



16-17 NOVEMBER 2006

THE EU-AFRICA BUSINESS FORUM

FINAL: November 17th 2006

DECLARATION BY THE EU-AFRICA BUSINESS FORUM BRUSSELS, 16TH AND 17TH NOVEMBER 2006

Business welcomes the establishment of the EU-Africa Business Forum as a tool for improving EU-African relations and economic development through closer private sector cooperation and dialogue. Business agrees that EU-Africa economic relations should be strengthened to foster more political momentum and commitment to create a better investment and business climate in Africa. Business recommends that:

- *The EU and Africa should cooperate multilaterally on peace and development including:*
 - *United Nations development, food and health activities.*
 - *Restarting the WTO Doha Development Agenda Negotiations.*
- *The EU and African Union should hold regular high level political dialogue to address trade and development challenges.*
- *The Business Forum should become an annual event to foster mutually beneficial trade and investment between the two regions.*

Three working groups developed more detailed proposals on trade, interconnectivity and governance.

I. Trade – Economic Partnership Agreements (EPAs) Working Group

EPA negotiations between the EU and four African sub-regions should promote a proactive process of growth and development with a view to creating more dynamic regional markets and enhancing the ability of Africa to attract investment. However, to take advantage of the opportunities that EPAs will provide, a number of key challenges must be addressed.

1. Business Consultation

Business is firmly convinced that cooperative dialogue at the national, sub-regional, and regional (EU-Africa) level is essential to make the EPA negotiations a success. Business should be consulted on cross-cutting issues (such as trade facilitation, standards, public procurement, Public-Private-Partnerships, EU-African Fiscal Policy), to reach consensus on appropriate preparatory timeframes and clearly defined implementation roadmaps to establish predictability for investors and companies. The EU-Africa Business Forum can serve to facilitate private sector input into the EPA negotiations as well as WTO negotiations but transparent dialogue should also be established at other levels. The EU and African governments should encourage greater participation of the private sector in trade policy negotiations (WTO/EPAs) at all levels. Specifically, business recommends that:

- *The Commission conduct an inventory of the business dialogues on EPA negotiations which exist at the national, sub-regional and regional levels in Africa in order to improve the information flow to the private sector.*

2. Market access

To overcome the problems of small, fragmented markets, the development of intra-regional trade in the four African sub-regions will be essential to expand their market size and stimulate regional competition. To increase export opportunities for African companies, the EU should open its market to all goods exported by EPA partners and commit to a reduction in non-tariff barriers as of the date of implementation. African EPA partners should be given sufficient time to implement goods liberalisation in a manner that strengthens their competitiveness. Therefore, the liberalisation of the most sensitive products – including those linked to subsistence production – by African countries should be appropriately sequenced.

Although goods liberalisation is vital for competitiveness, business is concerned about the slow pace of regional integration in some EPA sub-regions. Moreover, business recognises that trade between the EPA sub-regions (e.g. between West Africa & Central Africa) should also be facilitated. Finally, there are concerns over non-tariff barriers to the EU market which prevent African companies from taking advantage of trade opportunities. Specifically business recommends that,

- *The EU and Africa should focus on accelerating intra-African trade liberalisation as a first step to increasing competitiveness. As a second step, African countries should progressively liberalise to EU trade to lower input costs and strengthen manufacturing competitiveness.*
- *The EU and Africa must closely examine the issue of non-tariff barriers – including standards, rules of origin – to ensure that African companies can export to the EU market.*
- *African sub-regions/countries require national laboratories to conduct standard testing and certification. Similarly, the role of non-state actors in standards/certification must be considered.*

3. Investment promotion

By expanding the size and increasing the openness and predictability of African markets, EPA negotiations can tackle one of the main causes of underdevelopment in Africa – under-investment.

Business is concerned about the coordination and timing of trade (EPA) and capacity building (EU development assistance programmes) negotiations to ensure that African countries will be able to strengthen their competitiveness while liberalising trade. In particular, business feels that the SME sector remains under-developed. Specifically, business recommends:

- *A commitment to EPA rules for national treatment, non discrimination and incentives/disincentives for investment and bilateral dispute settlement*
- *Closer coordination of trade negotiations and development assistance in relation to the EPAs – with a particular focus on the capacity building needs of the SME sector.*

