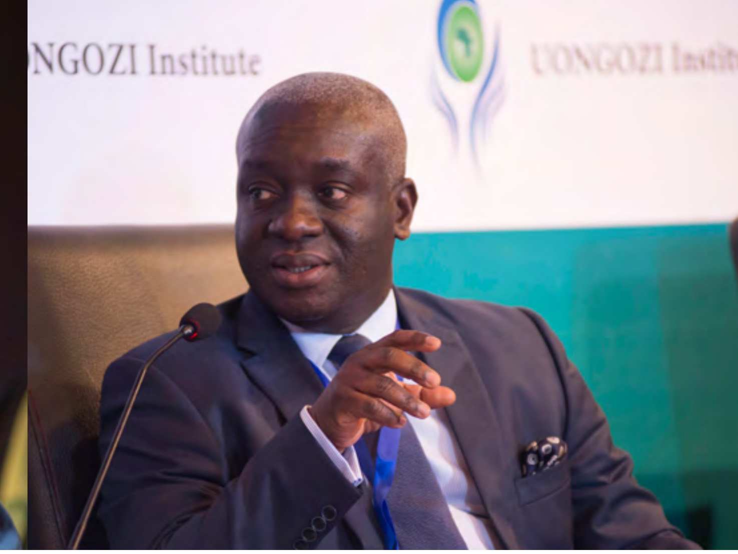
Mr. Kahuthu agreed that East African governments have achieved some progress towards regional integration, for example, one-stop border posts, which facilitate traders, particularly SMEs to cross borders more easily. However, a number of trade barriers and bottlenecks remain for the five member states of the EAC to more fully integrate into a common market. For example, small traders are often still unaware that no tariffs have to be paid when moving goods across the border. As a consequence, they are paying unofficial taxes. And to avoid these payments, traders are going outside the normal routes to cross the borders. Efforts have been made to sensitize these people about regulations. But more needs to be done such that the people of East Africa know that they are one big family. The fundamental reason for integration is to enable the movement of people and goods and services across borders. If the barriers to trade and exchange between African countries remain in place, the objectives of the African Union Agenda 2063 will likely not be achieved.

Mr. Muda Yusuf, Director-General, Lagos Chamber of Commerce and Industry, also suggested that rather than focus on conceptual issues about SMEs or no SMEs, the discussion needed to address how to remove barriers to economic integration. He related that the Economic Community of West African States (ECOWAS) founded in



Ms. Elsie Kanza, Head of Africa at the World Economic Forum delivers her contribution from the floor.





From left: Mr. Muda Yusuf, Director-General, Lagos Chamber of Commerce and Industry; Mr. Gill Terry, Acting Executive Director of Tanzania Private Sector Foundation; and Mr. Felix Bikpo, CEO, The African Guarantee Fund share their experiences on eliminating barriers of trade to enhance businesses in Africa during the discussion.

1975 and the oldest regional organizations in Africa "is still grappling at the level of Free Trade Area, struggling to progress to a customs union." Therefore, he considered that we need:

…to prevail on the heads of states to give priority to issues of economic integration because these things are hardly discussed and we don't have sufficient private sector advocacy to push this onto the front burner for discussion at the level of [the] ECOWAS Heads of States meeting.

Mr. Janneh highlighted the importance of cross-border business to the process of integration and vice versa.

Business and integration are mutually self-supporting, because if you integrate, you get bigger markets. For the average person to be enthusiastic about integration, he must see some very concrete benefits that confirm it, and business is one of them. If they see cross-border business and so on is moving, if the market woman moving from Ghana to Togo, sees that really there are no boundaries for them, it facilitates it. So this is what is happening now and I think we should recognize that.

On practical solutions to regional integration

With reference to **Prof. Mkandawire's** comment on the huge size of the African continent, **Dr. Chingosho,** Secretary General, African Airlines Association remarked that the only practical, cost-effective way to connect Africa together is by air.

How do you connect Nairobi to Casablanca cost effectively? Three kilometers of a runway and a bit of airport infrastructure connects a city to the region and indeed to the world and the world to the region…And indeed, the AU in their Vision 2063 recognizes the critical importance of air transport for us to connect the regions and the continent and the continent to the world. By having better connectivity, it assists all economic sectors, call it SMEs, the big companies. This is my contribution as a solution to regional integration.

Mr. Gill Terry, Acting Executive Director of Tanzania Private Sector Foundation highlighted the importance of harmonizing regulations within regions so as to reduce the costs of business compliance and increase the efficiency of business across borders. On this issue, he commended the efforts of SADC with respect to product testing and compliance.

For example, if you are a seed producer in SADC region and your product has been tested in two countries, you don't need to go to a third country and test it again.

On the pressing need for implementation of existing regional agreements

In his closing remarks to the panel, **Mr. Bikpo** said that good regional agreements already exist. They now just need to be implemented. If implemented, Africa will be able to jointly tackle the issue of infrastructure, and create a bigger market and better environment for the private sector to help transform the continent and compete globally.

Dr. Tax reiterated that what is needed by member states to push regional integration is action. All of the policies and programs at regional, even at continental level, are in place. They just need to be operationalized.

The future of Africa: Producer or consumer?

Mr. Ali Mufuruki wondered whether the future of Africa lay in production or merely consumption. He related that as the Chairman of Trademark East Africa over the last six years, the organization had been working to increase trade among member states by lowering or removing tariffs, reducing the costs of doing business, improving the ports in Mombasa and Dar es Salaam, building one-stop border posts, and investing in revenue authorities and bureaus of standards across the region. Efforts were focused on moving trade in East Africa but very little attention was paid to the actual participation of East Africans in this trade. Then:

…we realize almost as a surprise that 80% of the containers that we are now moving at supersonic speed across our roads and railways and so on from Mombasa to Kigali, 80% come back empty. So we are just feeding and running a consumption or consumer economy.

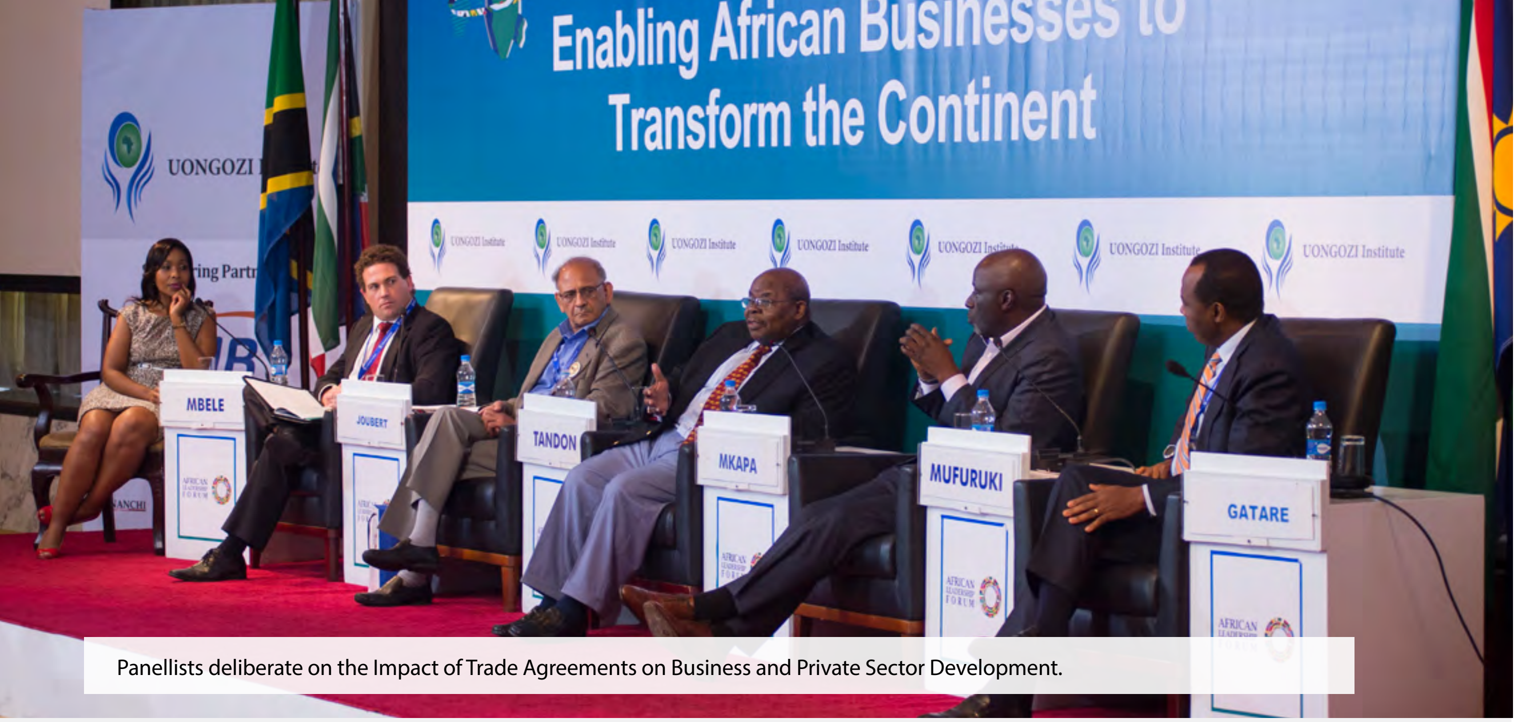
Therefore, he said that it should come as no surprise that the share of African global trade is below 3%. Actually, it is 2% and this figure is lower than it was 30 years ago when the continent constituted 15% of the world's population. At the current rate of population growth, the continent will be home to 4.2 billion by 2100. But, if things do not change, its contribution to global trade will continue to shrink as Africans more and more become consumers.

Turning to the situation in his home country, Mr. Mufuruki remarked that two of Tanzania's biggest imports after petroleum products are edible oil and sugar, both of which could be produced domestically. Why are they imported? Because edible oil and sugar are both cheap, abundant commodities, stored globally in vast amounts waiting to be bought by the highest bidder. So there is no incentive for people in Tanzania to produce edible oil. Despite the potential for these industries to employ hundreds or millions of people, save the country lots of dollars and, in the case of sugar, generate electricity, Mr. Mufuruki reflected that chances are that Tanzania will not put in place a policy to produce these commodities but will simply continue to import them. He questioned how and whether existing regional institutions and the national government would guide Tanzania's future industrialization.

So what are we going to do? We cannot discuss these things because we are at different levels of development. South Africa is not so concerned about sugar but we should be, so how does SADC serve as a platform for discussing Tanzania's industrialization? Kenya may not be so interested in Tanzania's intention to become a manufacturer of certain goods, [therefore] how does the EAC serve as a platform for discussing it? [And] How much internal conversation within Tanzania is taking place about how we are going to prioritize industries in order to create jobs for our people, to create real GDP and to participate meaningfully in global trade?

In his closing remarks to the panel, Prof. Mkandawire felt that intra-African trade is probably running at an expected level given the continent's present levels of development and infrastructure. What Africa does not have is a production base; it is not producing enough. Indeed, some of the regions are doing much more than could be expected given their low levels of production.

