THEME CHAPTER

2

Africa's size is often under-estimated. The map illustrates that Africa is about the same size as USA, China, India, Japan, and Europe combined.

AFRICA: OPEN FOR BUSINESS

In the past decade, Africa has developed from being an extremely impoverished continent with gloomy prospects for the future to accommodating some of the world's fastest growing economies. The progress is thanks to high growth rates caused by a strong increase in inward foreign direct investment, major demand for African raw materials and a remarkable development of the African consumer markets. Business conditions in Africa have also improved. The EU is still Africa's largest donor and trading partner. However, the EU is getting less relevant to the continent due to other countries' interest in trading with and investing in the African countries. With changes in trade agreements and aid policy underway, 2014 holds ample opportunity for revitalizing the cooperation between the two regions.

The world's factory floor …

Imagine Africa as the world's factory floor. The first place that any CEO would consider to have any kind of product manufactured at a reasonable price and quality. The question is only whether to locate the production in Uganda, Ethiopia or Mali.

… the world's food producer …

Imagine Africa as the world's food producer. A producer of tonnes of meat, vegetables, fruit, cereals and dairy products that are shipped – both as processed and unprocessed goods – to consumers across the world.

… the world's most interesting consumer market …

Or imagine Africa as one of the world's most interesting consumer markets. New trends are created and born here, and any international brand worth its salt has a massive presence.

… may be found in Africa in 2040

These three scenarios may all sound utopian. The reality, however, is that now, in 2014, Africa is in the midst of a development process that may very well lead to all three situations coming true by 2040.

The continent has already made so much progress that what is reality today – that half of the African countries are middle income states and that there are more than 650 million mobile telephone subscribers in Africa – would have sounded like science fiction for a citizen of the world in the year 2000.

At that time, Africa was named “The hopeless continent” by the Economist.

”Floods in Mozambique; threats of famine in Ethiopia (again); mass murder in Uganda; the implosion of Sierra Leone; and a string of wars across the continent. The new millennium has brought more disaster than hope to Africa. Worse, the few candles of hope are flickering weakly.

...

All the bottom places in the world league tables are filled by African countries, and the gap between them and the rest of the world is widening.”

The Economist, May 2000

In the early 1990s, a few African countries had experienced years of decent growth rates, but around the turn of the millennium, growth rates had fallen to 1-3 per cent, and with major population growth the countries were in reality in economic recession. In the 1990s, several new leaders had given the impression that they were more concerned with fighting poverty than lining their own pockets, but by 2000 several of them had thrown their countries into war. On top of this, a number of states suffered natural disasters such as floods, drought and, subsequently, failed harvests and floods of refugees. In addition, diseases such as aids threatened to make major inroads into the new generations.

The future of Africa was far from bright in 2000

In conclusion, prospects for Africa were far from promising in 2000. In spite of this, something surprising happened in the first decade of this century. Most African countries have arrived at a positive course that has turned out to be self-reinforcing. Many years have displayed stable, high growth rates driven by external and internal demand and increasing direct investment from the rest of the world. There have been fewer wars and more good leaders. Less disease and more education. Most of all, however, optimism and growing self-confidence bring even more fuel to Africa’s wish of creating a better life for coming generations.

In brief, Africa is open for business.

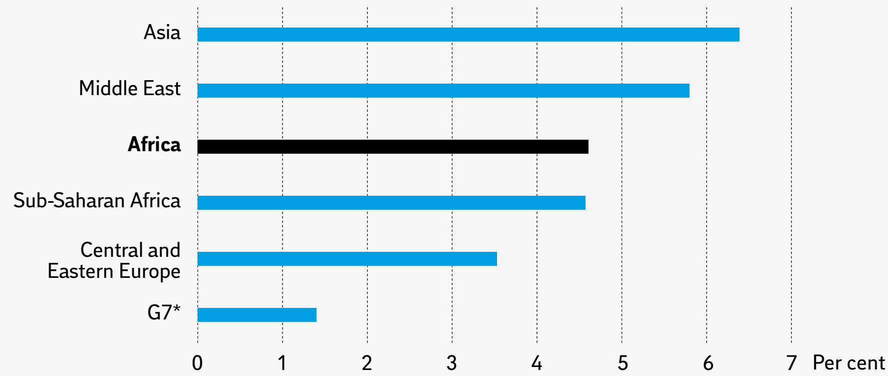
Africa – a continent in progress

High and stable growth in the 2000s ...

The African economy is forging ahead. With an annual average growth rate of 4.6 per cent in the period 2000-2012, Africa was one of the fastest growing regions in the world.

Africa had the world's third highest growth rates in the 2000s

Average annual GDP growth, 2000-2012



* G7 are Canada, France, Germany, Italy, Japan, UK and USA.

Note Africa includes Northern Africa

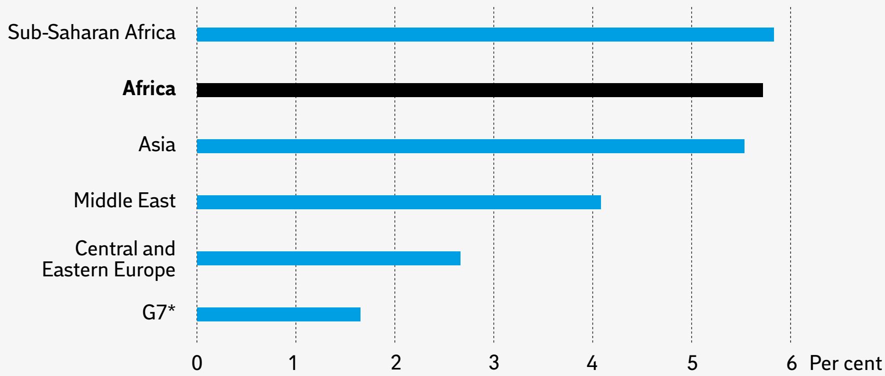
Source IMF, World Economic Outlook, Database, October 2013

... and in the 2010s

Growth will speed up even more in the next five years when Africa – led by the sub-Saharan states – is expected to be world champion in growth. According to forecasts by the International Monetary Fund, Africa will have an average annual growth rate of more than five per cent in the years up to 2018. And this even in a period when the majority of advanced economies are licking their wounds after the financial crisis.

Africa will be world champion in economic growth in the next five years

Expected average annual GDP growth, 2013-2018



* G7 are Canada, France, Germany, Italy, Japan, UK and USA.

Note Africa includes Northern Africa

Source IMF, World Economic Outlook, Database, October 2013

10 of the world's 20 fastest growing economies in 2012 are situated in Africa

In 2012, a quarter of the African countries recorded growth rates of seven per cent or higher. Several of them were even among the countries in the world with the highest growth rates. These include Sierra Leone, Niger, Ivory Coast, Liberia, Ethiopia, Burkina Faso and Rwanda. It should be considered, however, that most of them come from a very low level. If they can maintain high growth rates, many African states will quickly ascend the world's GDP charts.

Africa's economy is more voluminous

Africa's economy has tripled since 1980 – GDP (fixed prices, million, USD 2000)

Source IMF, World Bank and DI-projection

Several driving forces behind the African growth engine

Growth fuelled by more than raw materials

African growth is more stable and credible now than in previous growth waves because it is based on numerous underlying trends. Until the year 2000, various African countries would periodically experience high levels of growth, but the cause was nearly always increasing commodity prices. When the world market price for copper or cocoa fell again so would the country's growth rate.