4. Trade Facilitation

Improving trade facilitation will contribute to growth if African countries continue to focus on an integrated and coherent approach. Trade facilitation should be designated a priority issue in the EPA negotiations. Key issues to be addressed include: transparency of procedures and regulations; transit; harmonisation of trade procedures; customs cooperation; minimisation/elimination of fees and charges; legal recourse for appeal of customs decisions; establishment of a single window; accelerated and simplified procedures for clearance of goods. However, business is also concerned

about the practical realisation of EPA customs reforms: in particular to reinforce the case for fair government revenue, regional customs cooperation and good governance of customs. Specifically business recommends that:

- *Assurances should be given that the private sector will not face unreasonable increased tax burdens as a result of customs reform.*
- *The EU and African sub-regions should clearly address the issue of revenue-sharing and avoidance of potentially lost revenues.*
- *To improve governance, more transparency and cooperation between customs authorities and business is needed.*

5. Trade in Services

African countries and regions need sound policies to develop trade in services. Liberalisation should occur where African countries can strengthen their competitiveness. Specifically, business recommends:

- *The improvement of services related to “export infrastructure” such as transportation costs, export financing, etc.*

6. Development of cooperation policies

Development cooperation is an important aspect of the EPA process which must be targeted to the specific needs of each African region and/or country. The overall objective of development policy should be to develop vibrant, open markets and, where necessary, to facilitate regional integration. Business recommends that the EU and Africa should:

- *Adapt development funding to the regional logic of the Economic Partnership Agreements and to ensure coordination between trade and development assistance negotiations.*
- *Promote good governance by strengthening legal regimes and promoting best practice.*
- *Invest in infrastructure networks through development assistance and PPP.*
- *Promote training and human resource development in combination with concrete measures for job creation. This should include investment in training on professional, financial, health and environmental issues and the development of sound basic education and health policies.*
- *Promote pro-competitive policies and regulations to foster an investment enabling environment.*
- *Develop programmes to improve competitiveness, restructure and upgrade the capacities of African business – in particular SMEs - and representative business organisations.*
- *Give more focus to the appropriate financing instruments and technical assistance to promote and support SMEs.*

II. GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY WORKING GROUP

The Forum welcomes the European Union’s Governance Initiative, which provides for the establishment of a European consensus on governance within the framework of EU development policy; supports the African Peer Review Mechanism (APRM); and the establishment of a coherent set of means with which the EU will support governance reforms on the basis of a dialogue with partners and incentives for reform.

The Forum considers that well-governed states, and strong, transparent, accountable, responsive and efficient institutions, and a conducive legal environment are imperative for the attraction of investment for sustained, equitable and broad based growth. Specifically, business recommends that the EU and Africa should work together to:

- *Reduce bureaucratic red-tape, adopt better regulation, and create fairer, more effective and better functioning judicial systems in Africa.*
- *Ensure direct consultation of the private sector on country governance profiles in the EU Governance initiative.*
- *Create an African business network to promote, disseminate and exchange best practices on governance and CSR and to promote a better understanding of corporate responsibility initiatives in Africa among the wider public.*
- *Examine ways to improve the fight against government corruption and promote and support business-led partnerships with governments to reduce corruption.*
- *Call on African governments to develop and implement guidelines on state-owned enterprises based on good practices – e.g. OECD guidelines.*

III. Interconnectivity Working Group

Access to infrastructure is a major factor for a successful development policy. The business community strongly welcomes a renewed recognition by the international development community and, in particular, by the European Commission, of the key role that infrastructure investments play notably in achieving the U.N. Millennium Development Goals.

Economic policies, strong property rights, liberalised markets, and limited restrictions on entry and ownership, are also conducive to attracting investment, economic growth and poverty reduction. The business community stresses the need for developing coherent policies, with a clear prioritization of investment needs.

Key challenges and recommendations are:

1. Global Competition

Many state-owned companies from outside the EU or Africa have more flexibility and are heavily subsidised when accessing markets which distorts fair competition. Specifically business recommends that the:

- *European Commission form an Africa task force to address the strategic, policy, trade and infra challenges related to creating a level playing field with competitors from other regions. Key areas to focus on include: export financing, export credit insurance, public procurement.*

2. Regulatory

There are difficulties with public private partnerships due to entry of public players into the market and non-discrimination for public procurement between publicly-owned and private entities. Regulators, in some cases, need additional capacity. Specifically business recommends that:

- *The European Commission support the liberalisation and regionalisation of infrastructure and e-communication legislation including spectrum planning and management. Best practice regulatory projects like UEMOA/ECOWAS/WATRA/ITU should also be extended to other regions.*
- *Information on African legislation and call for tenders should be more widely transparent and available for European companies.*

3. SMEs – Microfinance

There are many challenges for SME companies to enter markets. Extending microfinance and small business finance and addressing capacity challenges with microfinance lenders could improve the situation.