Therefore, if regional integration is to be a tool of development then it will need an industrial policy and industrial policies by definition are selective. With very minor changes in existing arrangements, he felt that SMEs can survive. He wished to clarify that he was not against SMEs. An SME "leg" will be needed to support local affairs. But for the larger regional stories, very large firms will be needed which will require a regional industrial policy that supports these large units to produce regionally and to learn how to compete globally. Production is the major problem in Africa and that production has to be selective



Panellists deliberate on the Impact of Trade Agreements on Business and Private Sector Development.

2.3 Session 3: The Impact of Trade Agreements on Business and Private Sector Development

Moderator: Ms. Lerato Mbele

Panellists

- H.E. Benjamin Mkapa, former President of the United Republic of Tanzania
- Hon. Francis Gatare, CEO, Rwanda Development Board
- Prof. Yash Tandon, former Executive Director of the South Centre
- Mr. Ali Mufuruki, Chair of InfoTech Group and Chairman of Board, CEO Roundtable Tanzania
- Mr. Niel Joubert, Director, Trade Law Chambers of South Africa

Preamble

As Africa confronts the challenges of a global economy, it is being forced to make tough choices in negotiating new trade agreements with its major trading partners, particularly the European Union and the United States. Such trade agreements can create opportunities for Africa by opening new markets for goods and services, increasing investment opportunities, making trade cheaper by eliminating substantially all customs duties, and making trade faster by facilitating goods' transit through customs and setting common rules on technical and sanitary standards. However, serious concerns have been raised regarding the motives behind these agreements. Are the terms of agreements truly reciprocal and/or beneficial to business in Africa? Many agreements are seen as increasing market penetration into African economies (and sometimes monopolization) by foreign companies, rather than liberalization. Therefore, this session examined whether and to what extent existing trade agreements support the development and growth of African business. Key issues discussed during the session are highlighted in the sections below.

Recent developments in trading agreements in Africa and globally

In her introductory remarks, the moderator **Ms. Mbele** mentioned the fanfare last year that accompanied the signing of the Tripartite Free Trade Agreement (TFTA) which brings together COMESA, the EAC and SADC to create the largest trading block on the African continent covering nearly 600 million people. But how is the agreement going to add value and help Africa trade more with itself? How is it going to help African entrepreneurs and businesses to develop and grow? And how will it enhance the 14 regional trading blocs and numerous agreements that already exist on the African continent? Is it complementary or is it duplication?

Data from the United Nations Conference on Trade and Development (UNCTAD) indicate that despite the continent's recent era of growth that Africa's contribution to world trade is still around 2%, and most of that share is made up of goods traded with China. More positively, intra–African trade has improved but still only represents 20% of all African trade. Comparable figures in North America are around 40% and in Western Europe around 60%. She started the panel discussion by asking **President Mkapa** if the present trade agreements are the right protocols to help African businessmen and women to prosper.

On the obstacles to regional integration

President Mkapa considered that the problem was not with the contents of trade agreements, particularly those within and between the regional groups on the continent. Indeed the intentions and ambitions of those agreements are excellent. Rather, what is lacking is the will or the seriousness of Africa's leaders to pursue the goals that have been agreed. There is much talk but little action; many meetings but little direct exchange of goods and services. He added that the fault was this is not entirely in our hands, as external forces can also cause African countries to be somewhat apprehensive and retrogressive, more inward looking than outward looking.

Beyond a lack of will, the President enumerated various obstacles to implementation and fruition of existing agreements. First, African countries feared that domestic labour markets would be flooded or, second, that domestic revenues would decrease. Third, the continent can be intimidated by external forces particularly trade agreements with other parts of the world. Fourth, a great inhibitor of trade is the obsession with aid being viewed as a substitute for trade between African states. Instead, President Mkapa considered that aid coming with its promise to achieve better results tends to divert the continent away from integration. A further obstacle is the fear on the part of bureaucrats. They don't make decisions because they are afraid they will be reprimanded by their bosses. Therefore, the process of integration remains at a standstill from one year to another. He considered that production—how much we produce, where we produce, how we produce—is a factor. But first and foremost, there is a lack of will on the part of the continent's leadership to accelerate integration.

I am sorry but I don't think we are serious, our leadership is not serious…When there was a substantive goal of getting Africa liberated, we were able to mobilize the will of Africa and we got it done. Why can't we do it on the economic plane? It's because we are just downright lazy.

Later in the discussion, **Dr. Stergomena Tax** emphasized the importance of African states actioning their commitments. For example, negotiations for the TFTA were commenced in 2008 but it was only signed last year. Moreover, to be operationalized the agreement must be ratified by two-thirds of participating member states. Yet, a year on, no member state has ratified the agreement. Indeed, member states have not even been able to agree on offers to enable trade between states.

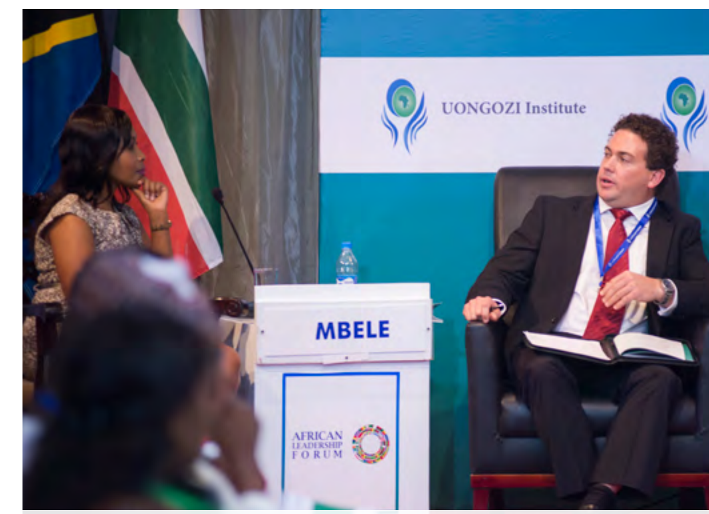
It is the beautiful document…but nothing is happening. So my last point is when we agree, we commit! There should be true commitment in terms of implementation.

On the importance of regionalism to Africa

Asked for his observations on present trade agreements and protocols and how they help or hinder businesses on the continent, **Mr. Niel Joubert** began by outlining why regionalism is vitally important for Africa. He related that due to Africa's colonial history:

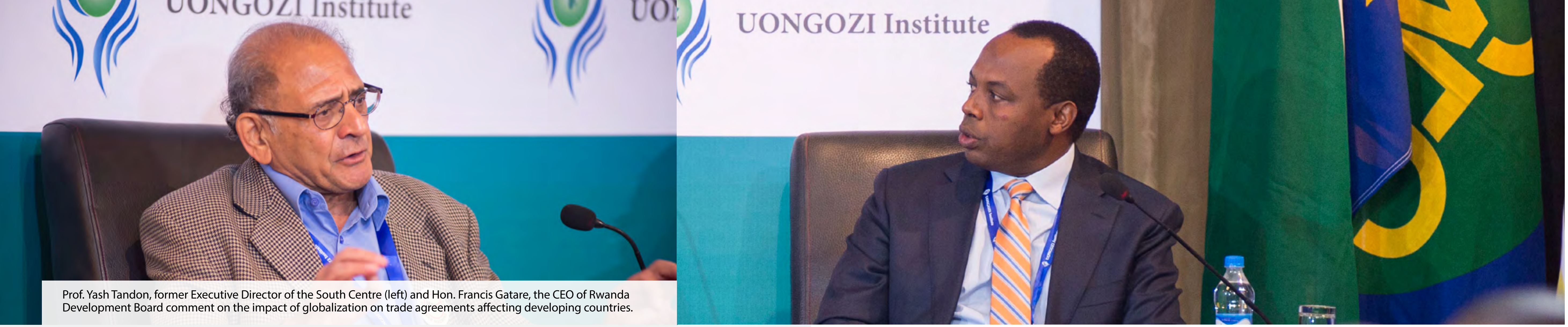
Our markets are fragmented into small, very small markets. Our businesses struggle to compete on a global basis and to be efficient on a global basis. So it's very important for us to continue to push forward with regionalization so that we can build those national champions, and, eventually, regional champions…so that we can become more efficient and competitive on a global scale, and, in that way, increase Africa's percentage of trade in the world market.

He considered that Africa had come a long way in terms of regional integration but that it is a difficult process to implement given the varied interests of different stakeholders in the process.



Mr. Niel Joubert, Director of Trade Law Chambers of South Africa responds to a question from Ms. Lerato Mbele.

There aren't only winners in regional integration; there are winners and losers…An economy is not just manufacturers or producers. We also have importers. We have consumers. We have conflicting interests We have vested interests in these small economies, where you have a very small, small number of big monopolistic players. So it's very difficult for governments, often from political perspective, to implement these agreements. And because of that, we have also seen a shift to non-tariff issues, non-tariff barriers.



Prof. Yash Tandon, former Executive Director of the South Centre (left) and Hon. Francis Gatare, the CEO of Rwanda Development Board comment on the impact of globalization on trade agreements affecting developing countries.

For example, the Tripartite Free Trade Agreement is aiming to reduce other barriers to trade not just customs duties. Not only is the TFTA seeking to rationalize overlapping memberships in present regional trade agreements, it is also looking at new ways to increase trade between member states. By removing barriers, Mr. Joubert considered that countries can gain enormously from increased intra-African and international trade.

Turning to the question of how these agreements can better enable development of the private sector, he remarked that whilst governments are responsible for negotiating these agreements, it is not up to governments to decide which products to include or exclude from negotiations. However, it is vitally important for governments to do their homework when entering agreements and know which sectors in their economies have a competitive advantage with the potential to become a national or regional champion. Hence, it is extremely important to have active mechanisms for stakeholder consultation so that the private sector and civil society are involved in negotiations and aware of new opportunities arising from these agreements. Countries must also ensure that trade agreements fit in with their domestic trade policy and industrial policy and that the agreements reflect national and regional interests and the interests of Africa as a whole.

Ali Mufuruki agreed that:

Regional integration can never be considered entirely a bad idea, no matter what the outcomes are today as we see them. Because the first thing that regional integration seeks, is creation of bigger markets than what you would have if you stayed as one insular country. And market size actually does matter.

Even with the biggest population in East Africa, a domestic market like Tanzania is unviable for most global value chains. Nobody will be interested to make things that can only be sold here to local standards, to local consumers. The market is just not big enough. Which is why regional trading blocs make a lot of sense. He said that:

I think we should continue doing that on the African stage. We are more equal, and therefore we pose less of a threat to one another, in terms of negotiating, the tradeoffs are not that great and even when they happen, they are going to benefit the other Africans.

However, he felt that the bigger risks come when, as a continent of one billion people now and projected to be 4.2 billion by 2100, the world looks at Africa as an incredibly big market, with incredibly valuable resources and thinks:

Wouldn't this be interesting just to keep these people in consumption? Let them just consume. We will produce because global value chains are becoming increasingly and incredibly efficient. They don't need our labour. They don't need our space. They just want us as a market.

