

I. INTRODUCTION

1. The workshop on private sector cooperation among the North Africa, sub-Saharan and Asian countries, in preparation for the Tokyo International Conference on African Development (TICAD II), was held in Tunis on July 15 and 16, 1998 under the co-chairmanship of the UNDP, represented successively by Mr Fawaz Fokeladeh, Assistant Administrator, Regional Bureau of Arab States, and Mrs Thelma Awori, Assistant Administrator, Regional Bureau for Africa, and Tunisia, represented by Mr Naceur Gharbi, General Manager of the **Tunisian Agency**, and in the presence of His Excellency, Ambassador Kunio Katakura, Chief Coordinator for Japan for the above-mentioned conference.

Participants in the conference were the representatives of four countries of North Africa (Algeria, Egypt, Morocco and Tunisia), eleven countries of sub-Saharan Africa (South Africa, Benin, Botswana, Burkina Faso, Cameroon, Côte d'Ivoire, Djibouti, Kenya, Mali, Uganda and Zambia), and eight Asian countries (India, Indonesia, Japan, Malaysia, the Philippines, the Republic of Korea, Singapore and Thailand).

His Excellency Fethi Merdassi, Tunisian Secretary of State for International Cooperation and Foreign Investment, delivered a statement on behalf of the Government of Tunisia.

Fawaz Fokeladeh, Assistant Administrator and Regional Director, Regional Bureau of Arab States, United Nations Development Program, made a statement on behalf of the UNDP.

Attendance at the event by high-level UNDP representatives illustrated the considerable interest that institution takes in the process of preparing for TICAD II.

2. This meeting follows directly from the recommendations of the preparatory conference held in Tokyo on November 10 and 11, 1997, and marks an important stage in preparation for TICAD II, which is to be held next October in Tokyo.

The goals of the meeting were as follows:

- to involve the private sector in preparations for that conference;
- to review the current status of private-sector accomplishments and performance and the ability of that sector to stimulate the development of cooperation, trade and direct investment between Africa and Asia;
- to identify the obstacles facing the private sector and the means for overcoming them;
- to identify and define the government support needed by the private sector if it is fully to realize its capabilities;

- to draw lessons from the development experience of the Asian sector, for possible adaptation to the African private sector.

3. The meeting lasted two days and consisted of plenary sessions around two series of papers, alternating with brainstorming sub-meetings in two working groups.

One of the themes discussed in plenary session was "the development of private small and medium-sized enterprise - obstacles and solutions":

- the Maghreb perspective,
- the Asian perspective,
- the overall perspective.

The other theme was ""the development of commercial relations and investment flow between the countries of North Africa, sub-Saharan Africa and Asia, in the context of the development of private SMEs: obstacles and solutions":

- trade: future potential,
- private investment flows,
- government support.

A third day (July 17) was devoted to visits arranged by the Government of Tunisia and the Tunisian Chamber of Commerce and Industry to allow foreign participants to view various private enterprises and institutions for private-sector support.

II. THE STATUS OF DEVELOPMENT OF THE PRIVATE SECTOR IN AFRICA AND ITS RELATIONS WITH ASIA

4. The meeting noted that there is a widespread consensus regarding the crucial role of the private sector in setting up and maintaining sustained economic growth over the long term.

Until now, the private sector has not always received sufficient government support, nor has it even benefitted from a legal, institutional and cultural environment that would favor its development and full participation in the process of development.

5. Commercial and investment relations between Africa and Asia are very long-standing. They nonetheless remain embryonic, even though there is, today, very considerable potential for their development.

Past experience in foreign direct investment by Asia in Africa has not had the effect of stimulating local subcontracting or the creation of a network of SMEs related to the central investment. Nor has it been strengthened to generate an increasing flow of foreign direct investment into Africa.

Traditionally, Africa trades with Europe, and its relations with Asian countries are relatively recent. They correspond to a desire to diversify, to open new markets, and to find more competitive sources of supply.

III. OBSTACLES TO THE DEVELOPMENT OF THE PRIVATE SECTOR

6. The many discussions and speeches during this meeting revealed the existence of diverse obstacles to development of the private sector in Africa. These obstacles are not the same from one country to the next. Comparison of different situations made it possible to formulate the proposals that are made in the next part of this summary.
7. The main obstacles to development of the private sector were reported to be related chiefly to:
 - limited capabilities in the private sector;
 - an inappropriate institutional framework;
 - inappropriate quality of physical and human infrastructure;
 - inappropriate services of support for the private sector, or lack of any such services.
8. Most African countries have inherited economic systems in which the public sector is predominant, and often dominant. Entire segments of the economy are in a situation of virtual legal or de facto monopoly in the hands of public-sector enterprises.

For these countries, the transition from an economy dominated by State intervention to a market economy oriented towards the private sector suffers from a lack of entrepreneurial tradition and habits.