In various fields of procurement, such as road transport maintenance, there is a lack of long-term contracts which makes SME participation more difficult. Specifically business recommends that the European Commission:

- a. Work with private banks and the European Investment Bank to promote microfinance systems and small business credit and guarantee systems for local African countries.*
- b. Facilitate telecoms clearing houses on the continent and work with industry to extend prepaid business models to other technology and infrastructure businesses.*
- c. Promote a business model for infrastructure maintenance as a means to encourage SME development.*

4. Improving IPR – Intellectual Property Rights (Patents, Copyrights, Trademarks), enforcement and anti-counterfeiting

Capacity is lagging in fighting piracy and counterfeiting both in skills and resources. This is preventing the development of an indigenous software and creative industry. Ensuring affordable access to medications to deal with HIV-AIDS and other health crises is an essential issue in Africa. The amendment to the WTO TRIPs Agreement relative to access to essential medicines was a key first step to addressing this issue. Specifically, business recommends:

- a. Build capacity to improve the protection of IPR.*
- b. Ensure fair access to intellectual property, for example support voluntary licensing of anti-retroviral medicines for HIV-AIDS.*

5. Public Procurement/Prioritisation of Infrastructures

Cost to business to operate due to infra inefficiencies. Projects need a regional dimension to ensure economies of scale. Prioritisation is needed between infra projects (energy, transport, water and ICT). Infra projects are very interdependent so need to ensure there is no fragmentation of approach. Projects are financed by hard currency loans whilst they pay back in local currency creating risks. Projects often overlook maintenance. Specifically, business recommends that

- a. To ensure a holistic and regional approach, the Commission could map political regional integration to the infrastructure development maps within the AUC/NEPAD Infrastructure Action Plan to encourage regional economic communities to take ownership.*
- b. The Commission should consult the EU-Africa Business Forum on the consortium list of lead projects (NEPAD/ADB/AU) prior to engaging in feasibility studies which are needed to determine, cost, delivery, scale, delivery time and the economic impact of projects. The Forum will prioritize and give input on the cost to business for weak infrastructure and supports transparency of project coordination with other donors. To pre-qualify for Commission funding, companies should respect environment, social, financial standards within the EU acquis communautaire.*
- c. Efforts are needed to ensure that risk is covered by local donors for the hedging of local currencies.*
- d. Complementary ICT infrastructure is needed to ensure affordable and reliable access mobile and satellite access in the short-term and terrestrial services for the long-term.*

- e. *Maintain the “project approach” for infrastructure development and reinforce the EC’s infrastructure management capabilities with resources from the private sector and adopt robust project delivery mechanisms.*
- f. *Improve the technical and environmental quality of projects*
- g. *Improve the procurement process for infrastructure works.*

6. Capacity Building – Individual & Organisation

Capacity building is important to ensure that business – especially SMEs – can work efficiently with donors and local governments in developing interconnectivity in Africa. Specifically, business recommends that the Commission:

- a. *Provide more capacity building for civil servants working in the fields of policies and procurement; specifically standardisation, procurement competition, IPR, telecom, spectrum and infrastructure.*
- b. *Build capacity to improve the protection of IPR.*
- c. *Support capacity building for SMEs, specifically SME knowledge and skills transfer to local SMEs.*

Conclusion: Business dialogue as a catalyst for sustainable development

The EU-Africa Business Forum has discussed the relevant policies and activities (trade, development aid, regional economic integration, national/local governance, corporate responsibility) which can contribute to making Africa an attractive region for investment and development. However, these policies and activities will only make a difference on the ground if there is a way to ensure better coherence and more local ownership of the need for change and reform. A change in attitude towards development by governmental authorities and agencies – as well as business - is just as important as policy reform to achieve truly sustainable development.

Co-operative dialogue between business and government/regional organisations on the ground; and between business and development assistance donors on the strategic direction of trade, aid, regional integration and governance policies can make a real difference in terms of making policies effective and sustainable. Business can play a key role in catalysing the various actions and policies into a pro-development direction by recommending changes and improvements that will truly facilitate private sector development – and hence development itself. A commitment to real dialogue with business will also be a testament to the goodwill of countries that claim they are reforming by actually responding to business needs on the ground.

Our Forum is convinced that a much closer dialogue with business will prove to be an invaluable asset for Africa which will contribute to establishing more effective economic policies, to improving the benefits of development aid, to strengthening public and private sector governance and ultimately, to sustainable development. We therefore urge our respective governments to further develop and strengthen government-business cooperation and dialogue at all levels.