Therefore, the challenge for African leadership issue is to overcome the challenges to becoming producers and claim part of that productive space. Africa cannot continue to position itself only as a consumer. Upping the continent's production will strengthen its arm at the negotiating table because Africa will have something to sell. Hence, the challenge is for governments to help producers to participate and to capture a bigger share of trade.

Prof. Tandon felt that production had to begin at the local level. He said:

We in Africa are not ready to compete in the global value chain, full stop. We have to start first with local value chain at the community level, add value to production that the communities are doing in their small gardens, in the fields, then we go to national value chains with Uganda, Kenya, Tanzania, South Africa and so on, then we go to regional value chains.

Abdoulie Janneh strongly supported greater regional cooperation. Strengthening regional trade agreements such as the TFTA will be an integral part of this drive. External agreements such as the EPA need to be evaluated in this context, i.e., to what extent are they detracting from the regional integration agenda and to what extent does Africa accept or not accept them.

Let us trade amongst ourselves first! Let us say it is 20% now, let us go beyond Asia. If we do that, we won't care what happens with the Doha round…we will just improve and it will give us personal strength. So let us integrate, let us talk about integration…Until such time that we do that, we will continue to be marginalized and so on.

Francis Gatare agreed that regional markets are the starting point.

As a region…the market becomes viable and the capacity to deal with external repercussions also becomes more possible. Unfortunately, many of our countries are still looking at the interests as individual countries. We ought to be reaching a point where our regional communities are undertaking industrial policies together, because what is manifesting itself globally also becomes a mirror image of what happens regionally. You'll continue to have some areas of higher productivity and lower productivity areas within the region, industrialized areas and higher innovation centers than others. We ought to begin to see how we can integrate effectively so that those areas or differences in our region can be acceptable. But the moment that we begin to see our countries as individual markets and then others acting against our interests, we begin to lose individually instead of winning collectively.

On the impact of globalization: The need to strike a delicate balance between allowing local access to international brands and protecting domestic production capacities

Asked to reflect upon the experience of Rwanda, a small country, in improving the environment for business, **Francis Gatare** began by observing that the phenomenon of globalization is being increasingly entrenched and nothing will be gained by pretending it does not exist or by trying to work on the periphery of this phenomenon.

Every country, company, individual has got to have a strategy to deal with globalization, but none of our countries are large enough, strong enough to be able to confront it. In fact, even some of the strongest companies find it necessary to align themselves with others to benefit, in some cases to protect themselves from competition. So it's important that trade agreements are done within the framework of regional integration to bring together sufficient negotiating capacities.

Crucially, trade agreements will need to achieve a delicate balance between allowing domestic consumers access to global brands while protecting domestic production capacities.

Mr. Mufuruki also spoke on the profound impacts of globalization, both positive and negative. Asked how trade agreements impact business, he shared his personal experience as the franchise partner and now joint venture partner with the South African company Woolworths. He said that his business had benefitted tremendously from progress in the trade agreements of SADC and the EAC, which helped to facilitate the company's expansion into Tanzania and Uganda, including the deployment of people back and forth.

However, he related that another very profound change had occurred over the same time. Seventeen years ago when he had started this business relationship, almost 80% of the products in Woolworths stores were being manufactured in Africa. Cape Town in South Africa was the biggest producer, but goods were also being manufactured in Lesotho, Zimbabwe and Kenya. Now, almost nothing Woolworths sells is made in Africa. Almost everything it sells is made in China. And given the distance and the fact that China is not part of SADC or the EAC, one would have thought the goods would have become more expensive, but actually they are cheaper. He continued:

Now for me, as a businessperson, I won't wish anything else. This is great. Our products are more accessible to a bigger group of people, our business has grown ten times. But what about our jobs? What about our industries? What about the raw materials that we produce and are forced to sell in raw form because we don't have industries? What are we going to do about this incredible and terrifying future that I see of masses and masses of unemployed people? So, I have become a globalization skeptic.

Noting the recent decision by the United Kingdom to leave the European Union and the behaviour of the United States, a leading member of the WTO, in unilaterally imposing tariffs on other countries when it perceives that its economy is being threatened, most often in defiance of existing rules, he said: *Who are we to say that globalization is always good, cannot be questioned or is a reality we have to accept?*

While encouraging the benefits of integration, African leaders must be fully cognizant that trade is not neutral, trade is not innocent.

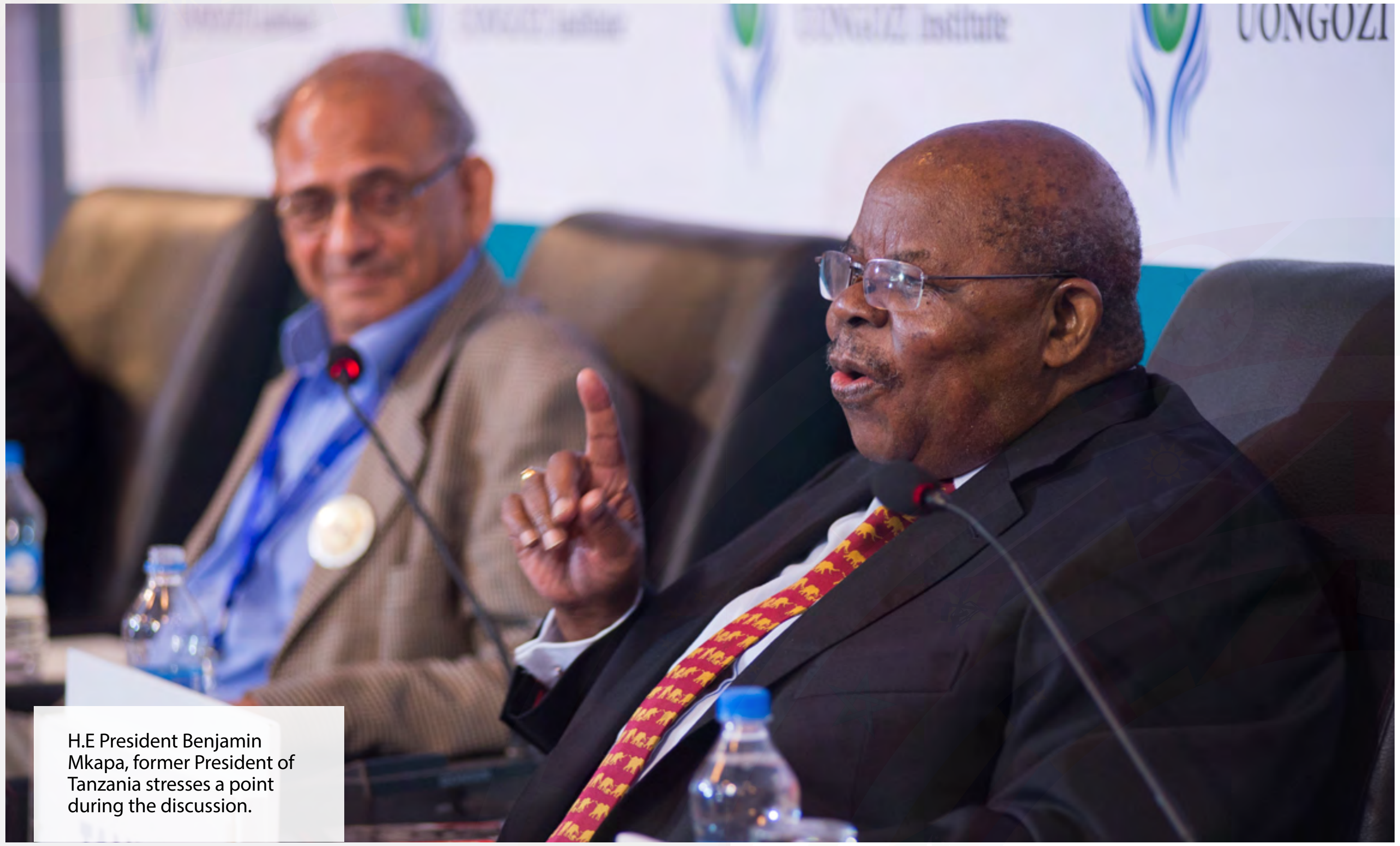
The world has only so much GDP. There is a brutal and fierce fight for the share of that GDP; the more power you have, the bigger the share you are going to have.

Given the reality today that Africa does not have the required power and capabilities, especially to negotiate, then it will have to work better, harder and smarter to improve its participation in global value chains. He felt that the laziness that **President Mkapa** was talking about was real and its effects were visible.

We are all happy to be consumers and the world would like us to continue to believe that this is a good thing. But that is not a great future we are looking at, because we don't even have the money to allow us to consume the way we need to consume and with our population growing as fast as it is, we are going to be drowning in the sea of very cruel poverty, wars, disorders and disruption.

On the need for sacrifice in pursuit of the common economic good for Africa

Challenged on his earlier comment that Africa was lazy, **President Mkapa** agreed that the recent improvements in infrastructure to link the continent were evidence of development and a useful step toward integration. But more importantly, trade regimes are yet to be harmonized. To achieve that will require that individual countries are prepared to sacrifice to enlarge the common economic interest of the continent. However, he felt that African leaders were not displaying the readiness to sacrifice or this quality of leadership was taking too long to mature.



H.E President Benjamin Mkapa, former President of Tanzania stresses a point during the discussion.

If we are not prepared to sacrifice, if we are not prepared to identify the national interest in the context of a regional one…but what is more, if we are not prepared to make that distinction, the external factors, the IFIs [international finance institutions] the European Unions would come to us and make sure that we continue to be hewers of wood and fetchers of water, because that is what the EPAs [Economic Partnership Agreements] are about; that we will provide the raw materials for them so that they can add value, not you yourselves. And if that happens, you will never industrialize…

Quoting from his article in The Citizen newspaper (28 July 2016) he said that:

You will have a decline of government revenues and therefore be incapacitated for delivering social welfare, but you will be turning yourselves into suppliers of raw materials for value addition for labor engagement in the European Union, while you have widespread unemployment in your own country.

Citing President Mkapa's article, **Professor Tandon** highlighted a long list of domestic industries that were at stake if Tanzania signed the EPA. Rather than remain exporters of raw materials, African countries needed to promote intra-regional trade that adds value.

When Kenya exports to Tanzania, it exports value-added products regionally. We need protection for that. Trade is war! It has been unmitigated, ceaseless, relentless war of Europe on Africa.

