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# THE ENABLING ENVIRONMENT CONFERENCE

Effective Private Sector Contribution to Development in Sub-Saharan Africa

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of Manufacturers



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Inter-Africa



THE NAIROBI STATEMENT

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## INTRODUCTION

*“Africa’s genius is her peoples. In their diversity, vitality, creativity and resilience, they represent the greatest of the many resources of this Continent. The basic topic of our discussions, therefore, is how to create the conditions of confidence, predictability and mutual trust that will enable people and institutions to realize their full potential.”*

*Excerpt from a speech of His Highness the Aga Khan on the occasion of the Inaugural Session of the Enabling Environment Conference, Nairobi, Kenya, October 1986.*

### The Enabling Environment Conference: Background

More than two decades ago, newly independent African nations embarked on programmes of modernization aimed at accelerated social and economic development. Many of these governments turned away from private enterprise, centralizing development efforts in the state. However, optimism for rapid growth has long since faded and leaders on the Continent, especially in the past few years, have been engaged in an intensive examination of the roots of economic and social crisis. Faced with a range of complex national problems, African governments have not only declared their intentions to strive for reforms in the functioning of the public sector but have in many countries already taken steps towards policy reforms aimed at greater incentives in the private sector and greater efficiency in public investment and resource management.

This trend indicates a spirit of receptivity to new approaches in Africa today. In this atmosphere of pragmatic assessment of accomplishments of the past, the **Submission to the Special Session of the United Nations General Assembly on Africa’s Economic and Social Crisis**, jointly authorized by the Council of Ministers of the Organization of African Unity and by the Conference of Ministers of the Economic Commission for Africa in May 1986, acknowledged that the twin challenges of survival and development, in terms of employment, health, education and other basic needs, cannot be met by state initiatives alone. The bold development process outlined in the Submission, with fundamental restructuring and policy reorientation, should launch the Continent on the path of self-sustaining development. Among the approaches being considered is the creation of an environment that will enable the private sector to play a more positive role in the development process through well-defined and consistent policies.

### The Objective of the Conference

Receptivity to new ideas and a new spirit of pragmatism represented a rare opportunity to inaugurate in Sub-Saharan Africa a dialogue among governments, businesses and private non-profit voluntary agencies referred to as private development agencies (PDAs). The Enabling Environment Conference which took place in Nairobi, Kenya October 20-24, 1986 was intended to facilitate that dialogue, and to suggest a range of practical policy options that might enhance the relationships between governments and the private sector.

### Conference Results

Following much careful planning, over two hundred official participants gathered in Nairobi for a four-day meeting. This was the first time such a group,

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composed of representatives of governments, private business and PDAs from over 25 Sub-Saharan African, European and North American nations had met to discuss these issues. Approximately two-thirds of the Conference participants were Africans, ensuring that the discussions would be fully cognizant of the needs and priorities of the Continent.

Conference activities and achievements are chronicled in **The Nairobi Statement** and the **Summary of Discussions**. In some cases, rapporteurs may have focused more on agreement than disagreement among participants in individual sessions, and this is reflected in both documents. Consequently, they may give the impression of more explicit unanimity of opinion and less lively debate than was, in fact, achieved. While consensus on specific issues was considered desirable, **The Enabling Environment Conference** sought above all to foster frank debate on crucial issues among individuals representing varying points of view.

Overall, the success of the Conference (and it was successful, according to the overwhelming majority of participants) was not the consensus actually achieved on a significant number of issues but the fact that it took place in an atmosphere of unusual openness, which allowed differences to be aired without rancour or rhetoric. From that atmosphere grew a special liveliness and an intensity in debate that can only occur when areas of disagreement and new ideas are frankly explored.

### *Conference Methodology*

The Conference format – plenary sessions followed by working groups – was designed to stimulate informal interaction on the principal issues being considered.

To provide an intellectual framework for Conference discussions, the co-sponsors, advised by an international Steering Committee, commissioned a series of papers from a range of independent African and international specialists and organizations including the African Development Bank, the World Bank, UNICEF, the International Finance Corporation and the Council on Foundations. (See Appendix I for a full list of papers.) To promote constructive thinking and debate, the commissioned papers were divided into three broad topic areas, which were also the broad themes for the Conference sessions:

- (1) the relationship between African governments and private business,
- (2) the relationship between African governments and PDAs, and
- (3) the building of a meaningful dialogue among all three sectors based on the concept of “social responsibility.”

An Overview Paper synthesized the issues and recommendations contained in all other papers and formed the basis of workshop discussions. As a further aid for each workshop, participants were provided with separate lists of Issues for Workshop Discussion, abridged from the Overview Paper.

Rapporteurs, selected from among Conference participants, provided detailed notes on all plenary and workshop sessions. These notes were the basis of the Summary of Discussions reproduced in this report. Rapporteur notes also provided the basis for preparation of The Nairobi Statement.