Even today, exports of raw materials and natural resources are important elements in the African growth adventure, but they are now accompanied by increasing inward FDI and increasing demand by the African countries' own markets. Altogether, it means that a series of self-reinforcing trends have started accumulating, and this may forge high and stable growth rates in many African countries for several years ahead.

African consumers are charging ahead

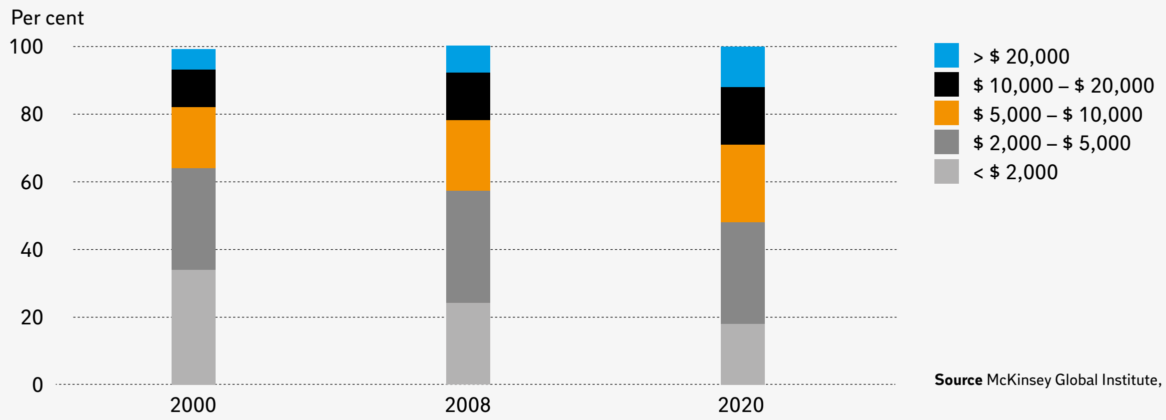
One third of Africa's population is middle class

One of the most important forces behind growth in Africa is a pronounced change in many of the continent's consumer markets.

While local consumers would previously only really be relevant for local shopkeepers, the markets now reflect a larger degree of variety. The middle and upper income segments are growing fast; and a third of the African populations are currently considered middle class. At the same time, the lower income segments are dwindling.

The African consumer is moving up the income ladder

Consumer segments by income groups in USD PPP



Source McKinsey Global Institute, 2010

128 million households will soon demand new products and services

By 2008, about 85 million households in Africa reached an annual income of more than USD 5,000. This income marks a significant limit since, at this level, people begin to use about half of their income on other things than food. By 2020, 128 million households, corresponding to 52 per cent of all households, are expected to reach this level.

The increasing incomes in Africa are generating demand for a long list of products and services. Consumers increasingly demand quality and branded goods. At the same time, prices are important since low prices may signal low quality and on the other hand it is limited how much the lower income segments can pay.

Some countries have particularly interesting consumer markets. Nigeria and South Africa are large countries and in the forefront in all segments with annual income of more than USD 2,000. Countries such as Kenya, Sudan and Angola also have major groups in the upper income segments.

70 African cities with a population of over one million

In many places, however, the purchasing power of ordinary citizens is still so low that the market for classic Danish quality products is limited. Developments are fast, though, and a significant proportion of the middle class is concentrated around Africa's financial centres including Lagos, Nairobi and Johannesburg. Seventy African cities currently have a population of over a million, and in Lagos, for example, the population is nearly three times that of the whole of Denmark.

At the same time, Africa is one of the continents in which most people are migrating to the cities. About 40 per cent of the continent's population live in urban areas; and this percentage is expected to increase rapidly over the coming years.

In 2050, the population south of the Sahara is expected to reach 2 billion with 1.2 billion living in cities. Of these, 300 million will earn more than USD 20 per day, resulting in a market of USD 2 trillion.

In 2008-2011, African cities grew on average by 3.5 per cent annually, and in some countries, the tendency is even stronger. Led by Lagos, Nigeria, which is the world's seventh fastest growing city, urbanisation will be one of the strong trends that will fuel the development of the African consumer markets over the coming years.

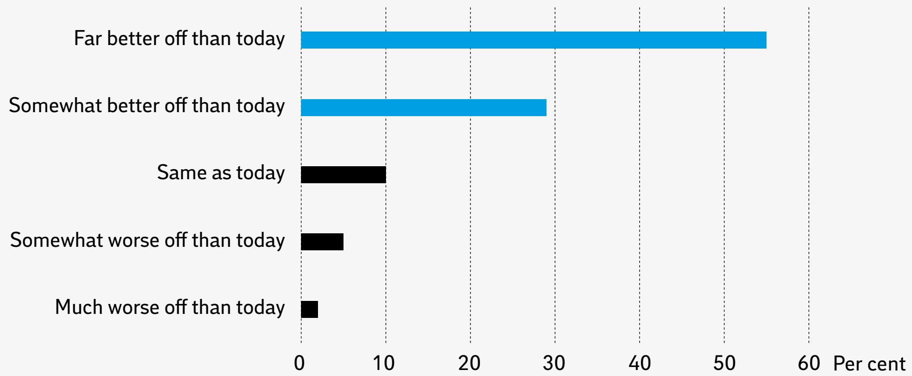
Urbanisation supports the development of consumer markets

Urbanisation strengthens the African consumer markets for several reasons. One reason is that a major part of the middle class and the higher income segments will be moving to the cities – an urban dweller's consumption is often twice as high as that of a farmer – and the average income in the cities is 80 per cent higher than the national average.

Urbanisation is also important for the development of the African consumer markets because it is easier to reach the consumers in cities. The majority of Africans used to be spread over a large continent with poor infrastructure that made the development of a distribution network very difficult. But distribution channels in the cities are developing fast, and several large supermarket chains are expanding significantly. In Nigeria alone, the number of international shops opening on the market is increasing by 36 per cent annually.

84 per cent of the African consumers expect to be far better or somewhat better off in two years

In two years I expect my family to be ...



Source McKinsey ACIC 2011 survey

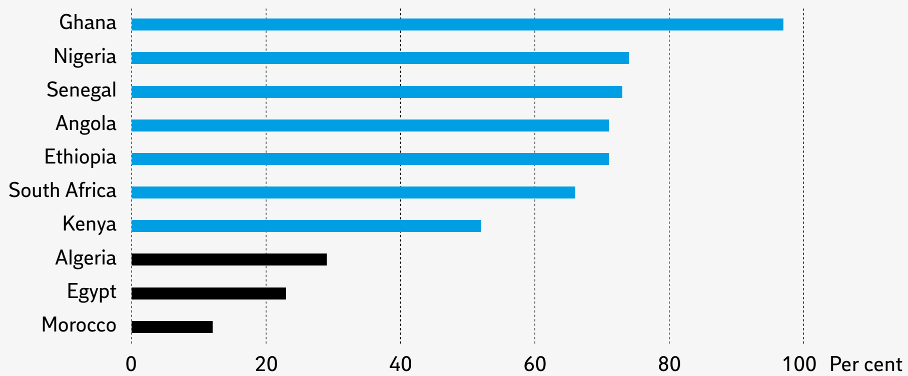
Optimistic consumers

Another interesting trend is the high degree of optimism among Africans. African consumers are generally highly optimistic regarding the future. As many as 84 per cent expect to be far, or somewhat, better off two years from now than today. Most optimistic are the Ghanaians with 97 per cent expecting their family to be far, or somewhat, better off in two years than now. The same tendency applies to many of the other Sub-Saharan countries while North African countries are less optimistic. This is not surprising in the light of the political unrest of recent years in the North African region.