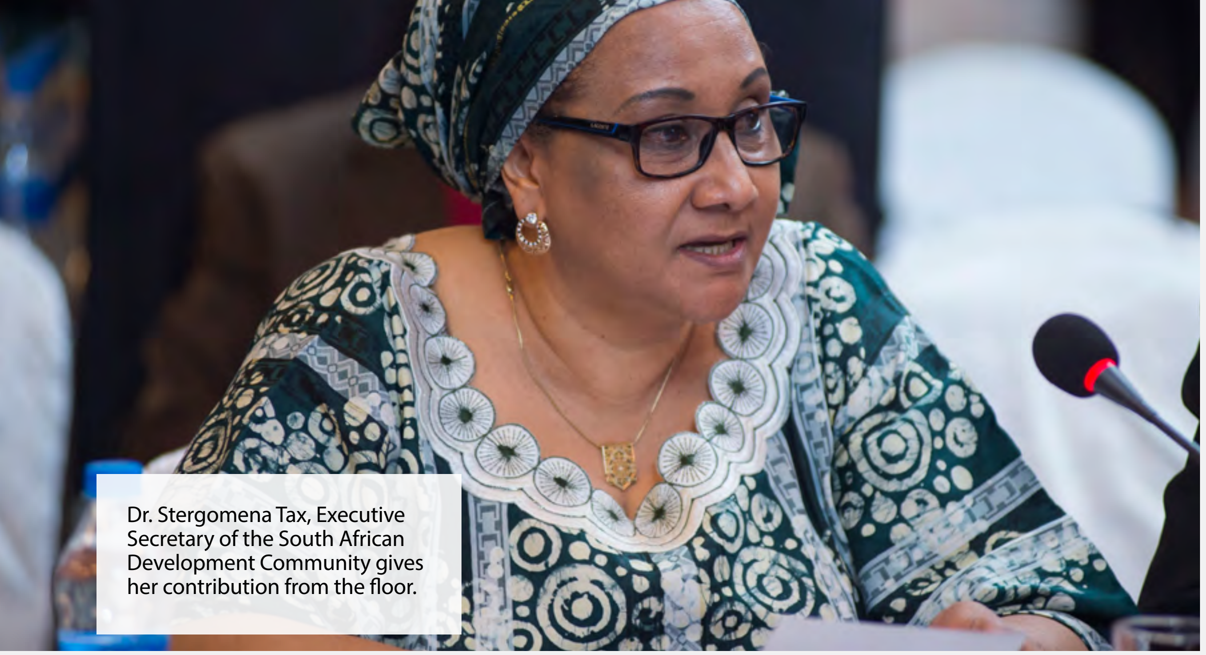
Africa must wake up and not allow the continent to be looted of its commodities as it was looted of its people by the slave trade during five hundred years of colonization. And right now, he felt that, with the impending collapse of the European Union, Africa has a fantastic opportunity for eastern and southern Africa to come together as a stepping stone towards African unity.

Professor Tandon believed that the principal problem was that international trade agreements were not made by African states but by developed countries. Africa was yet to rid itself of external influence and interference. Of similar mind to President Mkapa, he said that:

As long as we get aid and [have] dependency, we cannot make our policies. This is not a question of economics… This is about politics or power. We are not yet independent. We have still a long way to go for independence.

On the need to build capacity to better understand and negotiate trade agreements for the benefit of Africa

Niel Joubert agreed with **Prof. Tandon** that regional integration within southern and eastern Africa was very important, but, at the same time, Africa needs to build the capacity of government officials, trade negotiators and trade lawyers to better negotiate present and future trade agreements with other parts of the world.



Dr. Stergomena Tax, Executive Secretary of the South African Development Community gives her contribution from the floor.

We are unfortunately a part of this globalized system. It's a set of international legal rules we need to get better at. We need to beat the developed world at their own game… When we negotiate these agreements we need to ensure that we build the necessary safety valves to keep out unfair competition from developed markets. They are not always playing fairly. We need to keep out this unfair trade and subsidized products that will destroy our agricultural sector, etc. We need to be able to make use of trade remedies to keep out that unfair trade so that we can increasingly participate in world trade but still to the extent that is possible under the international rules to protect our own industries.

President Mkapa added that the Doha round of WTO trade negotiations was deadlocked because developing countries, led by India, are refusing to concede to demands to allow market access for agricultural products from developed countries, pushed particularly by the United States. Indeed, he remarked the WTO itself was started to circumvent changes to the international economic order that would have benefitted the interests of LDCs [Least Developed Countries].

Fortunately we have woken up even on that front. Look! I don't want to eat Uncle Ben's rice in Tanzania when there is excellent rice from Mbeya as even the freedom fighters know.

Dr. Stergomena Tax strongly attested to the need for Africa to strengthen its capacity to negotiate, to have specialists in each and every subject, but more importantly for member states to be prepared, to develop a common position and to speak with one voice in negotiations with external trading partners. In turn, achieving better coordination will require increasing the capacity and empowering the regional economic blocs to drive economic integration of the continent.

Neil Joubert agreed.

I think it's very important that we stand together as an African grouping not only in the regional trade agreements but also the WTO and also the ACP [Africa, Caribbean and Pacific] group or the Africa group and then fight for protection of the interest of the African countries.

He also highlighted the changed negotiating circumstances for the UK. For many years, the EU with a team of 300 expert negotiators has negotiated on behalf of the UK as a member state. Now, post-Brexit, the UK has a team of 20 negotiators which will have to renegotiate all of the country's trade agreements.

Professor Tandon remarked that Africa does have negotiating capacity. For example, he could confirm that there are 13 people in the South Centre based in Geneva that are able to produce technical information about trade which is superior to the thousands of negotiators they bring from Brussels. The Southern East African Trade Information and Negotiation Institute (SEATINI), which has been in existence for 17 years also possesses excellent capacity to negotiate.

We have capacity to negotiate. We have to stand together. But we refuse to. What is development? All development is resistance! All development is resistance! We got our independence because we resisted!

> *"Look! I don't want to eat Uncle Ben's rice in Tanzania when there is excellent rice from Mbeya as even the freedom fighters know."*
>
> ***H.E. President Mkapa***

On the imperative to produce so as to expand Africa's share of world trade and the bargaining power of the continent

Mr. Mufuruki said that Africa needs to understand the way the world works so that we can engage more successfully. He described a discussion he had with a former American WTO trade negotiator now a retired civil servant who related that negotiating teams for the United States were briefed that from the moment they entered the room to *"make everybody understand that what is mine is mine, what is yours is negotiable."* As he had said earlier *"trade is not fair, trade is not innocent. It's all about power."*

Therefore, he posed the question: How are we going to get started as Africans to get a fair share of trade? In answer, he pointed to the fact that emerging nations like China, India and Brazil have started to be taken seriously by the big powers because they demonstrated that they had something to offer, either a market or what they produced, and, hence, they now have the ability to participate meaningfully in global trade. Therefore, the challenge for Africa over the next few decades is to demonstrate that it has something to offer to the world.

We need to be able to produce things. Africa does not even produce enough food to feed itself. Africa depends on others to feed its people to a very large degree. So when you walk into a room to negotiate about grain prices around the world, you are talking about other people's grains, other people's production. Why should anybody pay attention to what you have to say

Africa has to up its productivity game in everything it does.

We need to identify priority areas of investment where we can become world class at producing, at value adding and then we will have more clout. But to sit and expect that because we are human beings and because we have human rights the world is going to feel pity on us and say, "Let us be fair on these people". These people are not going to be fair on us. They depend on us to get more prosperous; they depend on our consumption to become richer…Why do we want to depend on other people for things we can produce?

Dr. Tax agreed.

You can have a very good trade agreement but if you don't have products to trade it will…be useless…So what we produce is very important, the capacity to produce is very important and the capacity to trade also is very critical. These are the issues which should be an integral part of when we analyze trading partners, trading agreements.

Mr. Gatare echoed Mr. Mufuruki's comments. He said that the reason why the current discussion was focusing on trade agreements was because the Europeans have now demanded reciprocity from African countries. He said that Africa has always had access to the markets of developed countries, including Europe, Japan, China and the United States, and that this access was provided unilaterally without asking for reciprocity. Rather, he believed that the challenge for the continent had always been a supply-side challenge. African companies, even those with the opportunities to export, could not sustain the kind of orders that they received except for unprocessed commodities.

So the fear of domination of products coming from Europe is founded but the solution is not in focusing on protecting ourselves against European products, but rather in improving our market size, in improving the productivity of our companies, integrating innovation and technology into what we do and looking forward to what some of the new and emerging products that perhaps Africa, could begin to have a competitive advantage [in producing], rather than focus on the old economies.

Highlighting the historical differences between African states with respect to trade agreements, the **facilitator Ms. Mbele** asked whether, in the absence of consensus, individual countries should negotiate bilateral agreements if it is in their interests regardless of whether it is part of the broader African vision or not.

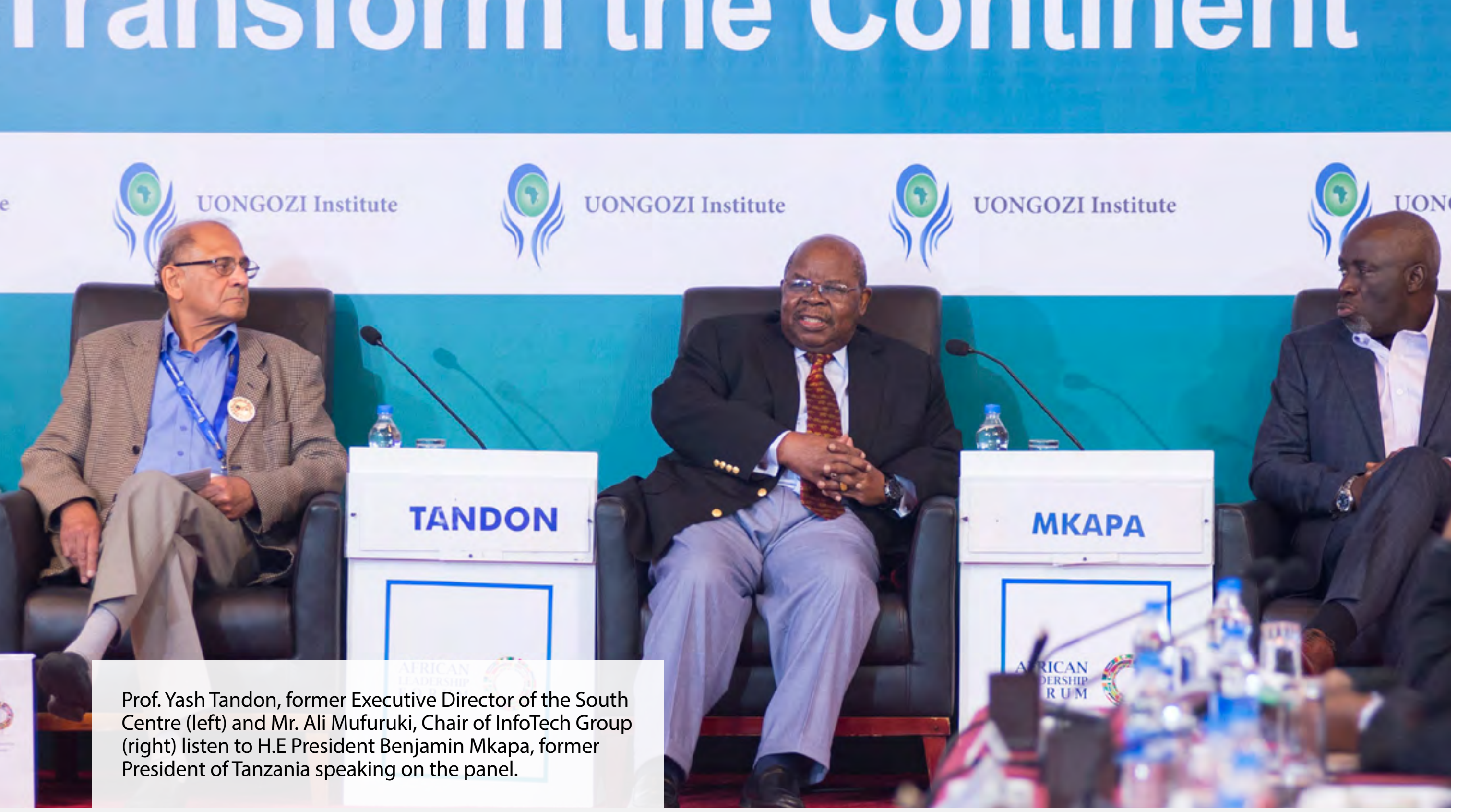
In response, **Mr. Gatare** said:

No question about that! Every country has got to look out for what is in the best interest of their citizens, businesses and future in general. I think there are opportunities that Asian countries provide because when you look at how countries have been able to improve their productivity, its always been linking with the centers of higher productivity, accessing their technologies and learning through having linkages with those specific companies.