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### The Enabling Environment for Effective Private Sector Contribution to Development in Sub-Saharan Africa

1. The Enabling Environment Conference took place in Nairobi from the 21st to the 24th October, 1986. It has focused on evolving effective relationships between African governments and the private sector. The Conference has taken its guidance from African leaders who have recognized that:

*“necessary conditions for growth are the improvement of the national economies of Africa, deep reforms in the functioning of the public sector, as well as the provision of sufficient incentives to private initiatives.”*

*1984 Economic Report on Africa, issued jointly by the African Development Bank and the Economic Commission for Africa.*

2. The Conference recognizes that the twin challenges of recovery and development cannot be met by state initiatives alone. The private sector – both business and private development agencies (PDAs) – must collaborate actively among themselves and with government to achieve these objectives.
3. The Conference further recognizes that a huge burden of debt in the midst of adverse international conditions shackles many African economies; that terms of trade are strongly skewed against African countries and no recourse appears in sight; that drought still continues in some parts of Africa; and that military conflicts, famine and refugee upheavals add to the severe hardships of some populations. The Conference, however, welcomes the fact that against this bleak picture, many African governments have, with courage and vision, adopted comprehensive reform programmes, mobilizing national resources and channeling efforts to where they will bring greater returns. Thus, if the broader issues of a hostile international environment are beyond the scope of the Conference mandate, they are very much in mind as it concentrates on the contribution of the private sector to the development of Sub-Saharan Africa.

4. The principal issue considered by the Conference was:

How can environments be created, within the constraints imposed by the international economy, that will supplement important government initiatives and those of public enterprises by permitting the extensive resources, imagination and creativity of the private sector – both people and institutions – to participate fully in the development process?

5. The Conference unanimously affirmed that:

Africa's genius is her peoples who, in their diversity, creativity, vitality and resilience, represent the greatest of the many resources on the Continent. In serving the African people, business, governments and PDAs should forge new partnerships to create the Enabling Environment in order to ensure that development is the expression of the individual.

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6. The Conference urges collaboration among Governments, Business and PDAs to:
- (i) Encourage the evolution of enabling environments to foster the release of the energies and creativities of African peoples and to promote confidence, predictability and mutual trust among the partners in the development process.
  - (ii) Take all possible steps to encourage the development of African entrepreneurship.
  - (iii) Seek concrete measures to integrate women fully into the mainstream of the development process and to eradicate all forms of discrimination against women.
  - (iv) Promote the incorporation of the informal sector – the men and women working in agriculture and small-scale trade and industry – into the modern economy.
  - (v) Foster the concept of the social responsibility of business, while recognizing that healthy business requires an appropriate return on its investment and enterprise.
  - (vi) Promote the evolution of a strong voluntary sector through measures to improve management and financial viability.
  - (vii) Facilitate the creation of viable regional markets.
  - (viii) Strive to maintain the three-way dialogue on development issues initiated at this Conference, possibly including formal guidelines on mutual responsibilities.
7. The Conference urges Governments to:
- (i) Reaffirm and intensify their support for the modernization of the indigenous small-scale agricultural, industrial and business enterprises.
  - (ii) Undertake mutually agreed policy changes to enlarge the role of the private sector, such as moving toward freer markets and more realistic prices for foreign exchange, capital, products and labour.
  - (iii) Devise special measures to lessen the hardships of policy adjustments on vulnerable groups in society.
  - (iv) Foster the enabling environment through such basic elements as confidence in the future; reliance on the rule of law and a system of laws which itself encourages enterprise; and protection of the rights of individuals.
  - (v) Reduce administrative controls on the private sector and simplify procedures.
  - (vi) Promote entrepreneurship through technical assistance, training and better access to credit.

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- (vii) Work with other African governments and business organizations to attempt to create viable regional markets and trade zones.
- (viii) Review the role of parastatals so as to maximize the use of scarce resources.
- (ix) Build on the African traditions of communal effort to promote PDAs as crucial partners to foster self-reliant, sustainable development.
- (x) Promote improvements in the management, administration and financing of PDAs to increase their effectiveness in meeting development challenges, through such measures as encouraging dialogue with national PDA councils.

### 8. The Conference urges Business to:

- (i) Ensure that its investment activities are consistent with the development priorities of African Governments, while addressing its legitimate goals of providing goods and services profitably.
- (ii) Channel more resources, training and technical assistance to African entrepreneurs, especially in the informal sector.
- (iii) Support PDAs in promoting income-generating activities.
- (iv) Become increasingly sensitive to its social responsibility through commitment to Africa's long-term development and the pursuit of justice, equity and equality in African countries.

### 9. The Conference urges Private Development Agencies to:

- (i) Strive to develop new, cost-effective approaches to Africa's long-term social and economic development problems, especially in rural areas and among vulnerable groups.
- (ii) Recognize the critical role that women play in Africa's development and assist them with access to credit, special extension services, appropriate technology and relief from discriminatory practices.
- (iii) Work with business and government to strengthen the voluntary sector through improved management, training and increased financial support.
- (iv) Develop mutually supportive relationships between indigenous and international PDAs; e.g., establishing national PDA councils.
- (v) Strengthen the confidence of governments in the voluntary sector by making known their achievements and activities and by non-interference in political matters.
- (vi) Reinforce their capacities to inform African peoples and governments and the international community about the nature of Africa's development challenge and about progress in meeting that challenge.