The high degree of optimism is undoubtedly a consequence of many of the other predominating trends in Africa today: higher household incomes, high growth rates, and a young population with a median age of just 18.

Optimism highest in Sub-Saharan Africa

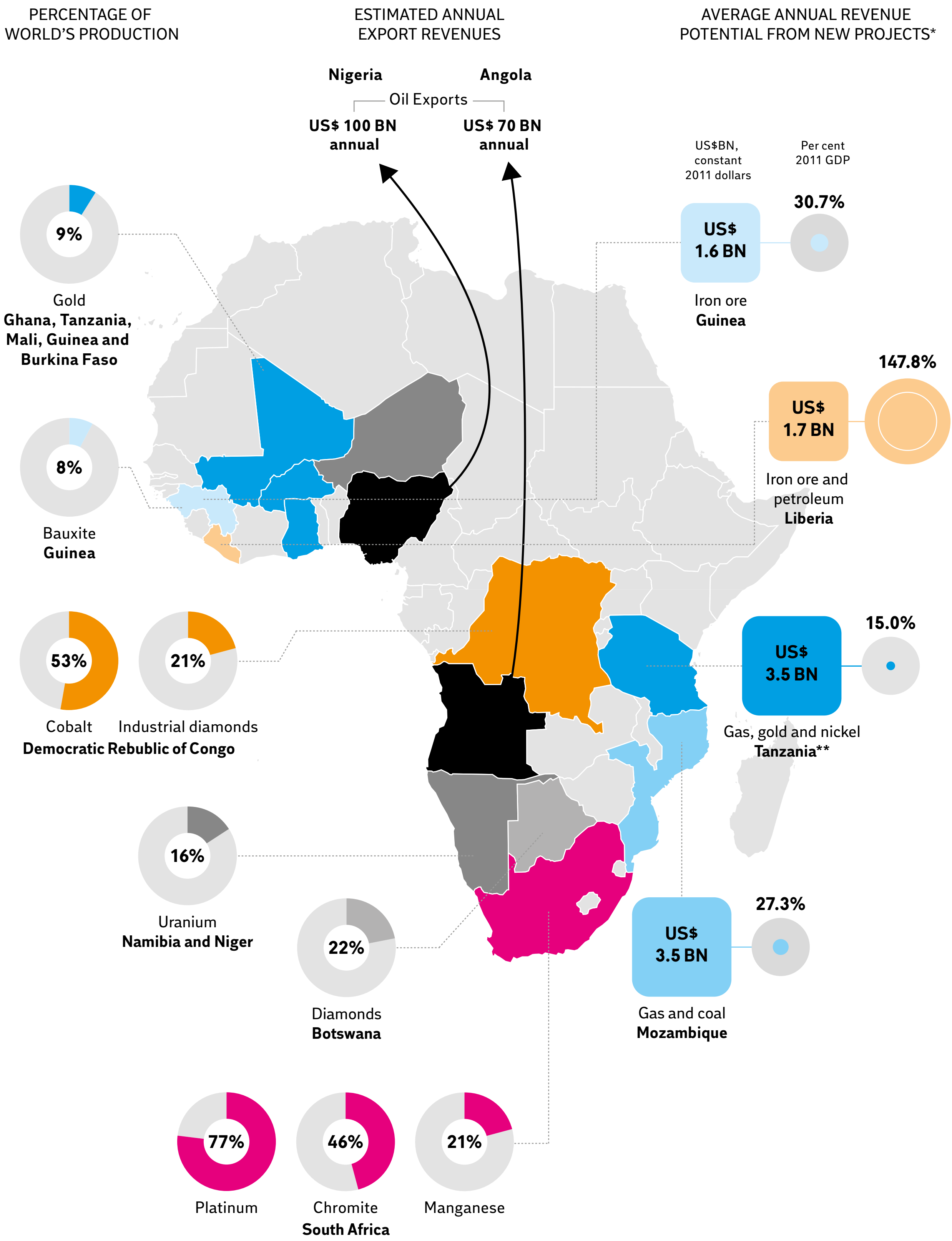
Respondents answering they expect to be far, or somewhat, better off in two years from today



Source McKinsey ACIC 2011 survey

Mapping Africa's natural resource wealth

Selected countries and commodities



* Estimates are intended to show order of magnitude. Revenue projections are highly sensitive to assumptions about prices, phasing of production, and underlying production and capital costs

** Data represents annual revenue at peak production

Sources Africa Progress Panel Report 2013

Major demand for African raw materials

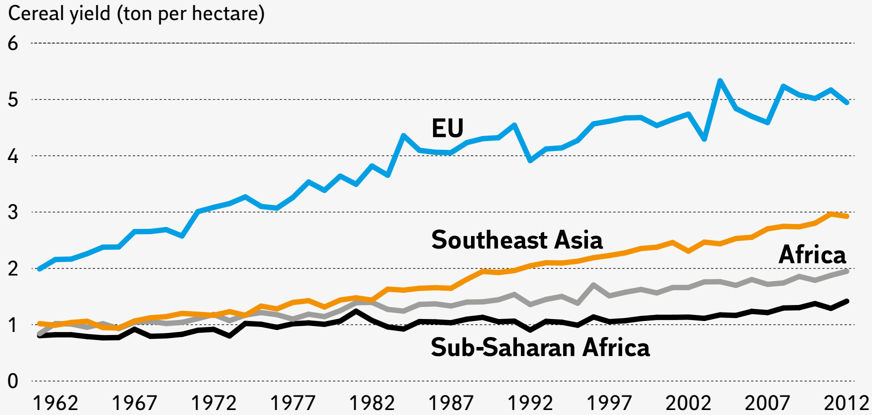
While the steep increase in domestic demand is a relatively new factor, the external demand for African raw materials is a wellknown story. The new aspect is that demand does not only come from Europe, but also from growth nations including India and China, which are hungry for natural resources such as oil and minerals. This means that world market prices are expected to continue to and ensure higher income for the resourcerich African countries.

Major potential in African agriculture

Africa's natural resource wealth is not just made up of oil, gas, and minerals. The world's large growth countries demand increasing amounts of food; and if Africa is able to develop its agriculture, the continent has a major potential for future growth. Agriculture in Africa is unproductive compared with other parts of the world, and has not taken advantage of new knowledge and technology. At the same time, more than half of the world's uncultivated farmland is in Africa. The exploitation of these resources contains major opportunities. Finally, there is only little processing of African foods in Africa, and there is a great potential in the development of a competitive food industry.

Slow productivity growth in the African agricultural sector

Development in productivity of cereal yields per hectare from 1961-2012



Source World Bank

60 per cent of the world's uncultivated farmland is African.

Dramatic increase in inward FDI
A third trend fuelling growth is inward foreign direct investment. There has been a pronounced increase in inward FDI in Africa since 2000. After stagnation in 2008, investment picked up again when it turned out that Africa was not seriously affected by the financial crisis.

Raw materials, telecommunication and the financial sector

Apart from raw materials, the telecommunication and financial sectors are the most attractive targets for non-African investors. There is also some interest in the retail sector due to the advance of the African consumer markets.

