



**Economic and
Social Council**



African Union

E/ECA/COE/35/19
AU/STC/FMEPI/EXP/19(II)
Distr.:General
26 Mars 2016

Original: English

**Economic Commission for Africa
Committee of Experts**
Thirty-fifth meeting

**African Union
Committee of Experts**
Second meeting

**Ninth Joint Annual Meetings of the African Union
Specialized Technical Committee on Finance, Monetary
Affairs, Economic Planning and Integration and the
Economic Commission for Africa Conference of African
Ministers of Finance, Planning and Economic
Development**

Meeting of the Committee of Experts
Addis Ababa, 31 March - 2 April 2016

AFRICAN INCLUSIVE MARKETS CENTER OF EXCELLENCE (AIMEC)

CONCEPT NOTE – WORKING DOCUMENT

Draft 11, 27 November 2014

*“Crucial is economic development, through the private sector, which allows
for people to have jobs that ensure their livelihoods.”*

AUC Chairperson, H.E. Dr. Nkosazana Dlamini Zuma

Executive Summary

Africa has experienced tremendous growth in the last few years, however it has not necessarily been inclusive and trickled down into poverty reduction and achievement of the MDGs. Vibrant markets with private sector companies and entrepreneurs are the engine of growth, generate jobs and incomes and provide goods, services and solutions for poor women and men, and thereby have the potential to increase choices and opportunities. Developing inclusive markets is critical for inclusive growth and sustainable development.

The AUC, in alignment with its Strategic Plan 2014-2017 priorities and some of the emerging priorities for Agenda 2063, is proposing to create an African Inclusive Markets Excellence Center (AIMEC) as a direct contribution to reconciling growth with inclusive development. The AIMEC will promote

regional economic integration through transformative regional value chains starting with the Food Industry. It will do so by supporting the development of more inclusive markets and businesses in Africa, leading to job creation, income generation and poverty reduction. The AIMEC will provide products and services to the AUC, the Regional Economic Communities (RECs) and their Member States to support them in including the poor and vulnerable (including women and youth) as producers, employees and consumers in their internal economic development policies and programmes, and in the markets of their member states. The Center will work at the Regional Level (Africa level) and Sub-regional Level (RECs level) and ensure that aspects related to South South and Triangular Collaborations are fully taken into account and promoted.

The expected outcome for the work of the AIMEC is ***Regional economic integration promoted through transformative regional value chains***, directly contributing to inclusive growth and sustainable development. In order for this outcome to be attained, the AIMEC must be created, operationalized and be made institutionally and financially sustainable. The AIMEC can be seen both as a Center and a network of connected existing institutions that will advance the above agenda. A business planning exercise will take place in 2015 to help define best options for its operationalization and financial model. The AUC has requested that UNDP provides technical assistance in incubating the AIMEC, based on its track record in the area of regional value chains and inclusive markets development in Africa so far.

“The African Union places very high value on the aggressive empowerment of a thriving private sector. The future of Africa depends largely on the private sector vision and performance.

The success of the private sector and its consequent impact on economic growth and socio-economic and political development will have a strong bearing on poverty eradication and human development endeavours.”

**AUC Economic Affairs Commissioner, H.E. Dr. Anthony
Mothae Maruping**

1. Rationale

Markets play a fundamental role in the day to day lives of the poor in Africa. They and the private sector companies and entrepreneurs involved in them, as the engine of growth, generate jobs and incomes and provide goods, services and solutions for poor women and men, and thereby have the potential to increase choices and opportunities. In most countries, markets are also central in determining whether growth occurs and whether it is inclusive or not.

However, as evidenced in many countries in Africa, markets do not always provide access and benefits for the poor and vulnerable. The challenge is to ensure that markets are properly governed and regulated to work in such ways that generate the widest benefits for society, including for the poor and vulnerable. This requires close interaction between the state, the private sector and wider civil society where each plays defined roles, and having sufficient capacities to overcome existing limitations due to inadequate policy, legal and regulatory frameworks and the absence of fora to support inclusive policy dialogues and formulation involving all stakeholders including youth and women.

African countries have posted some of the world's fastest economic growth rates and are among the fastest movers on the Human Development Index¹. Reports indicate that in 2010, six of the ten fastest growing economies in the world were in Africa. Sound macroeconomic policies and management have seen the continent's combined GDP of US \$ 1.5 trillion set to double by 2020². According to the World Bank's 2013 Global Economic Prospects report, the GDP growth in Sub-Saharan Africa (SSA) remained robust at 4.6 percent in 2012, notwithstanding the slowdown in the global economy. Indeed, excluding the region's largest and most globally integrated economy — South Africa — the GDP growth in the region was at a strong 5.8 percent in 2012, with a third of the countries in the region growing by at least 6 percent.