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### 10. Conference Follow-up:

This Conference has brought together three sectors for the first time in Africa. The interests kindled during the week should be carried forward after Nairobi and ideas should be turned into action.

#### To this end, the Conference requests:

- (i) The Organization of African Unity to continue to give the necessary political impetus to Africa's economic recovery and development, to mobilize public opinion in support of the African effort, and to assist in the creation of an enabling environment for enterprise and initiative.
- (ii) The Economic Commission for Africa (ECA) to work with national governments, Chambers of Commerce and other appropriate bodies to develop a code of ethics on business practice in Africa. It also requests the ECA to bring the main conclusions and recommendations of this Conference to the notice of African governments and appropriate regional and sub-regional institutions with a view to ensuring the necessary follow-up actions.
- (iii) Participants who have expressed a strong commitment to follow up in their own countries to do so immediately.
- (iv) Action be taken to establish or strengthen national councils for regular consultation among PDAs, business and government.
- (v) The media to sustain their interest by highlighting the aims and conclusions of the Conference and assisting in publicizing Africa's potentialities, development efforts and needs.
- (vi) The Conference co-sponsors to take appropriate measures to ensure that the recommendations and conclusions of the Conference are followed. In particular, the Conference suggests further regional and national meetings on the subject of the social responsibility of business, as it has been discussed at this Conference.

The Conference participants wish to express their most sincere appreciation to the co-sponsors of this Conference for their initiative. They also wish to express their deep gratitude to the Government and people of the Republic of Kenya for their typical African hospitality and most particularly to His Excellency President Daniel T. arap Moi for inaugurating the Conference and for his personal interest in its success.

Finally, the participants wish to acknowledge and thank His Highness the Aga Khan whose ideas and initiative have sparked this Conference.

The Conference puts forward its proposals and recommendations in the firm belief that their full and sustained implementation will lead to the evolution of enabling environments that will accelerate the process of social and economic recovery and development for the peoples of Africa.

## SUMMARY OF DISCUSSIONS

African governments and people are examining the creation of environments that will enable the private sector to participate actively and effectively in the development process. The Enabling Environment Conference was convened to consider specific ways in which this process can be assisted.

Setting the tone in his inauguration of the Conference, the President of the Republic of Kenya, the Honorable D. T. arap Moi emphasized the need for such an international dialogue:

*"The more we interact and understand one another, the easier it will be for us to solve our common problems jointly in the years to come."*

His Highness the Aga Khan in his opening remarks introduced the theme of the Conference by saying:

*"Let us concentrate on the opportunities for the future. Nations and continents can emerge from depression. Men and women of good will and solid intellect can change the course of events. My hope is that the participants in this Conference will come up with practical, feasible recommendations for ways in which government and the private sector – both profit and non-profit – can work together to build a better future for this continent."*

### A. INDIGENOUS ENTREPRENEURSHIP

A.1. *The New Realities* – Releasing the energies of the many millions of African men and women who are producers is the key to the solution of the current African malaise. The encouragement of African entrepreneurship is essential. To a large degree, those policies that foster indigenous entrepreneurship will also attract foreign investment. However, the Organization of African Unity (OAU) and African governments are confronting the reality that private foreign capital can only be a small part of the answer to the continent's problems. Africa must rely on itself first.

Most Conference participants expressed the view that, when the environment is appropriate, entrepreneurship in Africa develops quickly. That entrepreneurship – the willingness to take risks and to try new approaches in both the profit and voluntary sectors – requires an atmosphere of confidence, predictability and mutual trust. Where indigenous entrepreneurship flourishes and markets develop, it will also become easier to attract foreign capital. Thus, there is a synergy between indigenous entrepreneurship and international business.

Conference participants agreed that the OAU Priority Programme for Economic Recovery should be given wider dissemination and publicity, by governments and other concerned groups. There needs to be concerted follow-up action and review of progress at regular intervals.

A.2. *Policy Changes* – After two decades in which many governments and international agencies tended to minimize the role of the private sector, most African governments are now more willing to enlarge the role of private business as a positive force for development. Conference participants generally agreed that national policies should move toward freer markets and more realistic prices

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for products, capital, labour and foreign exchange. Many participants were concerned, however, that some of these changes, at least in the short term, may be detrimental to vulnerable groups in society, which could result in instability. Special measures may be required to lessen the hardship for these groups. Such measures are now being systematically considered in the design of adjustment programmes. The World Bank, with funding by UNDP, is launching an Africa-wide study to assist governments to monitor changing conditions of different socio-economic groups.

Most participants recognized that removal of price controls should be accompanied by increasing competition and avoidance of monopolies and cartels, whether by parastatals or private business.

While advocating greater flexibility of exchange rates and working toward a reduction of exchange controls, Conference participants recognized that these processes would be helped by a reduction of protectionism in developed countries and by global economic expansion.

Apart from macro-economic policy changes, participants expressed the view that stability and consistency of policy are vital to the encouragement of the private sector. Governments should establish investment codes which should, as far as possible, apply equally to both domestic and foreign business. These codes should be easy to understand and implement. Governments could establish broad indicative lists of activities that private business would be welcomed to undertake.