Major Chinese investment in the service sector

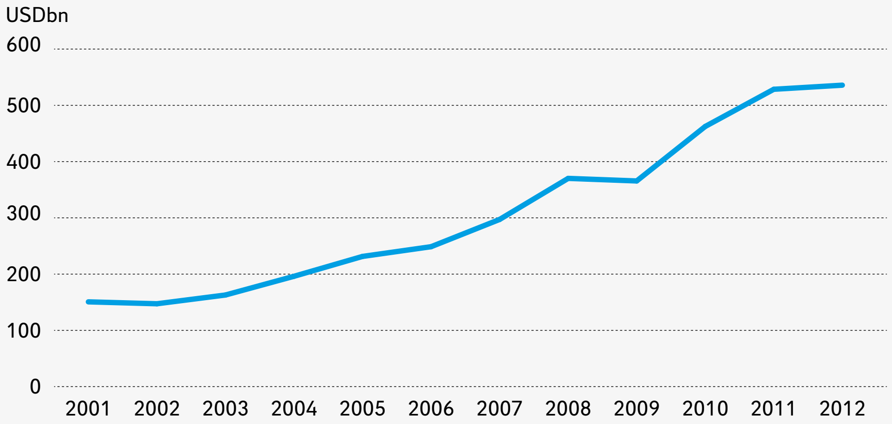
China has been a particularly remarkable investor in Africa in recent years. Contrary to general perception, the majority of Chinese investment is not directed at the raw materials sector, but at the service sector. In addition, the Chinese have invested in agriculture and industry; and this trend will presumably be intensified with the development of industrial estates aimed at attracting production companies, in countries such as Nigeria, Ghana, Kenya and South Africa.

It is difficult to calculate the total Chinese investment in Africa since not all FDI is officially registered. The figure on the next page, however, presents an estimate of the official and unofficial parts of Chinese FDI in Africa.

In recent years, China has channelled a lot of FDI to particularly Zimbabwe, Ghana and Ethiopia.

Trade between China and the African countries has also increased in recent years. China bought more than 10 per cent of Africa's total exports in 2011, and this is 15 times as much as in 2001. In 2012, the overall trade between China and the African countries amounted to USD 198 billion, an increase of 20 per cent from the previous year.

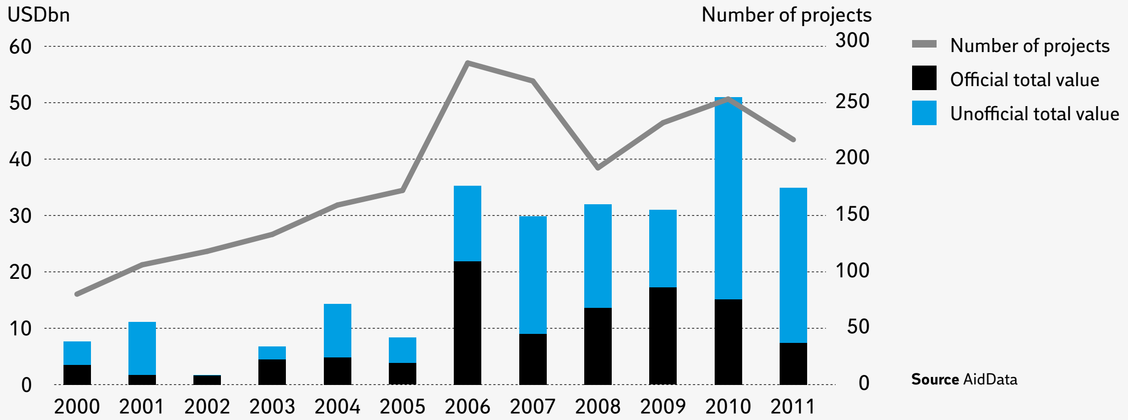
Investment flows into Africa
Development in total inward FDI holding in Africa



Source UNCTAD

China has taken an interest in Africa

Number of Chinese projects and their value in Africa



Source AidData

CASE: Can Europe learn from China's involvement in Africa?

Chinese FDI in Africa often generates negative news in the western world. Stories speak of the overexploitation of African raw materials without sufficient compensation to the local populations, the use of Chinese labour rather than local labour, and a lack of respect for the environment and people in general.

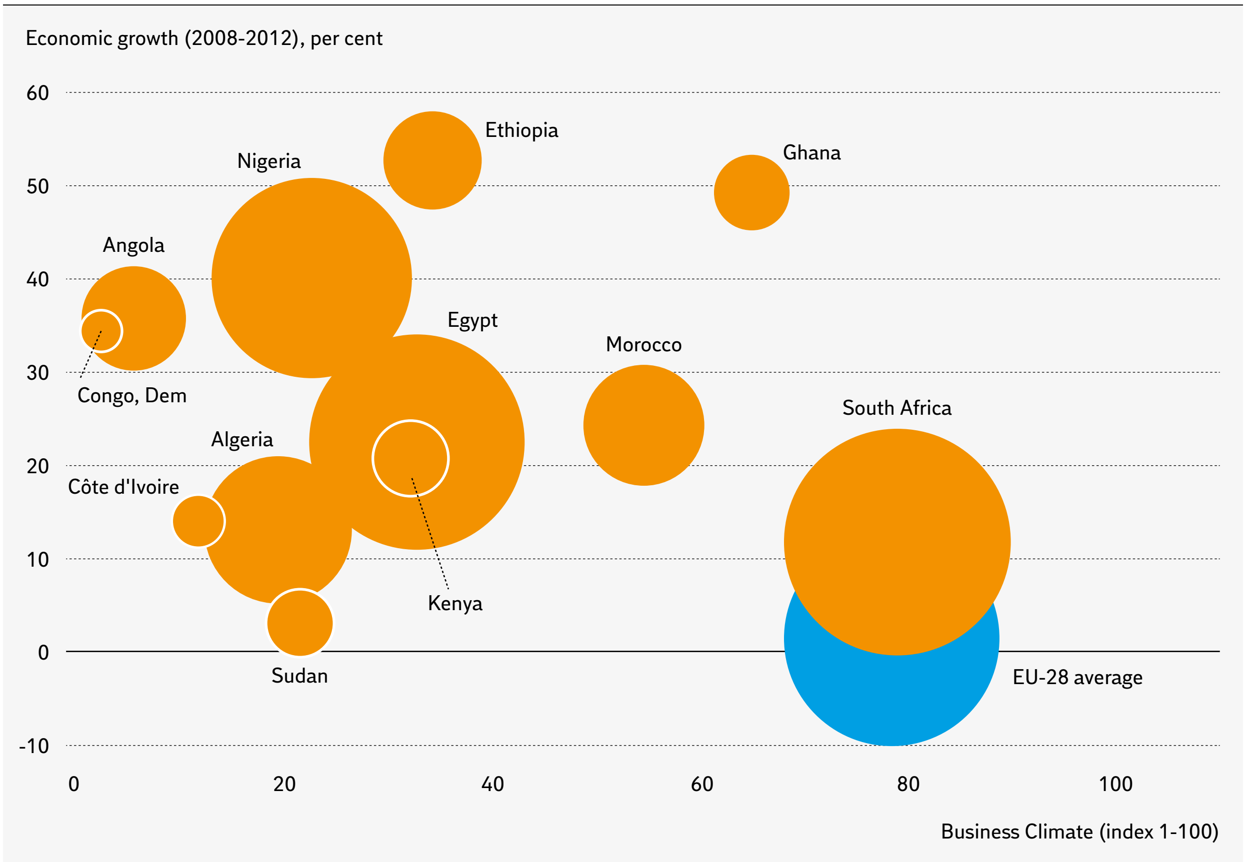
If, however, you ask the individual Kenyan or Zambian of their perception of the Chinese, you would rarely get such a one-dimensional picture. First, the Chinese have built a visible infrastructure that has significantly improved the lives of many Africans and created a basis for further development. The western donors have rather focused on other forms of aid such as budgetary support, anti-corruption and the development of a state structure. While the donors believe these types of development aid are more effective, they are less visible for the individual African citizen.

