

11th African Regional Meeting
Addis Ababa

Information Note

Plenary Session 1: Investing in Africa: Sustainable Enterprises and Decent Work

Wednesday, 25 April *10.00-11.30*

Introduction

The importance of enterprises as the principal source of growth and employment can hardly be overstated. Productive, competitive and sustainable enterprises of all types are central to any successful strategy to promote decent jobs in Africa and elsewhere. Frequently, however, the African environment for business does not provide the conditions for the creation and growth of local enterprises nor does it often provide an adequate basis for attracting foreign investment. Enterprises are overwhelmingly informal and access to markets at local, national and international levels is often a major challenge and constraint to growth and job creation.

Objectives

This session will identify and explore the key policies and strategies required for an enabling business environment in which enterprises, particularly micro and small businesses can make their essential contribution to decent jobs in Africa. There will be particular emphasis on the roles which can and should be played by governments and employers' and workers' organizations.

Key issues and challenges

There is an urgent need to improve the environment for business in Africa with the aim of encouraging business creation and growth, providing conditions for the many informal units to join the mainstream economy, promoting economic diversification and upgrading, and for attracting foreign investment. Addressing these inter-related issues will require policy reform, improved governance and innovation across a range of areas.

A central challenge is to introduce reform of the policy and regulatory environment to make it simpler to register, operate and expand an enterprise. This means the introduction of better regulation rather than deregulation, and should be done in a way that ensures adequate protection of workers' rights. This implies lowering the cost for an informal enterprise to join the mainstream economy and providing incentives for doing so through, for example, improved access to credit, public procurement contracts, training and markets. Better regulation in such areas as property rights, access to credit and other financial services, a fast and fair legal system, are all key issues to be addressed. The specific policy, regulatory and cultural biases faced by women entrepreneurs need to be addressed as a matter of particular priority so that the enormous potential contribution of this key group can be effectively tapped.

While improved policies and regulations are a critical basis for an improved business environment, it is equally important to strengthen the capacity of the government institutions and other actors to be involved in their formulation, implementation and enforcement. In particular, employers' and workers' organizations can and should play key roles in advocating for appropriate policy and regulatory reform but may need their capacities to be strengthened and effective structures for social dialogue to be able to do so effectively.

Low levels of productivity and competitiveness are other key challenges for many African enterprises, particularly for the 90 percent of enterprises which are in the informal economy. Technology is often basic, innovation low, and product and service quality inadequate to compete in an increasingly competitive market place. Low productivity means a serious constraint on the ability of enterprises to grow and create well paid, decent jobs. It must therefore be tackled as a matter of priority and means better access to business development services including financial services, business skills training, technology, quality upgrading, market access, and improved infrastructure such as electricity, roads and IT services. Such services can often most effectively be provided to clusters of enterprises, or to geographic localities, rather than to individual enterprises. In today's ever more global market place, entering supply chains is often key to economic diversification and market access, and should be the subject of particular attention. Employers' organizations can often play important roles in facilitating or even providing business development services on a cost effective, sustainable basis.

Much of the African economy is rural based and thus a specific focus on rural enterprise development and upgrading is warranted. Agro business development and diversification for local markets, as well as linkages to global agro business supply chains should be promoted along with strengthening of rural credit markets and institutions. Issues of product quality and links to agricultural extension and support are central, and cooperatives can be a particularly suitable type of enterprise as has been proven in rural areas across the world. However, effective promotion of cooperative enterprises requires a suitable legal framework as well as training and skills development for cooperative members and their organizations.

Foreign direct investment can often be an important source of jobs, management expertise, technology, skills and access to international markets. While the fundamental issue of the general business environment and investment climate must be addressed first to attract FDI, policies should also be promoted to encourage multinational enterprises (MNEs) to engage with local and national governments on such issues as employment promotion, skills upgrading and subcontractor development along the lines of the ILO's Tripartite Declaration of Principles on MNEs and Social Policy.

Possible questions for debate

- What should be done to promote better policies and regulations for enterprise registration, operation and expansion?
- How can the particular constraints faced by women entrepreneurs be addressed?

- What should be done to reduce the cost and raise the benefits for informal enterprise units to join the mainstream economy?
- What should be done to upgrade and diversify rural enterprises, including cooperatives, and to link them with international markets?
- What institutions and services are most effective in raising the productivity and competitiveness of micro and small enterprises?
- How can the climate for foreign direct investment be improved and MNEs encouraged to take account of the social and economic impact of their operations?
- In all the above, what role could/should be played by employers' and workers' organizations?