Participants recognized that there is relatively little foreign investment taking place in Africa today. Most participants believed that the policies outlined above should be helpful in attracting foreign investment. Perhaps the most difficult issue in this regard concerns repatriation of dividends. Companies consider repatriation an essential incentive to foreign investment. In those countries where it is difficult to relax restrictions, some Conference participants urged governments to consider, as an interim measure, providing additional investment incentives if dividends are reinvested. Some participants suggested that governments should consider allowing tax relief for donations of "blocked" assets to PDAs. The World Bank demurred and expressed a need to study such proposals in the light of the fiscal policy of the concerned country. (See also, discussion below at B.3.)

Investment guarantees such as the Multilateral Investment Guarantee Agency and the Guaranteed Recovery of Investment Principal deserve support and expansion; some countries might introduce additional bilateral guarantee arrangements.

**A.3 Administrative Burden:** A vast amount of the time of businessmen and women – both indigenous and foreign – is spent trying to meet the administrative and regulatory requirements of governments. This often diverts resources from more productive purposes.

Most Conference participants supported a recommendation that African governments should make strong efforts to reduce their administrative control

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of business and to simplify procedures. There should be greater consistency and transparency in the regulatory and administrative systems applied to the private sector. Moreover, there should be regular dialogue between the private sector and government to identify legal and administrative problem areas.

**A.4 Promotion of Entrepreneurship.** The Conference focused particularly on the needs of the African entrepreneur, a crucial ingredient of Africa's economic development. Entrepreneurs need:

- (i) better access to information and to technical assistance through extension services;
- (ii) better access to credit either directly from lending institutions or, in the case of small entrepreneurs and farmers, through intermediary structures such as credit unions or effective PDA organizations; collateral requirements will need to be redefined where proven entrepreneurial talent exists; and
- (iii) management assistance and training through strengthening or creation of training institutions and through the use of PDAs, particularly for training and management assistance for micro-enterprises.

Some participants suggested that entrepreneurship and business practices should be further integrated into the formal educational system, thereby encouraging specific skills and "risk-taking".

Many participants also recommended that special efforts be made to encourage joint ventures between international business and African enterprises. In the case of small farmers and micro-enterprises, sub-contracting relationships with larger African and international businesses (including parastatals) should be encouraged.

**A.5 The Small-Scale Sector.** Most Conference participants recognized the particularly important contribution and potential of small-scale entrepreneurs: smallholder agriculture, entrepreneurs in the informal sector, and small businesses owned and operated by women. This sector requires and deserves special attention.

By far the largest group of entrepreneurs in Africa work small farms. Price regulation and marketing boards have often worked against the interests of this group: their operations need to be reviewed to ensure incentives for farmers. Greater attention should be paid to storage, processing and marketing to help improve prices paid to farm producers. They also require assistance with credit, technology and extension.

The informal sector should be recognized as a major source for the initiation of entrepreneurship. Special efforts should be made to provide the same framework of support for this sector, as suggested above under the heading "Promotion of Entrepreneurship".

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In most African economies, women form a large proportion of producers and traders. Many Conference participants expressed the view that special attention should be given to the credit, management and training needs of women. Some participants noted discriminatory practices directed against women that should be removed, e.g. lending institutions requiring counter-signatures of husbands for loans.

A.6 Regional Markets. It was recognized that the small size of country markets inhibits growth of African economies. Several Conference participants suggested that African governments work with one another to attempt to create viable regional markets and trade zones, possibly through such regional economic groupings as the Economic Community of West African States (ECOWAS), the Preferential Trade Area for East and Southern African States (PTA) and the Southern African Development Coordination Conference (SADCC), or through negotiating accords on product specialization among African countries.

It would be helpful if governments gave priority to inter-country transportation and communication links. Less emphasis should be placed on creating new sub-regional arrangements than on implementing and strengthening existing accords.

Several participants suggested that international corporations may be able to contribute to such regional integration by building multinational markets. Indigenous business might, for its part, create interstate cooperative councils for exchange of information on markets.

Additional specific suggestions included:

- (i) opening boundaries between neighbouring states for free movement of people and goods;
- (ii) standardizing the incentive structures for foreign investment, regulations on product quality, and overall economic policies among neighbouring states; and
- (iii) considering the establishment of common agricultural policies with a view to encouraging each country to produce those agricultural commodities in which it has a comparative advantage.

The role of parastatals generated substantial discussion and controversy. Some Conference participants, particularly representatives of African governments, emphasized that in many economies, parastatals have a useful and strategic role. In many cases, however, parastatals have become inefficient, and consume resources that could be used more productively. As monopolies, they have also engendered a restrictive climate that discourages private initiatives.

Parastatal reforms, therefore, are an integral part of creating an enabling environment. The elements of a reform programme might include:

- (i) reducing or eliminating budget subsidies for inefficient and inessential parastatals;

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- (ii) reducing the monopolistic status of parastatals; and
- (iii) increasing efficiency, improving management, and reducing interference in those parastatals that continue to play a useful role.