Secondly, the Chinese intention to trade with the African countries is highly appreciated. Many Africans feel that this approach is more dignified than the donor-recipient relations that exist with the western world. The aid from western countries may be presented as donations, but there are also conditions and conditions attached.

An important point is that the African states increasingly demand trade and investment and, to a lesser extent, donations. This means that the western donors, including the EU, should not be afraid of integrating trade and aid – on the contrary. Naturally, European involvement should be based on European values with focus on cooperation and social and environmental sustainability.

Major differences in economy, growth and business climate

Comparison of economic growth, business climate and total size of economy



Note The size of the circle indicates the total size of the economy (GDP/PPP), 2012
Source World Bank, IMF and DI calculations

Conditions for African growth

The conditions, on which growth in Africa has been based in the past decade, have also changed significantly. In many cases, it is a self-reinforcing process under which improved conditions create the foundation for increased growth and vice versa.

Diversity characterises Africa

Major differences across the continent

In general, Africa is characterised by major economic and political differences among the countries. In South Africa, for example, the average income is ten times higher than in neighbouring Mozambique. Congo, Benin and Angola are among the group of countries in the world in which the World Bank assesses it is the hardest to do business. In contrast, the business climate in countries such as Ghana and Botswana is assessed to be better than in several European countries including Italy and the Czech Republic.

Several African countries range above BRIC in terms of business climate

Some countries have business climates that are so favourable that they outrank many European and Asian countries. Many countries, however, are lagging behind with less business-friendly conditions, and African countries still dominate the lowest ranks on the World Bank's Doing Business Index.

There are, however, indications that changes are underway. In 2011/2012, 98 per cent of the sub-Saharan countries implemented at least two reforms that benefitted the business climate.

CASE: African countries compete for the favour of businesses

Rwanda is the leading country in Africa in terms of reforms of the business climate. In the past few years, Rwanda has focused on improving its business climate in order to invite FDI and speed up the country's industrial development. Over the past five years, the country has implemented 22 reforms aimed at making it easier to start a business, initiate exports, get access to financing, and several other business-friendly approaches. In this way, Rwanda has moved from a rank as number 143 of 189 countries in 2009 to number 32 in the 2014 World Bank Doing Business Index. With this position, Rwanda has overtaken countries such as Belgium (36) and France (38).

Among other African countries struggling to improve their business climates, Burundi has implemented 16 reforms over the past five years and the Ivory Coast 9 reforms in the same period.

Diversity is characteristic of the African countries

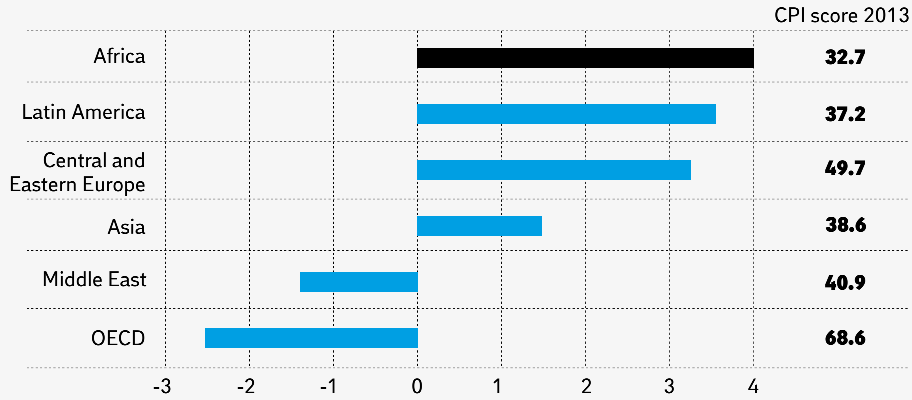
Population Size of population 2013, UN	174 million Nigeria	93,000 Seychelles
Level of income GDP per capita, 2013, IMF	USD 22,344 Equatorial Guinea	USD 215 Malawi
Industrialisation Value increment in production sector/GDP 2011, World Bank	43.8% Swaziland	2.4% Sierra Leone
Internationalisation Trade/GDP 2011, World Bank	154.6% Lesotho	35.6% Central African Republic
Business Climate World Bank's Doing Business Index 2014	No. 20 Mauritius	No. 189 Chad

Minor improvements to corruption, infrastructure and political stability

The prevalence of corruption and fraud has generally declined in several African countries in recent years. Overall, Africa is the region that has improved its position the most, according to Transparency International's Corruption Perceptions Index (CPI). The improvement is, however, from a low level. This particularly applies to Rwanda whose CPI score has increased by 28 points since 2006. This means that Rwanda has a lower perceived level of corruption than European countries such as Italy, the Czech Republic and Turkey. Looking at the whole group of sub-Saharan countries, corruption is, however, still a major problem.

Africa has fought corruption, but is still the world's most corrupt region

Change of average CPI score 2006-2013



Note The CPI score is an index (0-100) with high values indicating a low level of bribery and corruption.

Source Transparency International and DI calculations

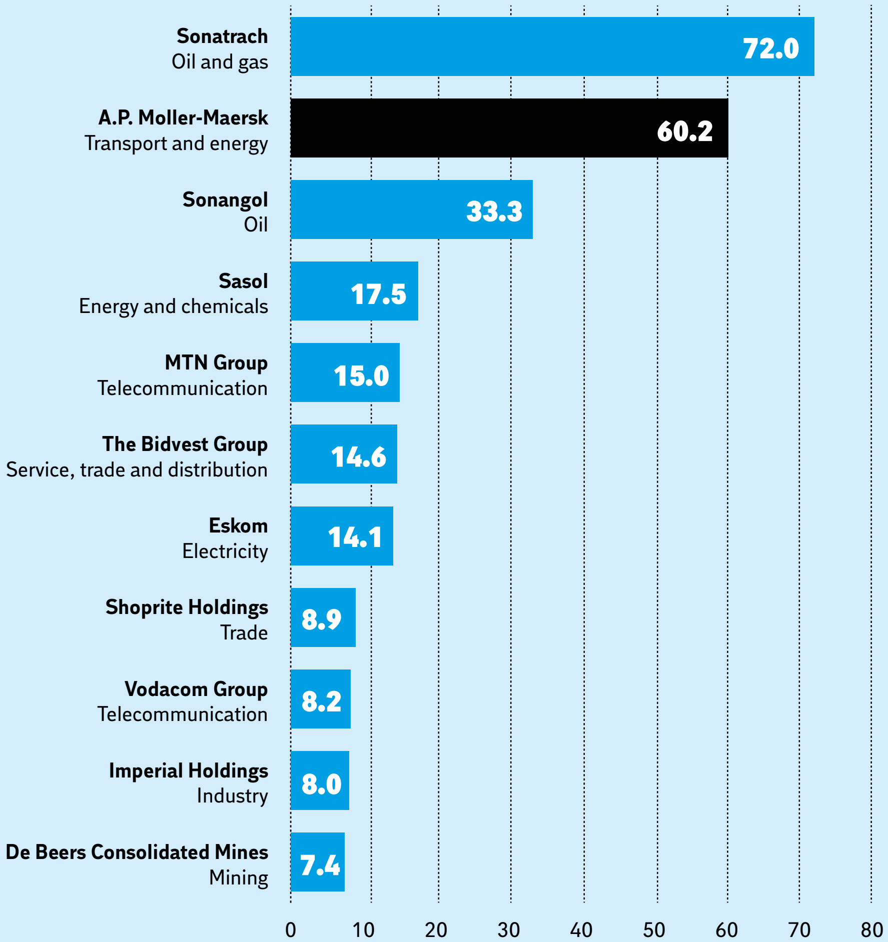
Despite continued high levels of corruption across the continent, the development reflects an actual intention of several African governments to fight corruption, with selected countries as the frontrunners.