President Mkapa countered **Mr. Gatare's** statements with respect to reciprocity. He argued:

…that the real problem with the EPAs, certainly the African ones, is that they demand reciprocity between unequals. They want a free trade between the European Union and LDCs and middle-income countries of Africa. What kind of equality is that?

Of note, he said that agricultural products in Europe are subsidized but in Africa they are not. The European Union refuses to remove those subsidies yet they want free access to markets here. Therefore, President Mkapa considered that the nationalistic thing to do now is for countries like Tanzania to implement deliberate policies to become self-sufficient in food so that imports are not



Prof. Yash Tandon, former Executive Director of the South Centre (left) and Mr. Ali Mufuruki, Chair of InfoTech Group (right) listen to H.E President Benjamin Mkapa, former President of Tanzania speaking on the panel.

needed. Rather than accept aid and subsidized products, relationships with Europe should be focused on promoting production within Africa. He said:

That's one point where we are fighting with Europe. We can feed ourselves…and live in dignity…On the contrary, they want to sell their subsidized agricultural products to us so that we can continue living in indignity.

Prof. Tandon strongly agreed with President Mkapa. He cited the experience of the Cotton 4, the four principal cotton-producing countries in West Africa—Benin, Burkina Faso, Chad and Mali. Due to massive subsidies paid by the United States to domestic cotton producers, global prices for cotton have been artificially driven down. These market distortions have had a devastating impact on the cotton industries in these countries with spillover effects on five to six million people dependent on cotton production. And despite repeated attempts to bring their case to the World Trade Organization, the Cotton-4 have never received fair treatment. He added:

There is no fair trade. There has never been a fair trade…Those with the power take it, those that have no power give it, simple as that.

On the need to differentiate: Different categories/levels of agreements involve different politics and result in different outcomes for Africa

In discussing the impact of trade agreements on African business, **Mr. Abdoulie Janneh** felt that it was important to differentiate between three different categories of trade agreements: first, the global agreements such as the WTO; second, the agreements between trading blocs such as between the EAC and the EU, and, third, the agreements between African countries within the continent. Unless the differences in the politics with respect to each category are recognized, then the discussion may become meaningless. He said that:

In discussing the impact of trade agreements on African business, Mr. Abdoulie Janneh felt that it was important to differentiate between three different categories of trade agreements: first, the global agreements such as the WTO; second, the agreements between trading blocs such as between the EAC and the EU, and, third, the agreements between African countries within the continent. Unless the differences in the politics with respect to each category are recognized, then the discussion may become meaningless. He said that:

In his judgement, expanding the continent's scale of production to increase competitiveness can only happen if countries across Africa combine and work together. Hence, trade agreements at the level of the continent have their own politics in strengthening Africa's hand in discussions with external parties. In contrast, agreements such as the EPAs with the EU continue the colonial arrangement. Clarity is needed with respect to the different kinds of agreements and their politics and the different effects on African countries and their production.

On a related note, **Dr. Tonia Kandiero, Resident Representative for Tanzania of the African Development Bank** highlighted the difficulty of coordination and cohesion between African countries and regional blocs that were party to different agreements. For example, SADC has already signed the EPA with the European Union but Tanzania and Uganda are yet to agree to go ahead. This raises the challenge of coordination among these countries and blocs because Tanzania also belongs to SADC. She also posed the question whether, post-Brexit, Africa should focus on bilateral agreements with the United Kingdom or look for strategic regional opportunities within the EPA to reorganize and increase production for specific goods.

With respect to the EPA that SADC had signed with the EU, **Prof. Tandon** recommended that South Africa should delay implementation of this agreement. And that this could easily be achieved given that post-Brexit Europe is fundamentally changed. Instead, Africa should push forward with the Tripartite Free Trade Area. In every way, Africa should avoid being divided and unite together against external power and influence.

Removing constraints and increasing the volume of trade: What does trade data tell us?

Dr Frannie Leautier raised a further series of discussion points based on current trade data for Africa.

- Who does Africa trade with? Only 8 out of 54 African countries have Europe as their number one trading partner. For the majority of states, India or China is the top trading partner. Hence, it is equally or more important for Africa to focus on these partners, especially given that those countries are taking the manufacturing space that Africa used to occupy.
- What does Africa trade? Largely, Africa buys consumer products and exports primary products. Regionally, trade in services is also growing. So, how does the continent move into manufacturing, specifically construction materials and food which could take Africa to the next level?
- What is the balance of trade within Africa and with the rest of the world? Of the total value of African trade, intra-African trade accounts for only 20%, compared with a corresponding figure of above 30% in Asia. To match and exceed Asia on this indicator would not be difficult if agreements around regional trading blocs were implemented. In turn, this would help to raise the quality of what we produce so that Africa can then also trade more effectively with the rest of the world.
- How can African trade add value to our economies and to our people? Data indicate that 40% of the African countries that posted high economic growth rates did not increase employment, i.e., these countries are experiencing jobless economic growth. The other 60% of countries that grew did not create enough jobs. Therefore, what and how can trade be organized to promote employment growth?

She suggested that given the expense of infrastructure and the difficulty of competing on cost, perhaps Africa can prioritize production and trade in a subset of products where high quality can be achieved.

On the need for courageous leadership

Mr. Mufuruki reiterated the need for Africa to produce and that this will require political leadership of the highest order.

Africa's industrialization project is going to be 80% political, 20% everything else; 80% political because it is going to require our leaders not only to be smart, but to be able to spend huge amounts of political capital to do things that nobody expects them to do. Because how do you start producing sugar in a world where sugar is so cheap? How are you going to start localizing textile manufacturing in Africa when you can buy a shirt for two dollars from China? How do you explain this to your population? A gentleman raised this. If we want to create industries in our countries it means that we are going to restrict people's choices and we are going to force them to buy more expensive things that they could buy from the global market. How do we make that acceptable? We are going to need incredible extraordinary leadership to explain this.

Dr. Tonia Kandiero, Resident Representative for Tanzania of the African Development Bank speaks on coordination and cohesion between African states and regional blocs during her contribution.

But he did not know of any country anywhere in the world that achieved industrial transformation without protectionism. He cited examples from the United States, from Europe and from China, including the destruction of hundreds of billions of Euros of food products to manipulate the market and maintain prices for its producers.

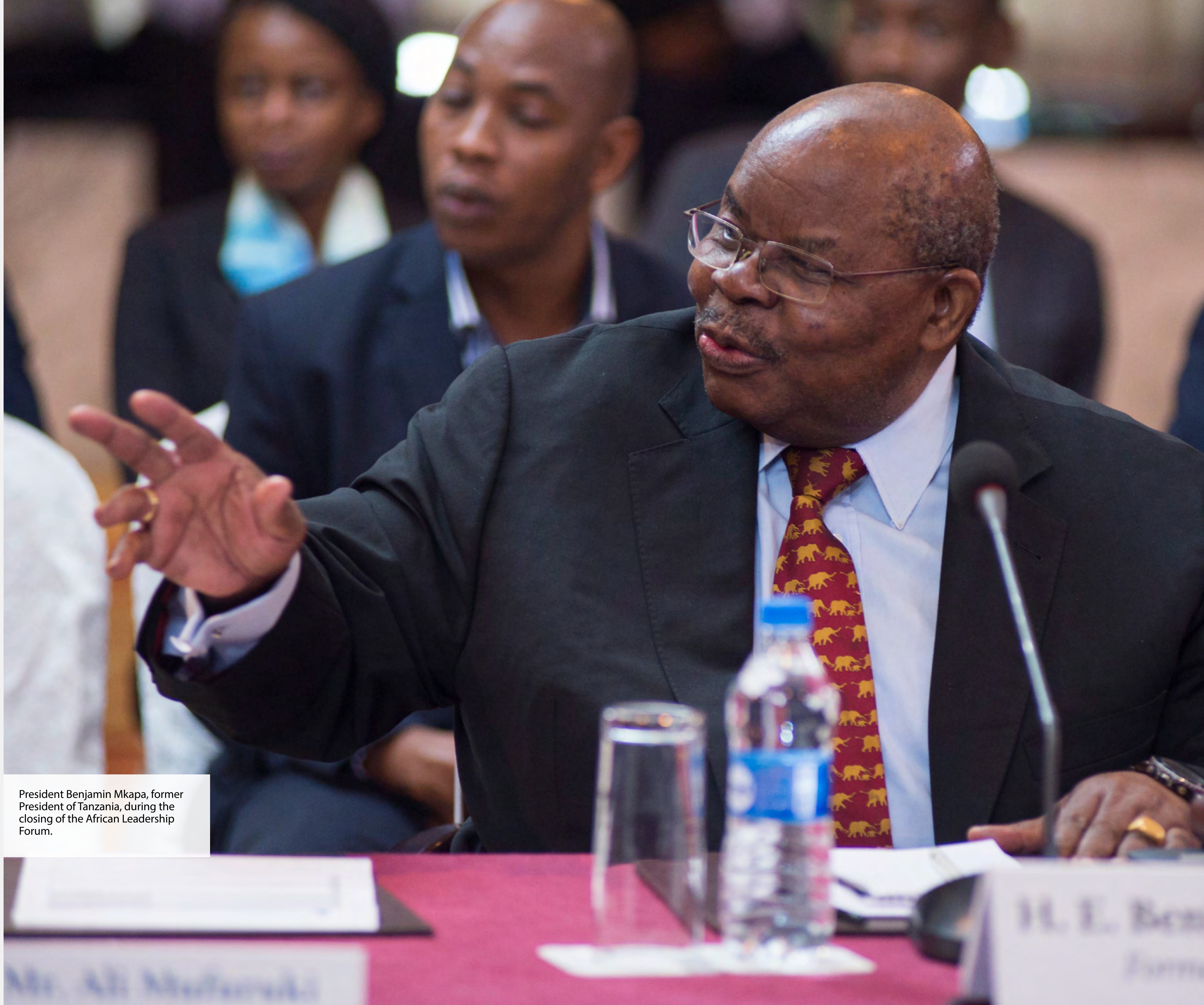
The cost of destruction of excess food in the UK could feed Africa ten times over, just the cost of destruction, forget the food itself.