The benefits of economic growth appear to be reaching many people and poverty is falling³. However, if poverty is being slightly reduced, inequality among rich and poor is widening in many SSA countries. 32 of 43 African countries are reported to have Gini coefficients (a measure of inequality in income distribution) higher than the median of countries globally; inequality is rising in about half of African countries and falling in the other half⁴. In 2010, it was reported that six of the world's 10 most unequal countries were in SSA: the top three, Namibia, South Africa and Lesotho, had Gini coefficients of 70, 65 and 63 respectively⁵. In most African countries, the top 20% of the population gets more than half of all generated income.

The key issue seems to be that **growth has not been inclusive enough**. There is inequality in terms of income, access to education and health services, limited job opportunities, especially for the youth and women, and, weak institutional, regulatory and business frameworks⁶.

At the same time African countries are still vulnerable to external shocks such as falling commodity prices, reduced remittances and aid and increased protectionism resulting from the current global economic recession. Overall competitiveness still ranks low, basic infrastructure is weak and regulatory and institutional barriers are still too frequent. There is inadequate institutional capacity to support the emerging role of governments including decentralized governments as enablers and regulators for private sector engagement-led development to improve economic growth and service provision to the poor and create opportunities for poor people. Capacity of the various stakeholders (public, private, community and civil society) is limited to effectively address governance issues, apply innovative approaches that address pro-poor service delivery and risks associated with it.

It is clear from the above that **in order to reconcile strong growth with poverty and inequality reduction**, the markets in which the poor and vulnerable interact must be made more inclusive. '**Inclusive Markets**' are defined broadly as 'markets that result in expanded choice and opportunity for the poor and produce outcomes that benefit the poor.' Inclusive Markets include the poor on the demand side as clients and customers and on the supply side as employees, producers and business owners at various points along value chains. For the poor as entrepreneurs and employees, such outcomes will be measurable in terms of increased returns on goods sold, improved access to labour markets and increased opportunities for 'decent work.' For the poor as consumers, the outcomes will include increased choice and affordability for essential goods and

¹ UNDP Africa Human Development Report, 2012

² AUC Strategic Plan (2014-2017)

³ AUC Strategic Plan (2014-2017)

⁴ Africa At Work: Job Creation and Inclusive Growth, Mckinsey Global Institute, August 2012

⁵ Ibid

⁶ Chigunta, F: Inclusive Growth and Poverty Reduction in Africa

services, including access to financial services that help reduce risks and vulnerability.

Inclusive businesses are critical actors in inclusive markets. As the latter, they include low-income people on the demand side as customers, and on the supply side as employees, producers and entrepreneurs serving at various points within the value chain. They build bridges between business and the poor for mutual benefit. Inclusive businesses have a key role to play in supporting inclusive growth, job creation and poverty reduction.

The **African Union (AU)** has finalized its **2014-2017 Strategic Plan**, which defines 8 priorities and 7 outcomes. One of these, **Outcome 3**, particularly focuses on inclusive growth: “**Infrastructure development and environment for inclusive economic development, industrialization, private sector-led intra-African Trade and sustainable utilization of natural resources created**”. **Outcome 2** focuses on “**Policies and institutions for sustainable development, increased agricultural production, food and nutrition security, expanded value addition and market access, and sound environmental management implemented**”.

The African Inclusive Markets Excellence Center outlined in this Concept Note will attempt to contribute to the 2 Outcomes above. It is also fully aligned with the outcome of the **AU – Private Sector Forum 2012** in Abidjan, Côte d’Ivoire, which advocated for the creation of such a Center. In addition, it can contribute to some of the priorities of the **AU Agenda 2063** being shaped, as for instance those related to private sector development as part of the AU Agenda 2063 Consultation Meeting with the African Private Sector in September 2013 in Nairobi, Kenya.

2. Objective, expected outcome and outputs

It is proposed here that in order to **promote regional economic integration through transformative regional value chains starting with the Food Industry, leading to job creation, income generation and poverty reduction**, the **establishment of an African Inclusive Markets Excellence Center (AIMEC)** is needed. The AIMEC will provide products and services to the AU Commission, its organs, the RECs and Member States to support them in regional value chain development, inclusive markets and business development, i.e. in including the poor and vulnerable (including women and youth) as producers, employees and consumers in continental and regional economic development policies and programmes and in the markets of the member states.