Some governments, in taking stock of their parastatals, have decided to divest themselves of some of these enterprises. Privatization in such cases has been considered appropriate. But it is only one facet of a broader and more complex reform programme. Many participants emphasized that privatization of parastatals is not an end in itself, but one more tool to be utilized, where appropriate, in the ongoing efforts to provide and distribute more efficiently the needed goods and services.

**A.8 Policy Dialogue: Business and Government Relations** There was a consensus among Conference participants that business should be sensitive to government priorities and should be willing to define and articulate its responsibilities to the broader community. Many participants recommend an ongoing dialogue between government and business, with business participating in the preparation of long-term development plans. Some participants suggested that Chambers of Commerce representing traders and manufacturers from different countries convene regularly to devise mechanisms under which governments might encourage trade. Some participants recommended the establishment of a formal mechanism to study and make recommendations concerning business ethics in Sub-Saharan Africa. A specific suggestion was that the Economic Commission for Africa undertake such a study, with a view to producing a draft code of ethics for the consideration of governments in consultation with such institutions as the African Federation of Chambers of Commerce, the PTA, ECOWAS and SADCC.

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### B. INDIGENOUS AND INTERNATIONAL PRIVATE DEVELOPMENT AGENCIES

B.1 The Challenge. Private Development Agencies (PDAs) comprise a rich variety of formal organizations and informal associations, covering a broad spectrum of activities. Their most noteworthy characteristics are their roots in the powerful voluntary ethos, their concern for the disadvantaged, their ability to harness the energies of many people, and their non-governmental and non-profit nature. Their activities run the gamut from the traditional direct provision of social services to the initiation of innovative enterprise development. As such, they can also test and implement new cost-effective and participatory approaches to the challenge of economic and social development.

Governments and business often do not consider PDAs serious partners in the development process. As a group, PDAs may have been deficient in documenting and articulating their accomplishments and the breadth of their activities. Traditionally jealous of their independence, many PDAs have been cautious about allowing outside scrutiny. Moreover, some PDAs have been inadequately managed, under-financed and inefficient, though there are many examples to the contrary.

It is, therefore, not surprising that many governments and businesses have tended to ignore or undervalue PDA contributions to development. Now, however, with the growing emphasis on releasing energies of individuals, encouraging participation and genuine self-help, promoting the informal sector, and involving women in development, PDAs have a special opportunity to demonstrate and build upon their traditional strengths.

A challenge facing the Conference was to identify the many ways PDAs can directly complement government and business in order to unleash the full potential of the voluntary sector to contribute to the future development of Africa.

2. Relationship with Government. The Conference focused on the balance between assuring the independence of PDAs as a "Third Sector" in the economy and maintaining good working relations with government. Conference participants generally supported the idea of structuring a clearly recognized administrative and legal framework within which an optimal PDA/government relationship might be fostered. Some suggested that this framework be based on two principles:

- a. PDAs, both international and indigenous, should recognize the legitimate right of governments to have information on their procedures, activities and plans, and to exercise some oversight of their appropriateness, integrity and efficiency; and
- b. this general oversight notwithstanding, governments should recognize the right of PDAs to pursue their objectives independently of detailed government control and supported by an environment that recognizes the positive role that PDAs can play.

Many Conference participants wished to encourage governments to work collaboratively with PDAs to formulate a framework within which

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governments and PDAs (both indigenous and international) should interact. Suggestions included establishing a framework of published procedures for matters such as accounting procedures, tax exemptions, importation of necessary supplies and equipment and PDA hiring practices. The caveat was expressed that the framework not be overly rigid, though it should state clearly the government's legitimate expectations. Some participants were attracted to the concept of a single administrative focal point in government/PDA interaction, to avoid bureaucratic delays in decision making. Others, however, recognized that such a focal point could itself present a bottleneck, and might prevent other parts of that government from recognizing and supporting the PDA efforts. In any event, most participants thought that programme matters should be taken up between individual PDAs and the relevant government ministry or department.

On programme and policy matters, the participants were firm in their belief that PDAs and governments should be in close consultation. Government should indicate priority areas where PDA operations would be particularly welcome. Government should also recognize the unique contribution PDAs can make to policy, particularly in their sensitivity to the needs and aspirations of small entrepreneurs and rural populations where government is often less involved. For their part, PDAs should seek to complement or extend, not duplicate, government programmes.

Governments might consider other means of encouraging PDA action. Recognizing that few African governments have the budgetary strength to consider financial assistance to PDAs, participants noted a range of possible in-kind contributions governments can make, such as the secondment of personnel, training, material and equipment, housing, office space, or transport.

The subject of governments' provision of tax incentives for business and individual donations to qualified PDAs evoked considerable discussion and some disagreement. While noting severe governmental budgetary constraints, and the absence of a strong tradition of tax deductions for charitable contributions, many participants expressed a strong belief that such an incentive system would appreciably strengthen PDAs, as it has in many countries around the world. Other participants strongly disagreed because of budgetary constraints on African governments. Some participants favouring tax incentives suggested that a start could be made with incentives for qualified indigenous PDAs, particularly in designated priority areas, such as the increased involvement of women in all spheres of the economy. Qualified local "branches" of international PDAs might also be considered eligible for such deductions.

