

# **Business environment and sustainable enterprises for job creation in Africa**

*Lagos, 25 February 2020*

Dear colleagues and friends,

It is good news that this 6<sup>th</sup> summit is the first one organized in an English-speaking country that happens to be the biggest African nation. I will address the audience in English, but, as a starter, and in order to please my French-speaking colleagues, I will pay tribute to the beauty and energy of Africa with a small part of a great poem:

*“Elle a l’éclat du diamant noir et la fraîcheur de l’aube, et la légèreté du vent.  
Comme l’antilope volante elle bondit au-dessus des collines, et son talon clair dans l’air est un panache de grâce.  
Genoux noirs devant les jambes de cuivre rouge, élan souple du sloughi aux choses de la saison  
Mouvement musique harmonie, que je vous chante de la voix d’or vert du dyâli ! »*

Do you know who wrote that? No?

This piece of poetry is The elegy for the Queen of Sheba. It was written by one of the most important, French-speaking poets of the 20<sup>th</sup> century, first and former Senegal President Léopold Sedar Senghor. I take it as a promise that Africa can jump over the hills as described in this poem, and in many places Africa is already doing it.

The Abidjan Declaration adopted on 6 December 2019 established an action plan with nine priorities. The first one in the list was “*concrete and specific measures aiming at creating a business environment which is favourable to sustainable enterprises*”. I will focus on this.

I want to say three things to address business environment conducive to job creation:

1. We must **understand the world** in which we live, the world in which Africa is living.
2. We must identify the **relevant actions** to undertake in this context.
3. The **ILO** is standing by you to stimulate this move, as its mandate tells to do.

I will try to say the same thing than my Regional Director and I will do my best to say it differently to avoid you a feeling of repetition...

## **I. What is the world Africa is living in?**

World’s growth and world’s trade growth are structurally slowing down. Mc Kinsey Institute identifies five structural shifts in global value chains (GVCs):

- GVCs have grown **less trade-intensive**. The conclusion is good for Africa: local content can progress. There is no reason why this global evolution would not happen on African continent: incorporate more local added-value in and across supply chains.

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- **Services play an increasing** but undervalued role in GVCs. They grow 60% quicker than GVCs themselves. Africa can seize this opportunity to draw active population in excess in agriculture toward services, which would in turn raise productivity in agriculture.
- Trade based on **labour-cost arbitrage** is declining in several value chains, notably the ones which are labour-intensive. In only 20% of value chains does cost labour play a preeminent role in investment decisions. However, Africa might not be the most hit by this evolution.
- Value chains are growing more **knowledge intensive**. The part of knowledge in supply chains almost tripled since 20 years. Africa is not well-organized to tackle this trend. This is a crystal-clear signal that skills is the major challenge facing Africa.
- Value chains are becoming **more regional and less global**. The respective share of both is back to 2000. Again, local content is progressing. This is the biggest opportunity for Africa. This is where the Pan-African trade agreement is coming rightly to the point.

The world we live in is more and more regional. Among all continents, Africa is the one lagging behind in terms of economic integration. For this reason, Africa is also the region with most potential. Africa is less integrated in geographical terms (in terms of exports and imports in GDP) but also in sectoral terms (the cross-sectoral share in supply chains, which according all analysis is a strong employment factor). Intra-regional share of global goods trade has increased since 2013. It is at 63% level in the EU or 52% in Asia-Pacific. Much below in Africa.

The signature of the African free-trade agreement in March 2019 and its entry into force in May 2019 is probably the best news for the continent since decolonization. It is a fantastic opportunity to increase the participation of Africa in its own value chains, and beyond. An African local content is now reachable, if African countries are wise enough to take relevant accompanying measures to the trade agreement. The window opportunity is wide open. Within the general objectives, article 3(e) of the trade agreement is devoted to structural transformation, and article 3(f) is on competitiveness.

This is the world Africa is living in.

## II. What are the relevant actions to undertake in this context?

How to identify the right policy mix to address the lack of an environment conducive to sustainable enterprises?

At the ILO, under the suggestion of African Regional Director, the ENTERPRISES Department undertook to review the interventions and programmes focusing on productivity in Africa. Last December, an interesting and exhaustive survey was delivered to us, of which I had written the terms of reference, done by Singizi Consulting Africa, a South-African consulting firm that we selected among half a dozen of European, North-American and African proposals.

Singizi identifies four critical issues to address to tackle productivity in Africa:

- Infrastructure development and maintenance,
- Education and capacity building,
- Access to technology, including greening,
- Regulatory burdens and institutions.

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The report concludes that the main topic is for governments to understand the importance of productivity in development, and act accordingly. Singizi suggests to deal with productivity gaps at three levels:

- national level,
- sectoral level,
- firm level.

Singizi notes that many initiatives exist at firm level that cannot scale up because of the lack of a national vision and framework. There are also insufficient statistics to assess the challenges, as it was emphasized earlier on in this conference, by the Ethiopian employers' representative.