In addition to enhancements of the business climate and the level of corruption, the African infrastructure has also improved although developments started at a very low level. There have also been fewer conflicts. The 1960s saw 21 successful *coups d'état* in Africa. In comparison, there have only been five successful coups since 2000. Political stability has also improved with far more peaceful elections across the continent.

CASE: The new African giants

The many positive changes in Africa have also led to a distinct development of the African business community. Previously, only few African companies were visible outside their domestic market or in a position to measure up to the global elite of large corporations. This has changed with a number of African companies reaching a substantial size and experiencing constant high growth rates. Most large African companies still have their roots in South Africa, but companies of other nationalities are breathing down their necks. Many of the com-panies are primarily working in the natural resource sector, but in keeping with developments, more sectors are being represented.

Annual revenue, USDbn



Note Revenue figures are from 2011 or 2011/2012.
A.P. Moller-Maersk inserted as benchmark

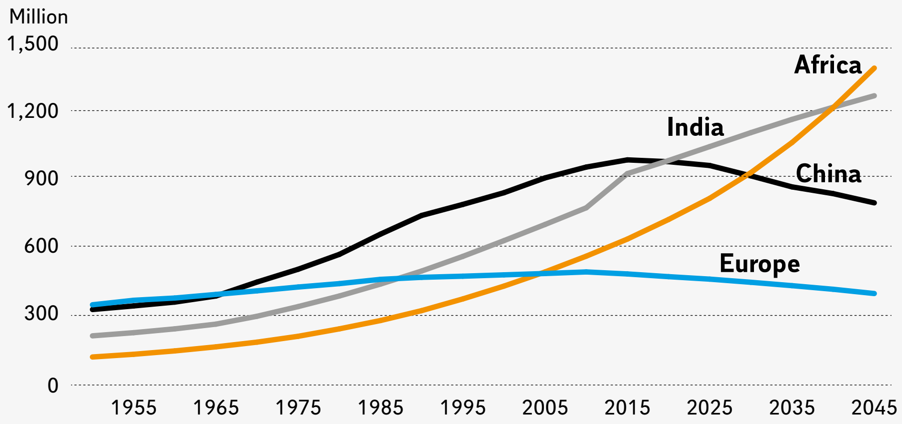
Source The African Report and A.P. Moller – Maersk

The world's youngest continent

More than half of Africa's population is below the age of 24, and the population is growing rapidly. By 2050, Africa will have a population of 2 billion and have overtaken both China and India. At the same time, Africa's demographic development is such that the vast majority of people are of working age. Compared with other regions, the African countries also have few children and old people to support in this period.

Africa's labour force will be the largest in the world in 2040

Expected development of labour force 1950-2045



Source UN - World Population Prospects

A unique opportunity for economic and social development

This development offers a unique opportunity for economic and social development if the African countries succeed in creating a sufficient number of new jobs. You could say that Africa has the last, major labour resource in the world, which means that Africa has a unique potential as a major unexploited labour production location. If this opportunity is to be brought to fruition, and Africa is to become a real alternative to other production destinations, a further improvement is required in business climates, infrastructure, the level of education, and access to cross-border trading.

Threats to the African growth adventure

Unemployed youth may create unrest

Many of the trends that create opportunities for the African countries also have a downside. The large young population could turn out to be a ticking time bomb under the stability in countries unable to generate a sufficient number of new jobs. With many young people migrating to the cities hoping to find a job, the infrastructure is under heavy pressure while this migration may also cause increasing problems of slums with poor living conditions and social tensions.

At the same time, the authoritarian, repressive, undemocratic and generally ineffective governments of many countries may halt the positive development. Unrest in one land can rapidly infect the neighbouring countries making it vital that all countries join the progress.

Many countries do not have inflation and exchange rate developments under control

Inflation and exchange rate fluctuations are also risks affecting the African countries. Although inflation following the increasing oil and food prices in 2008 has decreased, it is still at a high level around 7 per cent. Earlier this year, Morgan Stanley included South Africa in the "Fragile Five" group along with Turkey, Brazil, India and Indonesia due to the risk connected to the exchange rate.

The future of EU-Africa relations

In spite of Africa's new partners such as China, India, Brazil, and South Korea, the EU is still a key actor. The EU continues to be Africa's largest aid donor as well as the continent's single largest trading partner.

In April 2014, the two partners will meet at the 4th Africa-EU Summit to carry out a high level political dialogue. The Summit will follow up on the Joint Africa-EU Strategy from 2007, which focuses on a number of issues. Prominent topics in the discussions at the April summit are certain to be development aid and trade.

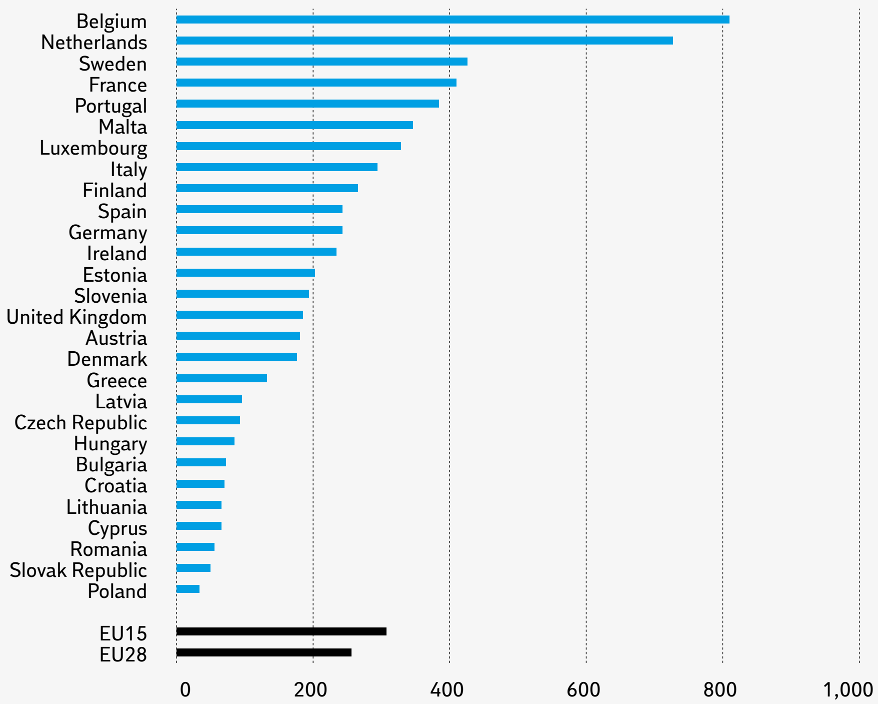
EU-Africa trade increasing – but at a slow pace

The EU is still the single largest trading partner for Africa. There are, however, vast differences in how much the various EU member states trade with Africa. In general, the EU-15 countries export more to Africa than the EU-28 countries with Belgium and the Netherlands in the lead. In fact, the average exports per average citizen in Belgium have been more than 20 times higher than the average exports per average citizen in Poland over the past five years.