In his closing remarks to the panel, **President Mkapa** lamented the present stasis and division in Africa. Decisive, courageous leadership, the same calibre of leadership and sacrifice that was demonstrated by the leaders of Africa's liberation struggle would be needed for Africa's future prosperity. He said that:

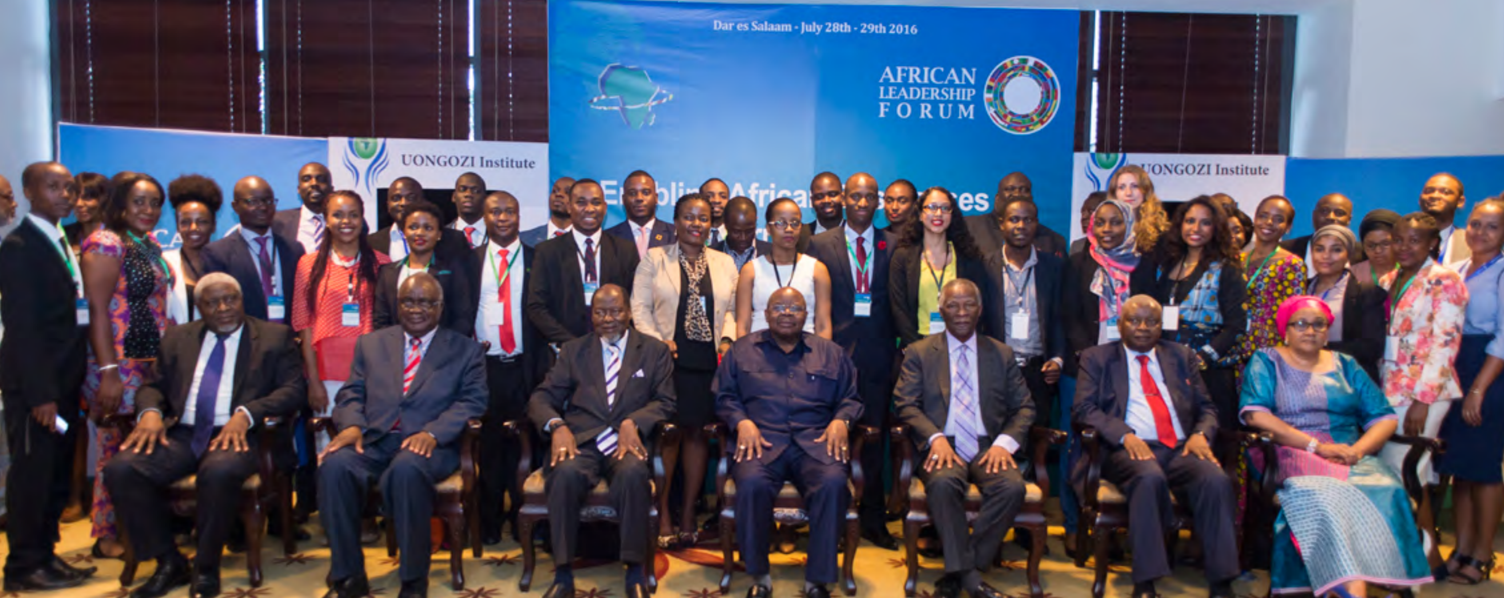
…we are weak because we have decided to be weak quite frankly. They are strong because they have decided to be strong. When we agreed to resist imperialism and colonialism and apartheid we were able to mobilize ourselves effectively and I think it can be done. It can be done

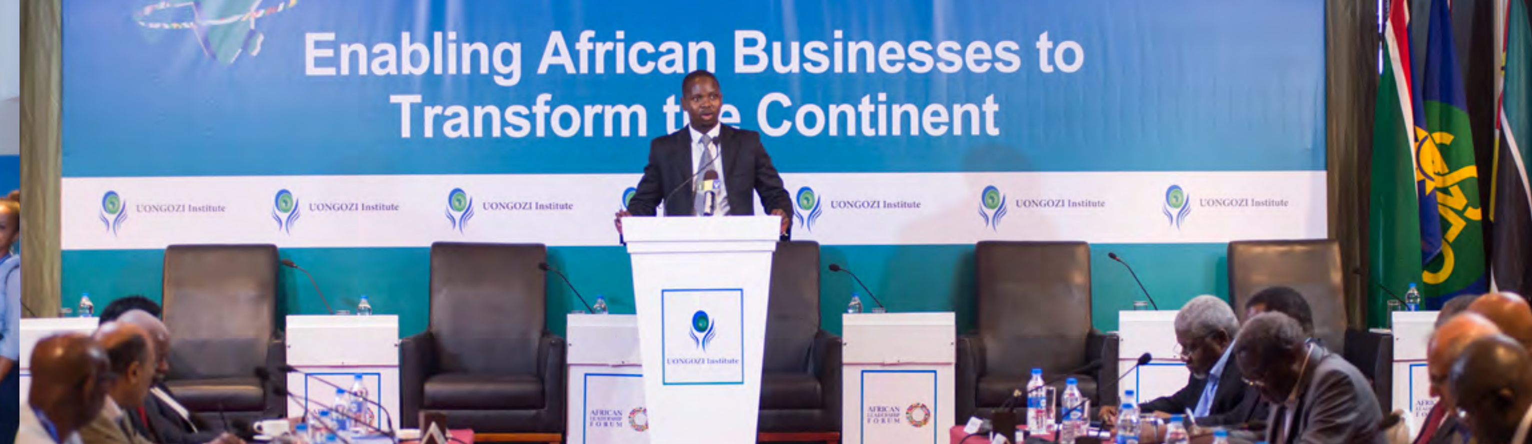
African countries need to look beyond their national interests alone. Legislatures must be persuaded to ratify regional agreements. Governments should be acting in the interests of the majorities of their citizens who are still poor. He thanked **Dr. Kandiero** for highlighting the dilemma of SADC signing the EPA and hoped that the difficulties that this situation presents will drive countries to get together and be honest with each other. Again citing the Africa's experience during the liberation struggle, he related that the leaders of the frontline states would meet within 24 hours if there was an emergency at a time when communication was much more difficult than today. Why then does it take ages for our leaders to meet?

In closing, he quoted the words of his great mentor and inspiration, Mwalimu Nyerere, who said "for Tanzania we must run while they walk, we must run while the developed countries the Europeans, the Unites States while they walk, because they have exploited us enough. We must run!"



President Benjamin Mkapa, former President of Tanzania, during the closing of the African Leadership Forum.





Left: Former African Presidents and representatives of regional bodies in a group photo with a section of participants from the youth dialogue. Right: Mr. Tsholofelo Tsholofelo, Junior Partner of Poyet and Associates, a law firm in Botswana, reads a statement on the deliberations of the youth dialogue on behalf of his fellow participants.

3. Statement from the Youth Dialogue

This year, fifty-five selected youth representatives from six countries Nigeria, Zimbabwe, Kenya, Uganda, Botswana and Tanzania were invited to participate in the African Leadership Forum. The Youth Dialogue held parallel discussions over the two days of the event. Following the final panel session, a statement on behalf of the Youth Forum was delivered by **Mr. Tsholofelo Tsholofelo, Junior Partner, Poyet and Associates, a law firm in Botswana.**

To begin, Mr. Tsholofelo enumerated four key issues that were discussed at the gathering. They were: i) Dialogue; ii) Policy frameworks iii) Capital; and iv) Enterprise Psychology. The main points raised are summarized in the sections below.

Dialogue

Mr. Tsholofelo highlighted the importance of dialogue to the transformative process in Africa. First and foremost, dialogue enables the transmission of ideas between people who want to move forward. Second, dialogue ensures that stakeholders can strategically place themselves within the newly envisioned environment, which is vitally important to encourage buy in. If people are not allowed to be part of the transformative process then they may not accept the nature of the transformation pursued by the governments in power.

He related that the youth forum appreciated the opportunity to engage with Africa's leaders and to let them know the issues most important to young people. However, the problem exists that young people do not occupy strategic positions that allow them to be a part of decision-making processes. Youth are allowed to sit at the table and express how they feel but are not given any power to impact the outcome of decisions. As a consequence, decisions that impact youth continue to be made on their behalf by elders and those holding power.

In effect, elders have to try to empathize with what they think young people are experiencing and decide on that basis. To rectify this problem, Mr. Tsholofelo said:

We would like to see more active policies that allow for young people to sit on boards, to be able to be an active part of forums such as these at a decision-making level, so you know firsthand what it is that young people would like

All over the world, governments are recognizing that young people are a vital part of national transformation but not going any further than that. Legal frameworks need to be enacted to involve and empower young people.

Policy framework

Focusing on the central theme of the forum of what will enable businesses to transform the continent, Mr. Tsholofelo remarked that transformation entails shifting momentum in a different direction, so by definition transformation is a slightly aggressive process. He continued:

You aren't ever going to be able to transform something without shaking the system a little bit or without breaking the system a little bit and this is where meaningful affirmative action comes into play

Therefore, the youth forum recommended that African governments need to pursue policies that reduce the barriers to young people entering business and proactively support youth enterprise. For example, governments could set aside 20% or 30% of official tenders for youth enterprises, cut the time that it takes to process business applications from young people, or offer tax breaks or other incentives to nurture their businesses to grow. He cited similar youth initiatives in his home country of Botswana, for example, a 15% discount for youth entrepreneurs tendering for government contracts.

Capital

Capital is one of the biggest barriers to entry into business for young people. With limited or no assets and/or no sureties to provide banks, the orthodox pathways for securing finance are not available to young people. Without funding, businesses that young entrepreneurs try to start often fail. Despite differing viewpoints on this issue, the youth forum recommended that governments have standing funds to finance young businesses. To ensure the accountability of enterprises that receive funding, it was further suggested these businesses could be monitored over a period of five years. Not only does this give young people the chance to start and finance their business but also enables the government to identify reasons where enterprises most frequently fail so that these problems can be fixed. Therefore, in the short term, governments help to establish youth enterprises while over the long-term all sorts of barriers to entry can be eliminated. By establishing business hubs where youth can access training and learning skills, governments will be able to foster strategic partnerships with young people.

> *"It's our task consciously to make sure we empower and develop the youth. So I think that even our youth must not come at this thing about youth development as a kind of technical thing. Therefore, even as they organize themselves,… it's necessary to understand that fundamentally to change African society in the positive ways that we have been talking you need a progressive movement not just technical capacity."*
>
> ***H.E. President Mbeki***

Enterprise psychology

Mr. Tsholofelo explained that the prevailing attitude among parents and elders is to encourage young people to complete formal education before starting a business.

Now that's problematic because we do have young people with very creative and innovative ideas that have the ability to start their businesses early on in their lives, but they are barred from doing that because of our perceptions surrounding education and business.