Many business participants at the Conference learned for the first time of the many strengths of PDAs. In Africa some businesses have already sub-contracted with PDAs to be "intermediaries" in providing services to employees. But more extensive and creative collaboration between businesses and PDAs is possible and desirable.

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Businesses contribute funds to PDAs and sometimes lend volunteers. But what PDAs often need – especially those involved in enterprise development – goes beyond funds and equipment, to access to such things as outgrower schemes, sub-contracts (e.g., from textile manufacturers), processing facilities and assistance with quality control and marketing. Such collaboration between African and international businesses is already occurring but it can be increased, with substantial benefit and at little monetary cost.

Another recent innovative mechanism for business contribution to PDAs is the donation of “blocked” assets to PDAs. Conference participants recognized this type of contribution as controversial, quite complex and needing considerable thought, country by country. Many Conference participants objected to assets being blocked since that restricts enterprise and discourages foreign investment. However, they recognized that to preserve foreign exchange, some governments restrict repatriation of profit. Some Conference participants suggested that countries where this practice is present might consider offering tax deductions for such contributions. Some U.S. corporations have already made such contributions to a few U.S. tax-exempt PDAs operating in certain African countries. As noted above, the World Bank (and others) thought this idea needed considerable study before implementation.

Participants noted with great interest the growing role of PDAs in the provision of credit and technical assistance, particularly in the informal sector and rural economy. It was noted that the management of small loans is expensive and risky and requires high standards of managerial probity. On balance, many thought this area ripe for expanding collaboration between business, PDAs and the informal business sector.

Finally, many Conference participants supported the idea of instituting a dialogue among PDAs, business and governments to assure appropriate consultation on development policies and on possibilities for collaboration among the three sectors.

The Conference carefully considered the relationship of African and international PDAs. Generally, participants accepted the guidelines on non-governmental organizations provided at the U.N. General Assembly Special Session in May 1986. These guidelines include: an admonition to the better endowed international PDAs to guard against “paternalism”; an acknowledgement among African PDAs of their basic responsibility for African development; a call to international PDAs to provide consistent support to the activities and growth of African PDAs; and an appeal to make maximum use of local resources and personnel. Consistent with the Conference’s discussion of the enabling environment for indigenous business, most participants firmly believed that indigenous African PDAs should be strengthened in their role as resources for economic and social development.

Participants supported the idea that PDAs should make greater efforts to coordinate among themselves and pay particular attention to facilitating communication and policy dialogue with government and business. Additionally, PDAs need to avoid unproductive duplication of their own

## SUMMARY OF DISCUSSIONS

efforts, to maintain common standards of behaviour and efficiency, and to learn from each other. Some countries have established councils of PDAs to meet these needs, a model that many participants commend to others. Such councils could also serve as information centres to collate, document and disseminate data on successful programmes and on the reasons for failure of others.

Participants noted with approval the proposal of His Highness the Aga Khan to create a Faculty of Development Policy and Management. Other institutions capable of providing practical management training should also be inventoried. Participants urged PDAs to seek out – and business and government to help provide – practical training programmes and institutions.

The role of PDAs in public education was discussed. Located throughout African societies and economies, particularly at the grassroots, PDAs are well positioned to serve an educational function, by acting as a link between African peoples' aspirations and policymakers and donors. International PDAs have a separate but especially important educational role in their home communities and with international donor agencies, bilateral assistance organizations, and the philanthropic donors of industrialized nations. In their educational role, most participants urged PDAs to emphasize the long-term needs of Africa and the will and primacy of Africans to confront their own development challenges.

Finally, Conference participants were unanimous in their call to PDAs to be aggressive in explaining and documenting their role in economic and social development. Only in making the case for themselves can PDAs make business and government aware of their accomplishments and potential role. National councils of PDAs can assist in such an effort but individual PDAs must accept responsibility for such communication with constituencies.

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### C. SOCIAL RESPONSIBILITY

By their very nature, businesses contribute to economic development, through production and distribution of goods and services. Additionally, however, businesses make other forms of economic and social contribution to the societies in which they operate. In North America and in many other industrialized countries, this practice has been called "social responsibility". In many third world settings, including Africa, "social responsibility" of business exists, though it may not be so named or formally institutionalized.

In his inaugural speech, The President of the Republic of Kenya The Honorable Daniel T. arap Moi paid particular tribute to the concept of social responsibility and asserted that it is "*a challenge which the private sector should take seriously in the future*".

C.1. Definition: The concept of social responsibility of business is difficult to define with precision. It describes a business carrying out its functions in a caring, thoughtful way, supportive of its employees' needs and attentive to the broad social and economic requirements of the communities in which it operates.

The Conference achieved a level of commitment to a social responsibility concept appropriate to Africa. Specifically, participants acknowledged and expressed respect for the proposition that the primary purpose of any business enterprise must be to produce needed goods and services profitably. Moreover, they welcomed the Conference's overall emphasis on the current and potential contribution – however defined and implemented – of business to economic and social development in Africa. For instance, the Conference's call to both international and larger African businesses to work with African entrepreneurs was acknowledged as an example of one form of social responsibility. Seeking opportunities to work productively with PDAs is another.