The EU is Africa's single largest trading partner

Great European differences in exports to Africa

Average exports to Africa 2008-2012 per average citizen 2008-2012, Euro

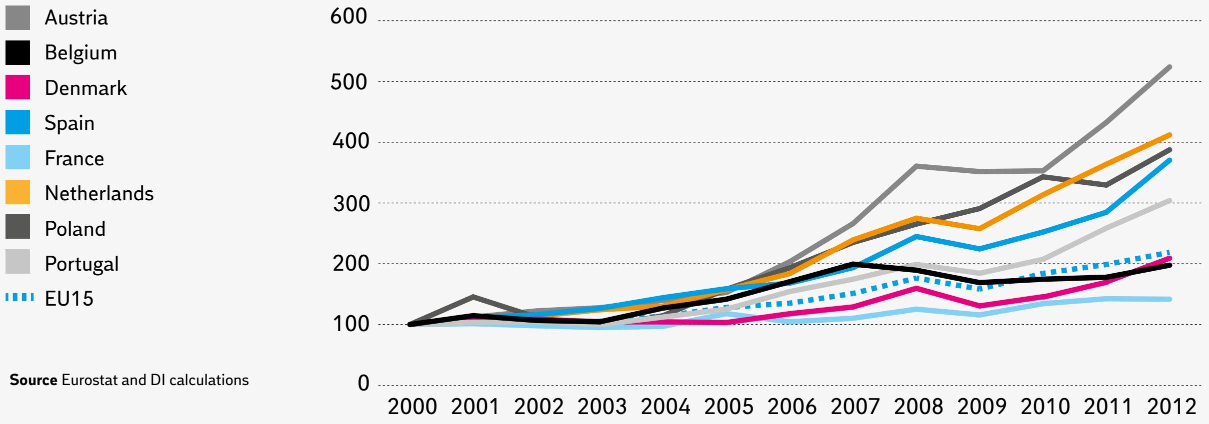


Source Eurostat and DI calculations

EU exports to Africa from the 28 member states have more than doubled in the period 2000 – 2012. Again, some member states are clearly in the lead – some building on top of already large exports to Africa such as Portugal and the Netherlands, others starting from a lower level such as Poland.

EU exports to Africa doubled since 2000

Index 100 = 2000

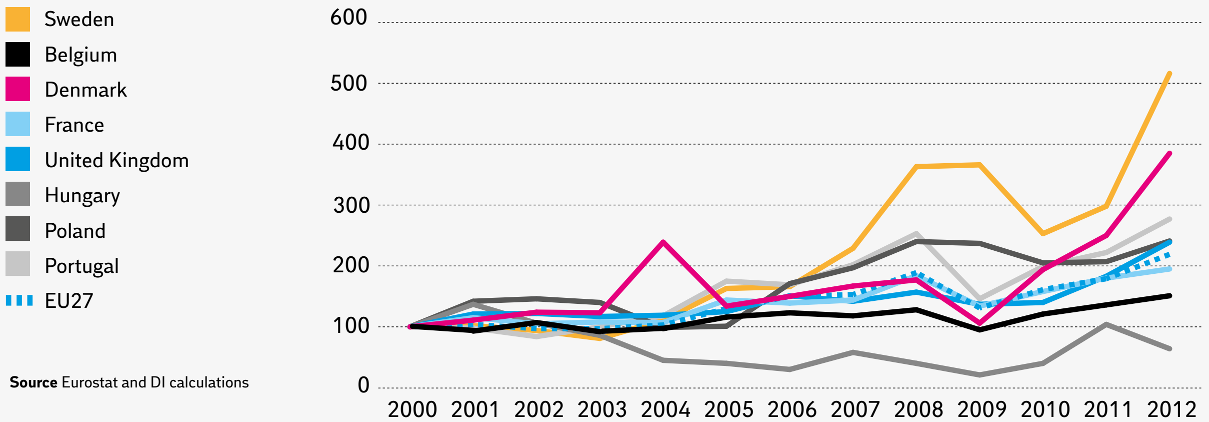


Source Eurostat and DI calculations

Looking at imports of African goods to Europe, the picture is much the same. Total imports have more than doubled in the period, but import growth for the individual member states is highly diversified. The Netherlands and Portugal have increased their imports from Africa by a factor three to four during the period, as have Denmark and Sweden, whereas Hungary's imports from Africa have actually decreased in the same period.

EU imports from Africa doubled since 2000

Index 100 = 2000



Source Eurostat and DI calculations

Deadline for EU-Africa trade negotiations approaching

The year 2014 marks a shift in trade policy between the EU and Africa. First, revisions of the EU's Generalised Scheme of Preferences (GSP), under which developing country exporters face lower duties on exports to the EU, came into force as of January 1. The new GSP significantly reduces the number of beneficiaries with the aim of focusing on those countries that are most in need, i.e. the poorest countries. Since a number of African countries are now counted as upper middle income countries, they will no longer qualify for GSP.

Economic Partnership Agreements to promote trade and support development

The EU and the different African regions are currently going through the final rounds of the negotiations of Economic Partnership Agreements (EPAs). The EPAs are aimed at promoting trade between the EU and the African regions and include initiatives related to trade development, sustainable growth and poverty reduction. Countries that no longer fall under GSP should therefore be covered by the EPAs in stead. However, reaching an agreement in the different regions and between the regions and the EU has proven to be complicated.

CASE: European donors are rethinking aid and trade

Sida, the Swedish aid agency, is currently working with a vision of making the private sector as close a partner to Swedish development aid as governments and civil society. Based on this objective, Sida has already developed a number of innovations in development aid. One example of how the vision has been transformed into reality is a project with the Swedish bus and truck manufacturer Volvo. The two partners have established a programme to train car mechanics in Ethiopia, a country with large gaps in the supply of skilled labour. Sida also supports the development and test of new products and services for the poor, private sector contributions to peace building, and a number of other interventions. With plans to integrate private sector aid into all its strategies, Sida will continue to develop new ideas for cooperation with business over the coming years.

Several other European countries have taken concrete steps and launched new strategies in 2013 for working closer with the business world:

- UK Secretary of State for International Development Justine Greening announced three priorities for development: 1) Lowering barriers to trade and investment, 2) promoting entrepreneurs and businesspeople in developing countries, and 3) greater investment by UK businesses.

- In a new policy by the Netherlands, "A World to Gain", three types of relationships will be pursued: "aid relationships" guided by altruism for fragile and post-conflict states, "trade relationships" with other wealthy countries, and "transition relationships", which link aid with commercial policies and are guided by enlightened self-interest.

