



Business and Industry Advisory Committee to the **OECD**

Comité Consultatif Economique et Industriel Auprès de l' **OCDE**

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## **BIAC Contribution to the OECD-Africa Investment Roundtable**

- 19 November 2003, Johannesburg -

### **Paper III: "Strengthening Private Sector Representation in Africa "**

***To be more attractive to foreign investors Africa needs private sector institutions capable of providing services to members and dialogue with governments.***

The weakness of African Business Associations was obvious in Cancun. There was no voice of African Business making the case for the advantages of multilateral negotiations to increase market access for African entrepreneurs. Whether as intermediaries between entrepreneurs and governments or as service providers for their member companies, independent business associations must be regarded as a major contribution to building the capacity of the private sector.

Business Associations have two most important duties:

- to represent their entrepreneur-members and be the voice of the private sector to whom it may concern (in dialogues with governments, administrations, international institutions and other business associations);
- to inform their members, as early as possible of any regulatory evolution, government project, negotiations in international organisations ...that could influence their present or future business (particularly difficult but important at a time of globalisation).

In many African countries, the private sector suffers from certain disadvantages:

- too few enterprises that are competitive under open market conditions;
- enterprises being too "national" when not purely "local", instead of being able to benefit from a regional market;
- limited knowledge of tariffs and customs procedures, of international trade and competition;

- government/administration convinced, often in good faith, that they act in the best interest of enterprises;
- an absence of a professional business organisation that could help individual enterprises better follow the evolution of international markets and regulatory developments;
- no professional international training/education system, programs;
- individual/domestic markets not having the critical size to attract investor interest.

In OECD countries, many of these issues are dealt with by business associations and chambers of commerce. Creating and supporting the development of business associations is a vital step to fulfil many of the roles listed above. This should not be seen as a "chicken and egg story": the present situation and state of many business associations is not going to generate, alone, a satisfactory fulfilment. First of all, business associations have to be created, monitored and supported, so that they can play the role of taking care with the above mentioned functions. As they evolve, more entrepreneurs will join, because they will see where their interest is. However, in many cases the initial impetus may have to come from donors and from partnerships with business organisations in other countries.

In this respect, it would be useful to install an effective network of business associations throughout African countries. Associations can also put pressure on national administrations by feeding them with information on the (global) markets, since many businessmen are more exposed to international issues than national administrations. The needs of business, due to international competition have to be presented to national administrations to avoid decisions damaging the competitiveness of the country. Thus, independent business associations will foster the competitiveness of the country as a whole.

*BIAC's Task Force on Africa has started building a network of business representatives including members from the main regions of Africa. In the long run this could evolve into a regional network of domestic and foreign associations to help strengthen business-government dialogue and improve the investment environment.*

*As a next step BIAC plans to start a series of seminars in the first quarter of 2004, focusing on the strengthening of private sector representation in Africa. This will provide a tool for capacity building for entrepreneurs and at the same time have a positive impact on policy reforms.*