In general, participants were not able to agree on a shared definition of social responsibility. Some participants believed that the concept, as described in Conference discussions, does not appear to reach the problems of the vast majority of Africans. These participants stressed that business' social responsibility will only contribute successfully to African development if it gives priority to institution building and industrial training linked to technology transfer. Conference participants strongly urged increased discussion and information on the various forms of social responsibility, both in Africa and in other countries whose models could be adopted within Africa. Nonetheless, as conveyed by the following summary of specific elements of social responsibility, the concept remains elusive and somewhat controversial.

As a normal part of their business decisionmaking and operations, businesses should demonstrate a genuine commitment to the country in which they operate and a sense of responsibility toward their employees and the community within which they function.

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Conference participants cited a number of elements of such a broad framework:

- (i) Business should follow an ethical code of conduct for dealings within the African marketplace.
- (ii) Business should pay careful regard to the safety of its employees.
- (iii) Business might also strengthen its work force by developing programmes to assure the social security, health, training, family planning, and education of its employees and their families.
- (iv) Business should view their investments in light of the long term needs of Africa, e.g., by heeding environmental protection requirements.

Beyond these self-evident elements of beginning a social responsibility programme, Conference participants generally agreed on other, essentially "affirmative action" steps, that businesses might take within the framework of normal business decisions. These might include:

- (i) Locating plants and operations in areas of the country where there is particular need for development and employment;
- (ii) actively seeking opportunities to work with African entrepreneurs and small holders - particularly women - in their business operations, e.g., large scale tea producers contracting with local small holders;
- (iii) investing in raw material development, and in research and development in their field of operations; and
- (iv) seeking opportunities to work productively with PDAs, particularly in their business relationships with small scale entrepreneurs and smallholders. Participants cited a number of examples of contracting with PDAs to provide necessary goods and services. (It was noted that PDAs must do a better job of describing how they can be helpful to business.)

All the above elements of a social responsibility programme, within the context of normal business decision making, were solidly reaffirmed by the participants.

### C.3. Other Issues

- (i) *Cash grants.* Participants recognized that cash grants to PDAs sometimes are targeted in ways that produce obvious benefits to the business. In other instances, such as general support grants to PDAs, the relationship to the "bottom line" is often less clear - despite the advantages to the business of demonstrating its good will and supporting worthwhile community action.

Participants discussed cash grants and new ideas such as contributions of blocked assets to PDAs operating within the country. Current examples, such as Heinz' gift of blocked funds in Zimbabwe, were noted. (See, however, discussion at B.3 above.)

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Participants also noted the existence of several foundations and trusts in Africa, some created by businesses for their grantmaking. They – and the American community foundation model – were viewed with some interest by the participants.

- (ii) *Other forms of grants.* Non-cash contributions to PDAs were also discussed. Examples included the provision of management assistance and training, the secondment of personnel (including retired personnel), service on PDAs' governing bodies, assistance with quality control, and donations of office space, material and equipment. Kenyan businesses' support to self-help efforts within the Harambee movement were repeatedly cited.
- (iii) *Role of governments.* Participants focused on the role of government in the question of social responsibility. President Moi's inaugural speech provided participants with a clear example of a government encouraging and challenging business to develop social responsibility programmes which are supportive of a country's long term development priorities and the needs of business' employees and communities. Many Conference participants emphasized that social responsibility – while desirable – should not be *imposed* on business by African governments. Leadership and encouragement, however, are seen as appropriate and desirable.

Some participants suggested that governments encourage business in their social responsibility programmes by offering matching grants, or by granting tax deductions for business contributions to qualified PDAs operating in priority areas. (See discussion above, at B.2)

- (iv) *"Triologue".* There was discussion of government, business and PDAs cooperating together in a social responsibility effort. The case study of the U.S. PDA Africare, the Pharmaceutical Manufacturers Association, and the governments of The Gambia and Sierra Leone working together to provide distribution of medicines was cited by many participants. Other examples of African businesses working with their governments included the Business and Professional Women's Association in Ghana.
- (v) *Conclusion.* The forms of social responsibility of African and international business operating in Africa are numerous. There was a consensus that more case studies are needed of African experience with social responsibility. Finally, Conference participants stressed that as the business sector thrives in Africa, so too will it strengthen its ability to initiate new ways of contributing to Africa and its peoples.