- The German government has an announced commitment to "strengthening the linkage between foreign trade and development cooperation", and it is a priority for German businesses to play a stronger role in official development cooperation.

The European Commission has set a deadline of October 1, 2014 for regions to conclude, sign, and start implementing the agreements. If the deadline is not met, African countries that are no longer eligible for GSP will lose some or all of their preferential access to the European market. Furthermore, the prospects of losing this access with serious consequences for exports and growth may prompt some countries to split from their regional grouping and instead negotiate individual trade deals with the EU.

Therefore, there is a strong interest from all sides in ensuring that the EPAs are finalised before the deadline. However, it is still uncertain whether it will be possible to identify acceptable compromises with all regions before October 2014.

EU aid to Africa

Between 2007 and 2012, the EU donated more than EUR 24 billion to Africa in official development assistance. In light of the great advances made by many African countries in recent years, and the African countries' increased interest in trade and investments, the role of development aid is diminishing although, an amount of this scale is still significant, especially to some countries. Furthermore, while African leaders have put industrialisation high on their agendas over the past few years, the EU has largely maintained a focus on aid for social sectors.

EU aid to focus more on supporting inclusive and sustainable growth than before

In an effort to adjust to the changing circumstances, the EU developed the aid reform strategy Agenda for Change in 2011. Alongside a focus on human rights, democracy and governance, the Agenda for Change prioritises inclusive and sustainable growth for human development, including job creation driven by the private sector.

Following this, the EU is trying to work closer with business and other private sector partners. For many years, business was not considered a relevant partner in development. Rather, this was a field for public donors and civil society organisations only. Similarly, the issue of job creation was not considered as important as support to social sectors such as health and education.

However, the rise of several countries from developing country status to developed or emerging economies has proven that job creation driven by the private sector is inseparable from longterm development objectives. Without it, improving the health and education level of a country is unsustainable in the long run. Therefore, the role of job creation and the private sector as a partner in development have been added to the agenda of almost all important international development meetings and fora over the past few years.

CASE: A new development agenda post-2015 – beyond the Millennium Development Goals

In September 2000 world leaders came together at United Nations Headquarters in New York to adopt the United Nations Millennium Declaration. They each committed their nations to a new global partnership to reduce extreme poverty by setting out a series of time-bound targets with a deadline of 2015 that have become known as the Millennium Development Goals.

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat hiv/aids, malaria and other diseases
7. Ensure environmental sustainability
8. Global partnership for development

However, the reality is that not all MDGs will be reached before 2015. Also, the achievement of the MDGs has been uneven among and within countries. Africa is one of the continents that lags behind. In fact, Africa as a whole is off-track on five out of the eight MDGs.

While the deadline of 2015 draws closer, the world is debating what should come after the MDGs. The MDGs have been widely praised for their ability to make the world come together and collaborate on achieving these eight goals. However, the drawback of this is that focus has been pulled away from other important issues, which are not prominent among the eight goals.

One example is the issue of job creation. Even though it is an important part of fighting extreme poverty (MDG1), it has not received sufficient attention from donors. While some countries whose leaders have had a strong focus on job creation are well on track to reaching the goal (e.g. several countries in Asia), the unemployment rate remains much the same – or has increased – in many African countries.

This is one of the reasons why the High-level Panel on the Post-2015 Development Agenda has included the following as one of five transformative shifts that the post-2015 development agenda should build on:

Transform economies for jobs and inclusive growth *"Diversified economies, with equal opportunities for all, can unleash the dynamism that creates jobs and livelihoods… We should make it easier for people to invest, start-up a business, and trade".*

The EU is currently working on a new Communication, which will set the framework for strengthening the role of the private sector in achieving inclusive and sustainable growth in developing countries in relation to EU development aid over the coming years. It is important that this Communication is adjusted to the current state of the world and flexible enough to be workable for several years to come. Furthermore, the EU should look to some of the member countries for inspiration on how to work with the business sector.

DI RECOMMENDS

African countries need growth, income, infrastructure, goods, and services. European companies can offer all this. If development aid is structured in a way so that it leverages business activities in the best possible way, positive development effects would be enormous.

With that in mind, DI recommends the following:

The post-2015 framework:

- As recommended by the High Level Panel on the post-2015 development agenda, the post-2015 framework should have a strong focus on transforming economies for jobs and inclusive growth. The entire post-2015 framework should be based on the notion that poverty is best fought by allowing people to lift themselves out of poverty through employment driven by the private sector.

A better enabling environment for business and job creation:

- The EU should consult with the European private sector to identify concrete barriers for trade with, and investment in developing countries. The EU should fight these barriers through financial support to business environment reforms and by applying policy pressure on partner governments.
- The EU should strengthen the support to business membership organizations in developing countries to build their capacity and ensure that they can be a strong voice for businesses.
- The EU should strengthen the support to public private dialogue. This should be done through financial support and policy pressure on partner governments.

Using trade as a catalyst for job creation and development:

- The EU should support regional integration in Africa and support efforts to remove trade barriers between African countries.
- The EU should speed up efforts to finalise Economic Partnership Agreements with all African regions.

Using the private sector as "delivery channel" for development:

- The EU should increasingly promote and support private sector engagement in the delivery of all types of services. In many sectors, there is an untapped potential for marketbased solutions that are more sustainable in the long run than conventional public service delivery mechanisms. The EU should further promote and support new innovative business models through new financial instruments and policy support.

New financial instruments for business development and job creation:

- The EU should develop relevant financial instruments (grants, loans, guarantees) enabling European companies to partner with companies in developing countries in order to develop capacity and transfer knowledge and technology.
- The EU should develop programmes that would create incentives for European companies to engage local SMEs in their value chain in connection with an investment in a developing country. This is particularly relevant for infrastructure projects and mining projects, but also in other industries.

A better trained African workforce:

- There is a need for more and better vocational training and education in Africa. The EU should ensure the involvement of employers in the supply of all types of education in order to ensure relevance for businesses.
- The EU should establish incentives and financial instruments to support apprenticeships in connection with investments by European companies in developing countries.

DI and Africa

DI has been actively involved in Africa on behalf of, and in cooperation with Danish businesses since the early 1990s. At that time, DI entered into dialogue with the Danish development aid agency, Danida, to discuss how the Danish business community could be involved in developing the business sectors of Danida's partner countries. This marked the beginning of a long and constructive dialogue on the development of private sector programmes and various financing instruments, which are now an integrated part of Danish aid policy.

DI has also been active in the global dialogue on business and development on its own and as a member of organizations such as the European Business Council on Africa and the Mediterranean (EBCAM), BUSINESSEUROPE and Business and Industry Advisory Committee to the OECD (BIAC). Currently, DI's focus is on contributing to the dialogue on the post-2015 development agenda and the issue of development effectiveness.

Furthermore, since 1996, DI has provided consulting to more than 250 Danish companies on how to develop their businesses in numerous African countries. The generated expertise includes everything from discussion on initial considerations, across strategy development, to the implementation of new and innovative business concepts. This knowledge makes DI one of the organisations in Denmark with the most extensive experience in business development directed at the base of the income pyramid. For many years, DI has also been initiator and coorganiser of delegations to selected African countries.

Finally, since 1996, DI has been a close partner to more than 20 African business organisations. Through capacity building, DI has contributed to making the African business organisations professional voices for the business sector in their countries. DI has helped gather sister organisations in regional networks to promote cooperation aimed at improving business conditions across national borders.