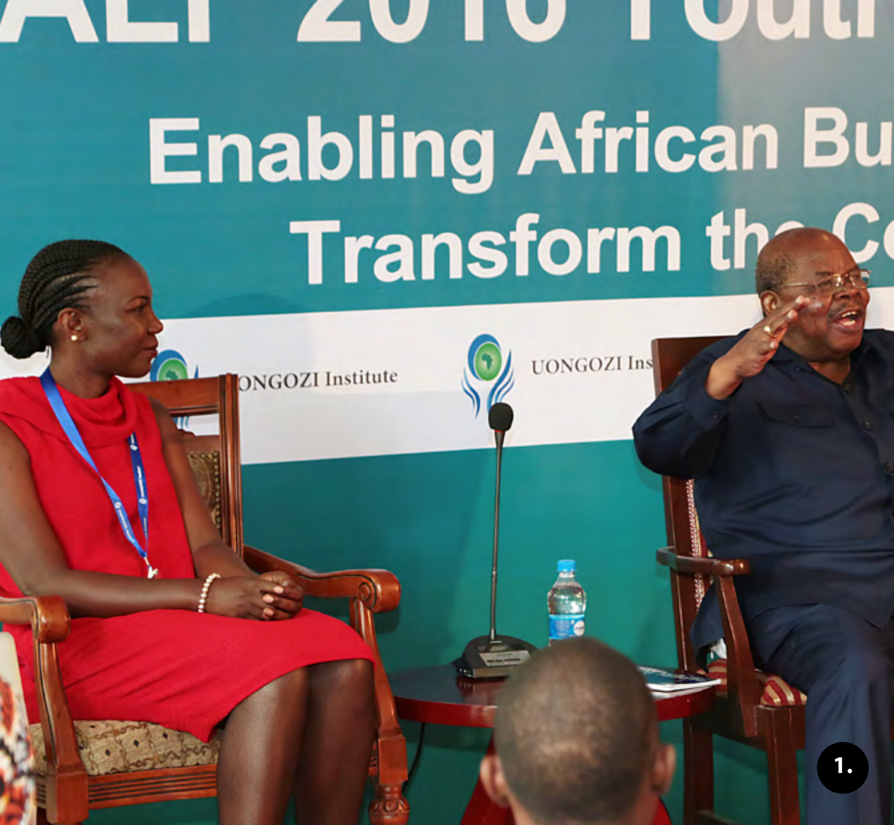
The Youth Dialogue felt that a collective change in the psychology or mindset surrounding enterprise was needed and how encouraging businesses can benefit not only parents but young people as well.

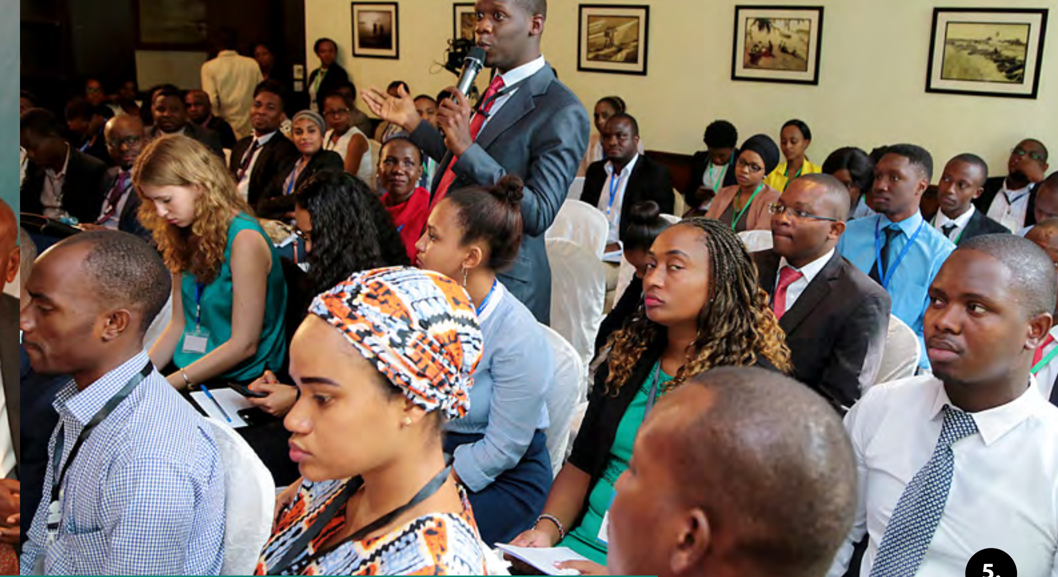
Because what you teach young people early on in their lives becomes very difficult to change once they are older… so that is the sort of message they will pass on to their kids and their kids and their kids and it becomes an inter-generational problem

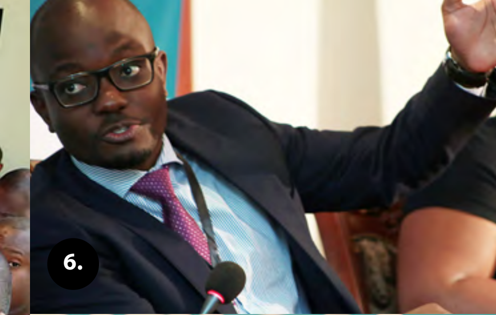
In closing, on behalf of the youth forum, Mr. Tsholofelo extended his utmost appreciation to the UONGOZI Institute and His Excellency President Benjamin Mkapa for the opportunity to participate in this year's event. He thanked representatives of the private sector and all other stakeholders that took time out of their busy schedules to be part of these discussions. He hoped that the youth forum would be part of deliberations each year and even more young people from more African countries would be invited to participate to extend the wealth of knowledge generated by the forum. He also emphasized the importance of expanding the demographic reach of the forum to less educated youth because they are the people who "lay the brickwork foundation for any nation." He ended his address with two quotes:

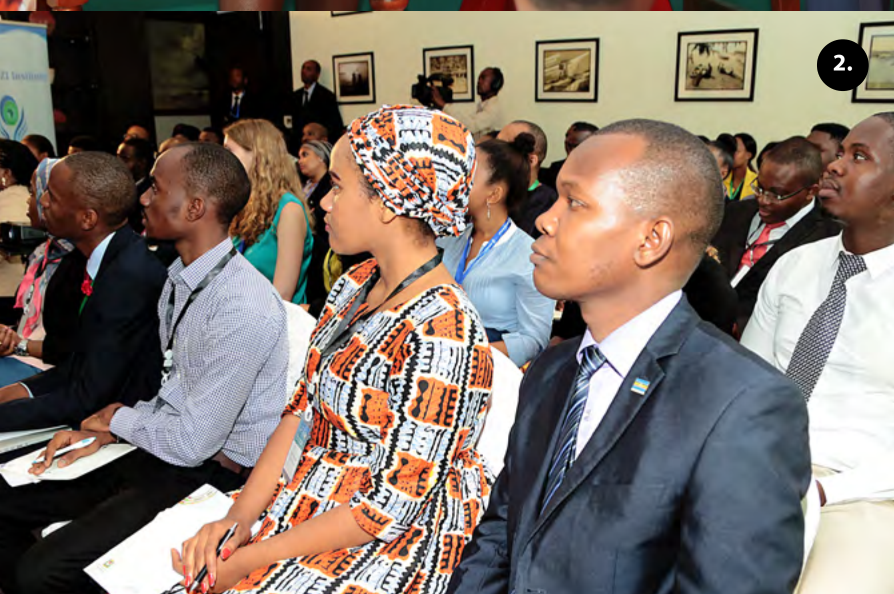
"Real leaders do not blame the tools they are given, they work to sharpen them"

"If you believe with absolutely everything in you that you are doing everything you can, do more".









1. H.E President Benjamin Mkapa opens the youth dialogue which took place along the sidelines of the ALF. Right is the CEO of UONGOZI Institute, Prof. Joseph Semboja, and left is the CEO of Via Aviation Ltd. Suzanne Mashibe, who was the guest speaker of the dialogue.

2. Participants of the dialogue follow the remarks of H.E President Mkapa.

3. CEO of MMH Haulier & Tansol, Mr. Micheal Hosea stresses a point during the first panel discussion on 'Enabling African Businesses to Transform the Continent.'

4. President of Net Impact, Ms. Bernice Fernandes makes a point to the 'Enabling African Businesses to Transform the Continent' panel discussion.

5. Winner of UONGOZI Institute's 2014 Youth Leadership Essay Competition Mr. Jonathan Kiwana from Uganda contributes to the discussion.

6. International Tax and Transfer Pricing Manager at PwC Tanzania, Mr. Samuel Ndandala speaks during the second panel on "Making African Businesses Inclusive".

7. CEO of Smartcodes, Mr. Edwin Bruno makes a point during the 'Enabling African Businesses to Transform the Continent' panel discussion.

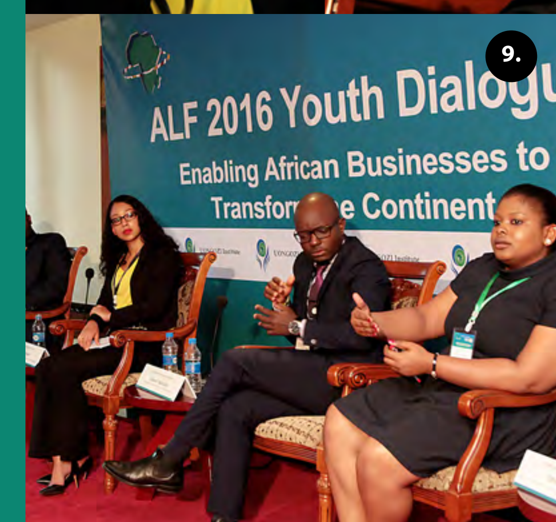
8. Head of Mo Dewji Foundation MeTL, Ms. Barbara Gonzalez talks about how her foundation helps to make African businesses inclusive in the region.

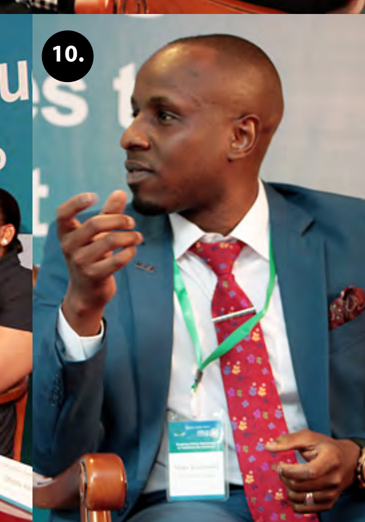
9. DFID Programme Assistant, Ms. Fatuma Kweka (right) participates in the second panel of 'Making African Businesses Inclusive'.

