

Opening statement by

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Debate meeting in Chatham House

26 November 2009

”Private Sector-led Growth in Africa

– Obstacles, Opportunities and Dilemmas on the Road Ahead”.

First of all, I would like to welcome all of you to this discussion today about private sector-led growth and job creation in Africa. It is very encouraging that despite the early hour and your busy schedules here in London, you have made an effort to be here at Chatham House. And I would also like to thank both my fellow panelists; Mr. Michael Foster and Dr. Mo Ibrahim, for agreeing to participate and to help advance our thinking on this important topic.

One of the many attractions of participating in an event at Chatham House is the fact that you as an audience are known to be very well informed. There is no need to go into details about the serious challenge that Africa is lagging

behind with regard to the MDGs. Despite an encouraging rise in the economic growth rates over the last decade, the continent as a whole is falling behind on each goal. The global economic crisis has not made it easier, although there are positive indications that the recovery in Africa has begun.

We all recognize the close link between economic growth and the achievement of the MDGs. To achieve the goals on primary education, mortality rates and reproductive health, there is a manifest need for a stronger economic foundation. We also need growth that results in employment. African growth has not led to poverty reduction to the extent experienced in for example Asia.

This was the starting point for the Africa Commission, which was established by the Danish Prime Minister in May 2008. The aim was to examine how to support private sector-led growth, creation of decent jobs and realizing the full potential of Africa's youth. The continent's population of young men and women is growing fast and 10-15 million new jobs are needed each year just to keep pace with new entrants to the labour market. More than 1000 stakeholders were involved – Heads of State, the UN Deputy Secretary-General, African Union, The World Bank, African Development Bank, experts, business

representatives, civil society organizations and the academic world. Most of the members of the Commission itself were from Africa, including my fellow panellist Mo Ibrahim.

The final report of the Commission – “Realising the Potential of Africa’s Youth” – was completed in May this year. Let me highlight some of the recommendations:

- The essential role of the private sector, including agriculture, in delivering growth and employment. We cannot donor us out of these issues, we need the private sector.
- Focus on young people and women in order to unleash their potential for entrepreneurship. We know that they have a huge potential – also for creating jobs - when given the right means and opportunities.
- Expansion of the emerging markets for sustainable energy – as lack of energy hinders private sector development.
- Expansion of access to capital for small and medium sized enterprises

- Opening up markets, including for south-south trade. African countries should have privileged access to markets in developed countries, at least for a limited period of time.
- Continuation of reforms in developing countries, not least with a view to improve governance as a prerequisite for economic growth and development.
- Increased support from development partners to strengthen the private sector, including through value chain approaches that can help transform African economies and create jobs for African youth.

It was the intention from the outset that the Commission should walk on two legs. First, advance the policy discussion on these issues, and secondly decide concrete follow-up activities on the ground.

On the concrete follow-up: Five initiatives have been launched by the Commission to promote private sector led growth and employment: These initiatives include: One, a new Guarantee Facility for financing for small and medium size enterprises, which is being set up by the African Development Bank; Two, a more developed competitiveness index in cooperation with World

Economic Forum that will function as a tool for dialogue in African countries between the governments and the private sector; Three, an initiative to promote young entrepreneurs – by enhancing their capacity to build companies coupled with finance - which is developed in cooperation with the UN; Four: an initiative to promote investment in renewable energies through the private sector: and finally initiatives to promote post-primary education and research in cooperation with among others the Fast Track Initiative. We hope that other development partners will join these initiatives as they evolve. I have been to the US to have discussions with IFC and USAid and I think we can find areas for cooperation.

Denmark has also decided to double its assistance to private sector development activities in Africa. It is a key principle for me as a minister that words and actions must go together.

This Monday, I had a chance to advance the policy discussion with a view to the 2010 MDG review summit. I presented the recommendations of the Africa Commission at the UN together with the Secretary-General. The President of Tanzania, Kikwete, and the President of the Africa Development Bank, Dr.

Kaberuka, were also part of the event in their capacity of Commission members. It was clearly emphasized by all participants that private sector led growth and job creation must be one of the key themes that is going to come out of the 2010 review conference next year.

The Africa Commission pointed to some important issues on the link between economic growth, employment generation and achieving the MDGs. Today I hope that we can discuss some of the key challenges ahead of us. Let me in conclusion highlight three elements:

- One, although the Africa Commission managed to identify some of the **obstacles to entrepreneurship** in Africa and possible solutions to remedy these, we need to advance our understanding even further – in particular about **the role of the State in supporting the private sector**. Governments must be active in ensuring adequate legal regulations and institutions are in place. They must help identify constraints for economic growth and how to design solutions to remedy these. But it is important that we find the **right balance between state involvement and private sector initiatives**.

- Two, it is widely recognized that **value chain approaches** offer significant opportunities for many African countries. The necessity of bringing private sector stakeholders together, such as producers, the financial sector, regulatory bodies and exporters is well understood. So why are we not moving forward on this?
- Three, we need to find ways to **expand the markets for African products**. Too often African companies are constrained by the scale of a small domestic consumer demand. It requires us to create better regional economic cooperation and advance global free trade. This includes the difficult discussion about which standards African countries must comply with – and whether we can make sure that African companies do not have to go through different certification procedures for different export country or region.

On this note, I would like, once again, to thank you for attending today. And I look very much forward to our discussion this morning.

Thank you.