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## APPENDIX I: CONFERENCE PAPERS

### I. Overview Paper

Sheila Avrin McLean (USA, formerly, General Counsel, U.S. International Development Cooperation Agency and Associate General Counsel, the Ford Foundation and currently, President and Chief Executive Officer of McLean & Co. Ltd., (USA)

*The Enabling Environment for Private Sector Contribution to Development in Sub-Saharan Africa*

### II. The Relationship of Government and Business

#### A. African Government's Attitudes Toward Business

1. Wila D. Mung'Omba (Zambia, formerly, President, African Development Bank and currently, Chairman, Meridien Bank Group) and Professor S. Wangwe (Tanzania, Professor of Economics and Dean of the Faculty of Arts and Science at the University of Dar es Salaam)

*The Role of Governments In Creating an Enabling Environment for Investment Capital in Sub-Saharan Africa*

2. Professor H.M.A. Onitiri (Nigeria, Special Economic Adviser to the United Nations Development Fund and the Organization of African Unity)

*The Private Sector, the Enabling Environment and the Public Interest: The Responsibilities of African Governments*

3. The World Bank, International Relations Department (Washington, DC)

*Encouraging Private Contributions to African Development*

4. International Finance Corporation (Washington, DC)

*Enhancing the Role of the Private Sector in the Development of Sub-Saharan Africa: Problems, Prospects and Solutions*

#### B. Businesses' Attitudes toward Enhancing their Contribution to African Development

1. Jonathan H. Frimpong-Ansah (Ghana, formerly, Governor and Chairman of the Bank of Ghana and currently, Managing Consultant of J.H. Frimpong-Ansah Co. Ltd, London)

*The Challenge to Private Entrepreneurship in Sub-Saharan Africa*

2. Equator Holdings Limited (a bank holding company incorporated in the Bahamas and providing banking, financial, import-export trade and advisory services exclusively in Africa)

*The Enabling Environment for Economic Development in Africa: A Private Business Perspective*

3. Douglas N. Dibb (Chairman, Olivine Industries (Private) Limited, Zimbabwe, a subsidiary of the H.J. Heinz Company of Pittsburg, Pa, USA)

*A Case Study – The H.J. Heinz Company Investment in Zimbabwe*

## APPENDIX I: CONFERENCE PAPERS

### III. The Relationship of Governments and Private Development Agencies

1. Mary Raelis (Regional Director for Eastern and Southern Africa, UNICEF)  
*Enabling Enablers to Enable: Relations of Africa in Governments and Private Non-Profit Development Agencies*
2. Jacob N. Mwangi (Executive Director, Voluntary Agencies Development Assistance, Kenya)  
*Towards an Enabling Environment: Indigenous Private Development Agencies in Africa*
3. Thomas H. Fox (USA, formerly, Director of the Office of Private and Voluntary Cooperation, USAID and currently, Vice President, Council on Foundations, USA)  
*The Enabling Environment for International Private Development Agencies*

### IV. Social Responsibility: Building Bridges among Governments, Business and Private Development Agencies

1. Nani A. Palkhivala (India, Director of Tata Sons Ltd.)  
*An Indian Perspective on Social Responsibility of Business in an Enabling Environment*
2. James A. Joseph, (USA, formerly, Under-Secretary of the U.S. Department of the Interior and President of the Cummins Engine Foundations (USA) and currently, President and Chief Executive Officer of Council on Foundations, USA)  
*The Corporate Responsibility of Business in Africa*

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Aga Khan Foundation

The Aga Khan Foundation (AKF) is a private, non-communal social development institution founded by His Highness The Aga Khan in 1967. With headquarters in Geneva, the Foundation seeks to use its human, financial and physical resources to help address problems of development in third world countries. It supports a wide range of programmes with emphasis on problems related to education, health and rural development.

The Government of the  
Republic of Kenya

Kenya is an independent republic within the British Commonwealth, and a member of the United Nations Organisation and the Organisation of African Unity. Lying across the equator, it covers an area of 226,000 square miles, and has a population of 20 million people. Kenya's political system is a one-party democracy, with an elected parliament. The Head of State is President Daniel T. arap Moi, MP. CGH.



The World Bank

The World Bank, established in 1945, is owned by the governments of 150 countries. It works with its two affiliates, the International Development Association (IDA) and the International Finance Corporation (IFC) for three interrelated functions: to lend funds for development projects and programmes; to provide advice; and to serve as a catalyst to stimulate investment by others.

Kenya Association  
of Manufacturers

The Kenya Association of Manufacturers is a representative organisation of industrialists in Kenya formed in 1959. The main object of the Association is to unite local industrialists and encourage investment to develop the industrial potential of Kenya. The Association believes private enterprise is essential to progress and prosperity and that national welfare and industrial expansion are synonymous.



African Development Bank

The African Development Bank (ADB), a regional development finance institution, was established in Khartoum, Sudan in 1963 and commenced operations in Abidjan, Cote d'Ivoire, in July 1966. ADB's purpose is to contribute to the economic development and social progress of its regional member countries through direct lending, equity participation, co-financing and technical assistance.

Voluntary Agencies  
Development Assistance

Voluntary Agencies Development Assistance is a membership association of Kenyan non-governmental organisations (NGO). Its overall objective is to maximise the impact of development-oriented NGOs through the enhancement of their institutional capabilities; the creation and/or improvement of linkages with the government and donor community; and the promotion of collaboration among NGOs.



InterAction

InterAction, a membership association of U.S. private voluntary organisations (PVOs), exists to enhance the effectiveness and professional capacities of its members engaged in international humanitarian efforts. It works on public policy issues, co-ordinate disaster responses and development resources, and articulates the contributions that PVOs make to international development.

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