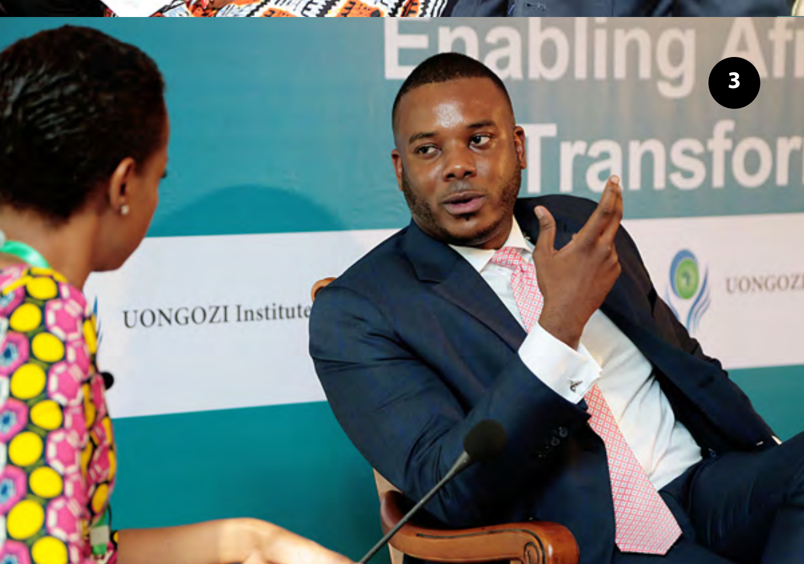
10. MD of Regency Innovation Solutions, Mr. Michael R. Shauri shares his experience on the challenges and opportunities of enabling African businesses.

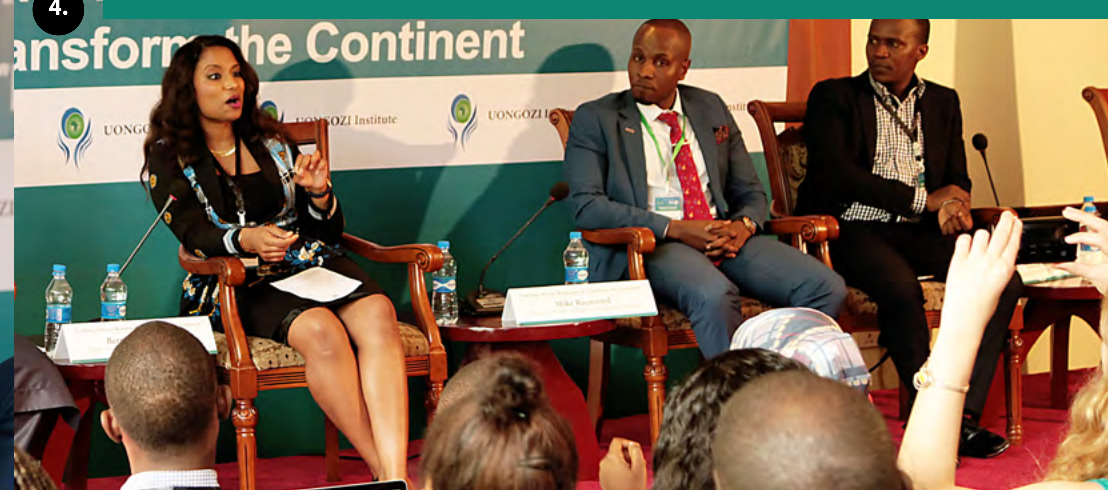
11. CEO & Founder of Nelwa's Gelato, Ms. Mercy Kitomari makes a point during the dialogue.

12. Participants of the youth dialogue









4. Closing Remarks by H.E. Benjamin Mkapa

In closing the proceedings, President Mkapa thanked all assembled for the frankness, the openness and the in-depth engagement demonstrated over the course of the forum. He offered a special word of thanks to Sipho Nkosi for his brilliant introduction to two days of very rich and productive discussions. He hoped that participants would continue to interact with one another to enrich and carry forward the findings of the meeting. He also welcomed suggestions on how to improve the representation at future forums. To foster freer discussion, he related that the Institute had originally felt it prudent not to extend invitations to individuals who are actively involved in decision making related to the theme of the forum. But he now thought that there might be merit in having one or two office holders present who can carry the substance of conversations directly to the current leadership. Any ideas about how that can be achieved without inhibiting the capacity to talk freely and decisively would be welcome. In closing, he wished all a pleasant return home. *"Thank you very much, travel safely, God Bless and we will meet I hope, next year."*

Appendix A: List of Delegates

LIST OF PARTICIPANTS

Host: H.E. Benjamin William Mkapa – Former President of Tanzania

1. **H.E. Joaquim Chissano**
Former President of Mozambique
2. **H.E. Thabo Mbeki**
Former President of South Africa
3. **H.E. Hifikepunye Pohamba**
Former President of Namibia
4. **H.E. Armando Guebuza**
Former President of Mozambique
5. **Mr. Sipho Nkosi**
Former President of Chamber of Mines, South Africa
6. **Prof. Joseph Semboja**
Chief Executive Officer, UONGOZI Institute
7. **Ms. Susan Mashibe**
President & Founder- VIA Aviation
8. **Mr. Abdoulie Janneh**
Executive Director-Mo Ibrahim Foundation
9. **Prof. Akilagpa Sawyerr**
President of Ghana Academy of Arts and Sciences
10. **Mr. Ali Mufuruki**
Chair of Infotech Group Ltd.
11. **Mr. Charles Kahuthu**
Regional Coordinator and CEO -East Africa Chamber of Commerce, Industry and Agriculture
12. **Mr. Dominic Kahozi Beia**
Director of Investment Promotion, DRC Investment Promotion Agency
13. **Dr. Elijah Chingosho**
Secretary General of African Airlines Association
14. **Dr. Elsie Kanza**
Sr. Director & Head of Africa, World Economic Forum
15. **Mr. Felix A Bikpo**
CEO -The African Guarantee Fund
16. **Dr. Frannie Leautier**
Senior Vice President, African Development Bank (AfDB)
17. **Hon. Francis Gatare**
CEO- Rwanda Development Board
18. **Ms.Gladwell Otieno**
Founder and Executive Director- African Centre for Open Governance
19. **Mr. Godfrey Simbeye**
Executive Director, Tanzania Private Sector Foundation (TPSF)
20. **Mr. Kebour Ghenna**
Executive Director- Pan African Chamber of Commerce & Industry
21. **Dr. Ken Kwaku**
Executive Chairman - The Kwaku Group
22. **Prof. Kwesi Botchwey**
Former Minister of Finance, Ghana
23. **Dr. Lourenco Sambo**
Director General- Investment Promotion Centre of Mozambique
24. **Mr. Micheal Shirima**
Chairman – Precision Air Tanzania
25. **Ms. Mmatsatsi Ramawela**
CEO – Tourism Business Council of South Africa

26. **Mr. Mohamed Dewji**
CEO – MeTL Group

27. **Mr. Moremi Marwa**
CEO- Dar es Salaam Stock Exchange- Tanzania

28. **Mr. Muda Yusuf**
Director General- Lagos Chamber of Commerce and Industry

29. **Mr. Niel Joubert**
Director -Trade Law Chambers of South Africa

30 **Ms. Nozipho Mdawe**
Secretary General of Ports Management Association of Eastern and Southern Africa (PMAESA)

31. **Mr. Omari Issa**
Former Chief Executive Officer - Investment Climate Facility for Africa (IFC)

32. **Mr. Patrick Chisanga**
CEO- Zambia Development Agency

33. **Mr. Richard Rugimbana**
Executive Director- Tourism Confederation of Tanzania (TCT)

34. **H.E. Said Shamo**
Chairman – Shamo Group

35. **Mr. Saleh Usman Gashua**
Secretary General – African Rural & Agricultural Credit Association (AFRACA)

36. **Dr. Stergomena Tax**
Executive Secretary- Southern African Development Community (SADC)

37. **Prof. Thandika Mkandawire**
Professor of African Development

38. **Mr. Thierno Bocar Tall**
Executive Chairman & CEO- African Biofuel & Renewable Energy Company

39. **Mr. Tiaan Bazuin**
CEO- Namibian Stock Exchange

40. **Dr. Tonia Kandiero**
Resident Representative for Tanzania - African Development Bank

41. **Mr. Trevor Ncube**
Executive Deputy Chairman - Mail& Guardian Media Group -South Africa

42. **Mr. William Asiko**
CEO- Investment Climate Facility for Africa- Tanzania

43. **Prof. Yash Tandon**
Founder Chairman- SEATINI (Southern and Eastern African Trade Information and Negotiations)

44. **Younes Maamar**
Director General- eOne- Morocco

Appendix B: Agenda of the Forum

PROGRAMME

Time	Activity	Particulars
Thursday 28th July, 2016		
8:30 - 9:00	Arrival and Registration	All
9:00 - 9:10	Welcoming Remarks	H.E. Benjamin Mkapa, former President of Tanzania
9:10 - 10:00	Keynote Address	Mr. Sipho Nkosi, former President of the Chamber of Mines of South Africa
10:00 - 12:30	**Plenary Session:** "Enabling African Businesses to Transform the Continent"	**Panellists:** H.E Thabo Mbeki, former President of South Africa H.E Joaquim Chissano, former President of Mozambique Mr. Sipho Nkosi, former President of the Chamber of Mines of South Dr. Frannie Leautier, Senior Vice-President of the African Development Bank Prof. Kwesi Botchwey, former Finance Minister of Ghana **Moderator:** Ms. Julie Gichuru
12:30 – 14:00	Lunch and Networking	All
14:00 - 15:30	Session I: "Making African Businesses Inclusive"	**Panellists:**H.E. Armando Guebuza, former President of Mozambique H.E Hifikepunye Pohamba, former President of Namibia Mr. Trevor Ncube, Executive Deputy Chairman – Mail & Guardian Media Group - Ms. Mmatsatsi Ramawela, Tourism Business Council of South Africa Mr. Kebour Ghenna, Executive Director- Pan African Chamber of Commerce & Industry **Moderator:** Ms. Lerato Mbele
15:30 – 16:00	Tea Break & Group Photo	All
16:00 - 17:30	**Session II:** "Enhancing Business through Regional Integration"	**Panellists:**H.E Thabo Mbeki, former President of South Africa Dr. Stergomena Tax, Executive Secretary, South African Development Community Prof. Thandika Mkandawire, Professor of African Development Africa Mr. Felix A Bikpo, CEO -The African Guarantee Fund Mr. Charles Kahuthu, Regional Coordinator and CEO -East Africa Chamber of Commerce, Industry and Agriculture **Moderator:** Ms. Julie Gichuru
19:00 – 21:30	Dinner Gala	All
Friday 29th July, 2016		
9:00 – 10:30	**Session III:** "The impact of trade agreements on business and private sector development"	**Panellists:** H.E Benjamin Mkapa, former President of Tanzania Hon. Francis Gatare, CEO Rwanda Development Board Prof. Yash Tandon, former Executive Director of the South Centre Mr. Ali Mufuruki, Chairman of Board of CEO- Roundtable Tanzania Mr. Niel Joubert, Director -Trade Law Chambers of South Africa **Moderator:** Ms. Lerato Mbele
10:30 - 11:00	Statement from the Youth Forum	**Chair:** H.E. Benjamin Mkapa, former President of Tanzania
11:00 – 11:30	**Tea Break**	
11:30 – 12:00	Statement from the Forum	**Chair:** H.E. Benjamin Mkapa, former President of Tanzania
12:00 – 12:15	Closing Remarks	H.E. Benjamin Mkapa, former President of Tanzania
12:15 – 13:45	Lunch	All