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# NEPAD spurs businesses to invest in Africa's future

By **Efam Dovi**

Local business leaders in Côte d'Ivoire believe that the New Partnership for Africa's Development (NEPAD), the continental plan for economic, social and political advancement, has a key role to play in mobilizing the private sector for recovery after nearly a half decade of civil war. The NEPAD Business Group in Côte d'Ivoire, set up a few months before the March 2007 peace agreement, has been in "constant dialogue" with the government to "set up building blocks for a post-crisis plan," says its president, Guy M'Bengue.

The NEPAD Business Group, now with more than 100 members, has been urging the government to undertake legal, tax and customs reforms. So far the authorities have reduced the value-added tax and begun paying off public debts owed to private businesses, measures that have helped "to create trust between the government and the private sector," Mr. M'Bengue told *Africa Renewal*. The Ivorian group also joined with the government to organize a forum for businesses to learn about NEPAD-sponsored infrastructure development projects that are being financed by the African Development Bank (ADB).

Whether involved in post-war reconstruction or not, many countries across Africa are carrying out reforms to create a "sound and conducive environment for private sector activities," as specified by NEPAD.

Ghana, Côte d'Ivoire's immediate neighbour to the east, is overhauling its public sector to encourage efficiency and provide more incentives for private business. The port authority's operations have been streamlined to speed the clearing of goods, and all major ports and harbours have been linked on a computer network with relevant government departments and agencies to simplify the processing of imports. Reforms at the agency that registers companies have cut the time needed to start a business from several months to 42 days.

"We have adopted a pro-business stance aimed at achieving widespread private sector–led growth throughout the country," John-Hawkins Asiedu, a director at Ghana's Ministry of Trade, Industry and Private Sector Development, told *Africa Renewal*.

The World Bank, in a *Doing Business* report issued in 2007, found that a total of 24 African countries implemented reforms during the year, making it simpler to start businesses, strengthening property rights, enhancing investor safeguards, increasing access to credit, easing tax burdens, expediting trade and reducing costs. "*Doing business* has become easier in some parts of Africa," the report said. It ranked Ghana and Kenya among the world's top 10 "reformer countries."

### Suspicion and obstacles

However, many African countries continue to have weak private sectors and low levels of private investment. Analysts point to a variety of factors that contribute to this shortcoming: institutional failures, weak legal systems, inadequate infrastructure, poor policies, bureaucratic red tape and unclear government regulations and operations.

"Over the years, private sector involvement became an afterthought," explains Emmanuel Nnadozie, chief of the NEPAD Support Unit of the UN Economic Commission for Africa (ECA). But that has begun to change, he adds. "There is more realization that the private sector is the engine of growth and cannot be ignored in Africa's development process."

Whether a domestic company can bring in "money, skills, business expertise or develops new businesses around existing projects," argues Ini Urua, the NEPAD division manager of the ADB, "the [private] sector is essential."

One means for encouraging African countries to move business closer to the centre stage is the African Peer Review Mechanism (APRM). Established in 2003 as an initiative of NEPAD, it is a system of voluntary "self-monitoring" through which African countries review each others' political and economic management, including their systems of corporate and economic governance.

So far, 27 African countries have signed on to the APRM process. Those demonstrating willingness to reform by joining the peer review process may expect increased support. One source of backing is the Investment Climate Facility (ICF) for Africa, which is headquartered in Dar es Salaam, Tanzania, and finances projects to improve the continent's business environment. It provides assistance only to countries that have joined the APRM. The ICF has been endorsed by African leaders and is financed by multinational corporations, the governments of the UK, Ireland and the Netherlands, the European Commission and the World Bank's International Finance Corporation.

The ICF's first project, in Rwanda, is helping the government establish a commercial court to speed up the resolution of busi-

ness disputes and creating a new agency to handle all steps for registering a company or small business. When the project is completed, ICF Chief Executive Omari Issa told *Africa Renewal*, "it should be possible to register a business within days, either online or from any province, instead of several weeks." Previously, companies could be registered only in the capital, Kigali.

**Capacities limited**

A 2006 report by the UN Office of the Special Adviser on Africa, surveying the role of the private sector in West, East and Southern Africa, found that in comparison with foreign firms, domestic companies have been less involved in the implementation of NEPAD projects. The report attributed this to the greater capacity of foreign firms for undertaking construction projects.

Limited capital or expertise is not the only obstacle. According to Mr. Urua of the ADB, businesses also hold back because they perceive the investment climate to be poor for a variety of reasons, including political instability, inadequate national and regional policies and unclear or weak legal and regulatory structures.

Mr. Issa of the ICF emphasizes the legacy of earlier state policies. The private sector, he maintains, "is willing to invest in infrastructure, but there is lack of legislation and structure to guide such investments in almost all the countries." Business, he notes, "has to compete with the state, making investment in infrastructure unattractive."

However great the challenges, many agree that much more needs to be done to get the private sector better involved in making NEPAD a reality. And now is the time, affirms Lynette Chen, head of the NEPAD Business Foundation in South Africa. "NEPAD is only six years old and needed a long process of planning." However, she says, "We are at the implementation stage now." ■

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