

Report 1: Key Issues for BE Reform

This session introduced the main issues for BE reform with the following three speakers and presentations:

Africa Overview Paper – Graham Bannock, Independent Consultant London

What the ‘Doing Business in 2008, Africa Report’ Tells Us – Amanada Ellis, Gender Entrepreneurship Markets, International Finance Corporation/World Bank, Washington DC

Business Environment for private Sector Development in Sub-Sahara Africa – Tilman Altenburg, German Development Institute, Bonn

Key Issues Discussed

Africa is varied but has one common feature – bottom of most investment climate league tables. There are 6 issues that impact on donor activity which are:

- Long view counts – aim for sustainable growth and not boom/bust
- Current African commodities boom provides opportunity to build sustainability
- Increasing demand for reform despite some resistance
- Private business creates growth
- Better donor practice includes: provide incentives for reform, give ownership of reform, focus on better governance, coordinate better between donors, better regional integration, regulatory reform before enterprise development, importance of evaluation.
- Importance of segregating data into gender to obtain true picture of situation and reforms.
- Importance of having better balanced gender opportunities and reforms addressing gender.
- Recognition that women can contribute to growth immensely.
- Africa suffers from the ‘missing middle’ – little upward mobility and enterprise upgrade.
- Two types of proposals for reform – neo-classical and neo-structural. Neo-classical assumes most markets work well and therefore the need for limited government intervention (in business regulations and investment climate). Neo-structural believes that there can be market failures and therefore more active government intervention is needed (in addition to business regulations and investment climate e.g. trade policies, Value Chains, Cluster policies).

Key points from Discussion/Question & Answers:

Controversial issues/comments

Enterprise Development Vs Regulatory Reform.

Some participants felt that Regulatory Reform is a subset of Enterprise Policy Development and Support.

However Caution was given to focusing on Enterprise Development and support programmes that seem attractive but have no evidence of impact on the growth of a country. Indeed such policies are not proven and or have gone wrong in advanced countries and therefore should not be focussed on in developing countries.

Some of the presentations were too theoretical and there is a need for greater analysis based on practice.

There needs to be recognition by Donors that there should not be a 'one size fits all' approach to donor funded projects. There is a need for a more bespoke approach to designing reform projects.

Lessons learned/good practices

Donors often have differing agendas and therefore need to be better co-ordinated e.g. through Donor fora.

Focus on government failure as well as market failure.

There should be a systemised process for upgrading business from the informal to the formal economy and from small to larger businesses.

The informal sector accounts for a large proportion of the labour workforce. It is wrong to say they are talent less. There should be recognition that poor people cannot do business under the current rule of law, and hence cannot access benefits such as credit to become formal businesses.

Reform requires an integrated approach that recognises the long term (e.g. improved business environment), mezzo level (e.g. private sector credit lines for women entrepreneurs) and micro level (e.g. assistance in drafting business plans and credit applications) of activities.

Most countries in Africa have a large population of young people, therefore training and support is required for the youth e.g. integrating entrepreneurship into education.

The business environment can only be improved with the joint dialogue of Government, Private Sector and Social/Professional Organisations who need help in building capacity, including women's organisations.

Sustainable reforms must be country owned.

Recommendations

Create an SME observatory to define, research, analyse and recommend the needs and requirements of SMEs.

Create a charter on business environment to help gain commitment and provide an avenue for reform.

Need for more data/information such as the GEMINI Surveys in 1998/9.

Final Remarks by:

Hon. Felix Mutati, Zambia Minister of Commerce, Trade and Industry, Lusaka
Faycal Sharara, Vice President, Senegal's National Confederation of Employers, Dakar

African countries have many challenges and often current reforms are not adequate enough. Much has been done in both Zambia and Senegal with tangible results. Key lessons learnt are:

1. Sustainable Macro-Environment Management – reduce transaction costs and encourage investment.
2. Better Governance – Create space for public scrutiny e.g. opportunity for civic society and parliament to scrutinise government laws and policies (Public Accounts Committee).
3. Business Facilitation – make business processes more efficient and improve infrastructure e.g. on-line registration for businesses.