TICAD V
Yokohama, June 1-3, 2013

Thematic Session 1

The Private Sector, Trade and Investment as Engines of Development

The thematic session on *The Private Sector, Trade and Investment as Engines of Development* was chaired by Jim Yong Kim, President of the World Bank Group, and moderated by Makhtar Diop, Vice President for Africa of the World Bank. It consisted of dialogue with three panelists, Samuel Kwame Ntim Adu, of Yedent Agro Processing, Ghana; Joseph Ogutu, of Safaricom, Kenya, and Jean Philippe Prosper, of IFC, followed by general discussion. The session also benefitted from special addresses by Ban Ki-moon, the UN Secretary General, and Toshimitsu Motegi, Minister for Economy, Trade and Industry of Japan. This summary presents highlights of the wide ranging and rich discussions and exchange of views.

Both the President of the World Bank Group and the UN Secretary General emphasized the transformational power of the private sector, trade and investment in terms of employment creation and increased opportunities, especially for young people. The Secretary General noted the important role that the international community could play in creating an enabling environment for trade and investment, and the contribution of initiatives such as the Principles for Responsible Agricultural Investment and the UN Global Compact.

The METI Minister noted Japan's commitment to developing business relationships underpinned by trust, and highlighted the considerable experience of Japanese businesses in areas of potential development for Africa, including geothermal energy, freight rail, and water purification. He indicated the Government of Japan’s commitment to providing increased support to Africa both financially and through training. He also announced the planned increase in JETRO's field presence on the continent.

While the strong economic growth of the past decade, as well as sound macroeconomic policies and improving business environment, was commended, it was also noted that this growth had not generated the necessary levels of employment. To reduce poverty and increase shared prosperity, particularly for young people, future growth would need to create jobs. This underlined the importance of the private sector, which is responsible for the creation of 9 out of 10 jobs. It was also noted that the international private sector, including Japanese companies, can help generate employment and make sufficient profit. Many participants emphasized the importance of the manufacturing sector (including agro processing) as a key area for the growth of the private sector in Africa.

There was general recognition that private investment is an increasingly important complement to ODA, and that both national and international private investment is a driver of growth and employment. Further, given Africa's low share of global trade (3%) and FDI (3.5%) as well as low levels of intra-regional trade (10-12%), increasing trade and investment are equally important opportunities.

The discussions centered around three important sectors: agribusiness, ICT and SMEs. A number of common themes emerged as important areas to be addressed:

- The centrality of the business environment was emphasized. Participants noted the importance of policy predictability to underpin long-term investments that increase productivity and competitiveness. While much has been done, participants emphasized the need for a conducive legal and regulatory framework.

- The importance of markets and consumer demand within Africa were noted. Markets are growing both as a result of rising incomes and regional integration, and offer significant opportunities for return on investment. Some participants noted the importance of Government procurement as a market for the private sector in Africa.

- For long-term sustainability, participants stressed the importance of reducing costs of production. Lack of infrastructure, particularly energy and transport, were identified as major constraints to the competitiveness of African businesses. While ambitious infrastructure development programs currently being undertaken by Governments, with support from development partners, were commended, there was recognition that much more is required, particularly in terms of bulk transport, such as railroads. The Sustainable Energy For All program launched by the United Nations and supported by the World Bank and other partners was recognized as an important initiative, but the limited availability and high cost of energy remains a significant obstacle for both African and foreign companies.

- The importance of labor force skills was highlighted for productivity and competitiveness. This requires both education that equips students for the demands of a market-based economy, and technical and vocational training to develop particular skills.

- The lack of access to finance, particularly for SMEs, was noted as a key challenge that remains to be addressed.

- The importance of incubating entrepreneurship, including in 'base of the pyramid' sectors like agribusiness, was stressed. Foreign, including Japanese, companies have an important role to play in this regard. Large companies can also serve as incubators for SMEs by providing opportunities for sub-contracting and service provision. While there may be a role for the state, the mixed global record of state involvement in incubating private enterprises suggests that careful design is required.

- The specific challenges facing women entrepreneurs were noted. These include lack of access to finance, information and training, as well as issues such as specific legal and regulatory barriers and inequitable property rights.

- Participants emphasized the importance of public-private dialogue at the national, sub-regional and regional level in order to build better understanding of the needs of the private sector and create a supportive policy environment.

Participants from the Japanese private sector identified similar constraints. For Japanese firms and investors, policy predictability is important, as is access to energy. In addition, they identified specific challenges facing foreign investors such as bilateral trade and investment agreements with African countries, and bureaucratic impediments such as visas for expatriate experts.

While recognizing the constraints, both African governmental and private sector participants urged the Japanese private sector to participate more actively and be less risk-averse. They also noted that Africa is poised to be a future growth pole, with significant investment potential, and the time for engagement is now. There is a danger that an over-cautious approach by Japanese companies will result in lost opportunities.