In an article of 14 January 2020, Arkebe Oqubay, Minister and adviser to Ethiopian Prime Minister explains why his country was able, without noticeable oil or mineral resources unlike many African countries, and in a landlocked situation, to reach an averaged 10.5% annual growth since 2004! According to him, governments must:

1. Create the necessary **conditions** for productive investment,
2. Avoid focusing solely on generic foreign investors and identify **priority sectors**,
3. Build "pockets of excellence" and create an "**industrial ecosystem**".

If we add Singizi report and Ethiopian experience, as well as the discussions already held in this 6<sup>th</sup> African social partners summit, it appears obvious that productivity must become the obsession of governments and drive their political agenda, if they want to create business and jobs. Because creating enterprises that are sustainable and creating good quality jobs is the very same thing.

### **III. The ENTERPRISES Department of ILO stands by you to help**

At the ILO, we think that a national productivity policy must be two-fold:

- **Selecting most promising sectors** in terms of added-value, job creation and development, and realizing value chain analysis, are pre-requisite to a proper productivity policy. As the Ethiopian case eloquently demonstrates, a documented choice of sectoral strategies can produce a unique endogenous growth as well as it can attract good investment.
- **Setting up an economic ecosystem**, encompassing social policy and micro, meso and macro levels, can complement the sectors selection. It is a framework that must be implemented, with a strong coherence so that it encompasses all relevant factors and measures, whether internal or external, and mixes regulatory as well as programmatic decisions.

This framework of course requires a major skills shift. It is well understood by the African Union and the African Development Bank. Only the skills shift can answer to the challenges of the world we are living in. My Department has the capacity to address both the sectors selection and the ecosystem.

We are pooling and will train SME suppliers to a new Volvo truck factory in Algeria. We help improving working conditions and productivity in palm oils biggest plantation in Ghana. We started working with a group of big oil companies in Mozambique to minimize their impact and maximise their contribution to the communities. We foster cooperation between big and small companies in the garment sectors in Ethiopia. Etc.

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The skills challenge will be tackled as much through apprenticeship as through universities. A discussion will seize this issue tomorrow in the summit: indeed, it is a key topic. Some years ago, the IOE has created the Global Apprenticeship Network (GAN) that aims to identify and organize the exchange of good practices and advocate for apprenticeship as the cornerstone of policies to address youth unemployment and technological future.

I want to add one point. There was a discussion on capacity building earlier in this summit. It is an extremely difficult work. We collectively tend to underestimate the degree of difficulty even if this expression goes throughout all ILO activities. Why is it so? Because capacity building is frequently seen as a one-off isolated activity. But it does not work that way: capacity-building must be both collective and long-term, while it is too often the opposite.

My Department at the ILO can do many things, provided that our organization is supported internally – more one-ILOish – and externally – with political support of governments and resourcing from donors. As to the Programme & Budget 2020-21, our four priorities are the following outputs to be implemented in more than 50 countries.

1. Increasing the capacity of member states to create an **enabling environment** for entrepreneurship and sustainable enterprises  
→ Here, we will assess country situations by realizing surveys of obstacles to a regulation that would be conducive to job and business creation, making recommendations and accompanying with entrepreneurship programs.
2. Strengthening the capacity of enterprises to adopt **new business models**, technology and techniques to enhance productivity and sustainability.  
→ Here, we will work on value chain analysis, small and medium size enterprises training, and design productivity ecosystem along the lines of what I said previously. We are also launching an internal innovation incubator.
3. Increasing the capacity of member States to develop policies, legislation and other measures specifically aimed at facilitating transition of enterprises **towards formalization**.  
→ Here, we can build on an already experienced policy, encapsulated in an ILO recommendation after a lengthy and documented ILC discussion, and many cases rolled out on all continents. We are speaking about the majority of world's active population.
4. Increasing the capacity of member States to develop policies and measures that promote the alignment of business practices with decent work and a **human-centred approach** to the future of work.  
→ Here, we will increase our efforts to help business develop responsible business conduct strategies, notably in the wake of 2017-revised Tripartite declaration of the ILO, and try to gather constituents around the same table in different countries to ease investment.

In those four priorities, you recognized a lot of African peculiarities. It is not coincidences. During the last biennium, my Department has worked on 100 national and a bunch of global projects, being able to report on 54 country programme outcomes (CPOs), 22 of which were in Africa, primarily on entrepreneurship.

For the P&B 2020-21, our priorities will be more balanced in terms of portfolio, but with the same priority on Africa. We go where needs are. Our focus will be on productivity ecosystem and we will increase our cooperation with EMPLOYMENT and WORK QUALITY departments. We are here to serve you.

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We do not forget social partners. Hence my presence today. Social partners sometimes remind me of this sentence of a British humourist: "When a man and a woman marry, they become one. The question is to know which one". I am afraid this is not the right definition for social dialogue, and it must be the way of the cooperation between Africa and the ILO either!

African countries will build their future among themselves but together. It is an economic necessity, it is a political duty and it is a social reality. This is the world we live in. The ILO is there to help African business to scale up and to create a continental strength through an enabling environment for sustainable enterprises.

Thank you for your attention.

**Emmanuel JULIEN**