In some countries, the situation is further complicated by the absence of an industrial sector that could serve as an incubator to promote the emergence of private initiatives.

The fact that the banking sector often operates under the oversight of the public authorities acting as, at once, supervisory authority, owner and chief client for financing the budget deficit, often deprives the private sector of the resources it requires to develop.

9. Participants at the meeting noted that the institutional and regulatory framework does not favor development of the private sector, and that in some cases it even acts as a serious obstacle to its development. In this respect they mentioned:
 - the lack of codes of incentive to private investment;
 - the lack of legal frameworks to protect foreign investment;
 - the cumbersome and complex nature of administrative procedures related to investment;
 - regulations governing prices and trade;

- non-tariff barriers to importation; and others.

10. It is now recognized that inadequate physical infrastructure is a major hindrance to mobilization of foreign direct investment. Meeting participants also saw it as an obstacle to economic development and to the flourishing of the private sector and its full participation in the process of development and growth.

This is true regarding the availability and efficiency of systems for production and distribution of electrical energy, for drinking water, sanitation, the telephone system, and for a coherent and complementary road, maritime and air transport network.

Participants also noted that equal attention should now be given to the quality and availability of human infrastructure: deficiencies in education and training systems, health care systems, and limitations to the participation of women and young people in economic activity are so many obstacles to optimum mobilization of resources in the service of development.

11. The weakness of support services for the private sector does not favor the development and expansion of entrepreneurial initiatives. This is true both regarding the organization of the professions and the public and professional structures to provide the private sector with technical, administrative and financial support.

Private companies need structures to help them with administrative procedures regarding investment and financing; they also need structures that will enable them to share experiences and benefit from the experience other actors have had in similar activities.

Development of the private sector also calls for the existence of vocational training structures that are capable of meeting constantly arising new needs for staff retraining and further training.

IV. SOLUTIONS IDENTIFIED TO REINFORCE THE CAPACITIES OF THE PRIVATE SECTOR

12. By the end of the meeting, the discussions, exchanges of views and shared experience of the different participants had made it possible to identify a series of proposals which, if implemented, could and should help strengthen private-sector capabilities and perceptibly increase the private sector's contribution to growth and to economic and social development.

These proposals assume three main concerns: identification of opportunities, institution building, and evolution of attitudes.

They were organized in four main categories, as follows:

13. Actions of political bearing

Participants agreed that peace and political stability were essential conditions if the private sector is to develop and take economic and commercial risks.

The same is true of governance, particularly through transparency of public transactions, predictability of legal and administrative systems, and the necessary association of all a nation's active elements—including women and young people—in its efforts for development.

14. Deepening of economic reform

Expansion of the private sector will require rehabilitation of market mechanisms and restoring of free enterprise. In this context, the governments of the region should continue and step up their disengagement from the sectors of production and competition.

They should deepen structural reforms, especially through liberalization of prices and distribution channels, foreign trade, and investment; strengthening and restructuring of the financial sector; achievement of greater regional and world-level economic integration; dismantling and consolidation of non-tariff barriers; and reduction of tariff barriers.

15. Reinforcement of the institutional framework to promote the private sector

The relation between the State and the private sector should develop in the light of a new distribution of roles and a shared vision in the service of development.

The institutional and regulatory framework for promotion of the private sector should be completed and reinforced. Codes for the promotion of investment should be enacted wherever they do not already exist.

Signing of agreements to protect investments and waive double taxation should be encouraged and sought whenever possible.

Services in support of the private sector and centers of productivity should be given encouragement, financial assistance and political support.

The credibility of professional organizations should be fostered by associating them more closely in the management of economic affairs.

16. Reinforcement of international cooperation

Participants in the meeting noted the necessity of maintaining and reinforcing foreign cooperative action in both the technical and the financial areas.

Africa's foreign partners must continue to provide financial assistance, at the same time favoring alleviation of the African debt either by cancelling the debt for the poorest countries or by recycling all or part of the debt into the financing of priority projects.

Africa's foreign partners should also favor exportation of African products through substantial lowering of customs barriers and the elimination of non-tariff barriers.

Participants also noted that information and training should be two important pillars of cooperation with Africa. The beneficial effects of these would appear through sharing of experiences and transfer of knowledge and know-how.

Particular attention should be given to strengthening South-South cooperation, which should enable African countries to understand better the experience of the Asian countries and to draw greater benefit from it.

Participants pointed out the great advantage that all those concerned could draw from the reinforcement of a triangular pattern of cooperation that would allow the countries of sub-Saharan Africa to benefit from the experience of those of North Africa.

Lastly, they recommended that financial aid from donor countries be oriented more towards the private sector and non-governmental organizations, and they expressed the wish that the initiative taken by this meeting continue and be reinforced in the future through the holding of periodic meetings with representatives of the private sector, to assess progress that has been made in implementing these recommendations and defining new stages.