The Center will work at the Continental Level (Africa level) and/or Regional Level (Regional Economic Communities level) and ensure that aspects related to South South and Triangular Collaboration are fully taken into account and promoted.

The desired **impact for the work of the AIMEC** can be articulated as “**regional economic integration promoted in Africa through transformative regional value chains, inclusive markets and businesses development, leading to job creation, income generation and poverty reduction on the continent**”. The indicators, baselines and targets have to be further discussed but could include:

Indicators:

a. Number of RECs with policies and programmes supporting regional value chains, and inclusive markets and business development in their member countries.

b. Number of additional MSMEs benefiting from regional value chains and inclusive markets and business development as a result of AU, RECs

and Member States policies and programmes supporting inclusive markets development in their country or region.

c. Number of additional people benefiting as employees or consumers from markets as a result of AU, RECs and Member States policies and programmes supporting inclusive markets development in their country or region.

Baselines would need to be collected and targets defined during the detailed formulation phase of the project.

The expected Outcome for the work of the AIMEC could be formulated as ***Regional economic integration promoted through transformative regional value chains, and inclusive markets and business development***. Indicators for this Outcome may include:

- 1) Number of policy papers on policies conducive to regional value chains and inclusive markets and business development adopted by AUC, RECs and/or member states
- 2) Number of regional value chain upgraded in partnership with Regional Economic Communities
- 3) Number of national roll-out of the African Agribusiness Supplier Development program⁷ and Supplier Development programs in other sectors including Extractive Industries
- 4) Number of national roll-out of the CAADP Investment Facilitation Programme⁸

In order for this Outcome to be attained, the AIMEC must be created, operationalized and be made institutionally and financially sustainable. To do this, two steps/Outputs are necessary:

1. Output 1 - An Africa Inclusive Markets Excellence Center is operational.

This will include building the necessary capacity of local staff to run the Center and deliver its products and services.

Indicators for that Output may include:

- 1) Existence of a fully staffed Center
 - 2) Number of products and services delivered by the Center
2. Output 2 –The products and services from the Center are demand and paid for by center clients.

This would include the development and implementation of an institutional and financial sustainability strategy for the Center that could include membership fees and paid services.

Indicators for that Output may include:

- 1) Level of Satisfaction from the AU and Member States on the products and services provided
- 2) Level of payment for products and services
- 3) Ratio of income versus expenditures

The baseline for all of the above is zero. Targets would have to be set through discussions among partners, and depending on the budget allocated to the center to start with.

⁷ Please see Appendices III and V for more on this product.

⁸ Please see Appendices III and V for more on this product.

3. Proposed strategy

AIMEC will build the capacity of the AUC, its organs including the RECs, and the AU Members States in fostering more inclusive markets and businesses in Africa. To do so, it will build on existing frameworks and initiatives of the AU, as outlined in the sections below, as well as on the tried and tested products and services of UNDP African Facility for Inclusive Markets (AFIM) in the areas of **knowledge exchange and training, policy advice, advocacy, and catalytic actions in the agri-food sector.**

3.1 Scope of AIMEC's work

Some or all of the products and services developed by AFIM and outlined below can be expanded to other sectors than agri-food and institutionalized through the African Inclusive Markets Center of Excellence.

Markets

A survey carried out by AFIM among 38 UNDP Country Offices in Africa in Q1 2013 showed that sectors of particular interest for African governments to apply the inclusive markets approach were: agriculture, energy and extractive industries. **It is therefore recommended that the AIMEC starts working in agriculture but expands gradually to energy and extractive industries to start with.**

Products and Services

It is proposed that the AIMEC focuses on the following products and services, divided into 4 categories: **policy advice, catalytic actions, advocacy, and knowledge exchange and training.** These will have to be refined during the course of a 2 years testing period, to ensure that only those for which there is clear demand and willingness to pay for services by Members States are kept.

| Policy Advice | Catalytic Actions | Advocacy | Knowledge Exchange and Training |
|--|--|--|--|
| Research on policies conducive to inclusive markets development. This will build on the research funded by BMZ on policies for inclusive business. | Support to regional value chain development in partnership with Regional Economic Communities through the organization of regional Project Facilitation Platforms, a catalytic grant scheme, and an Innovation Challenge Fund ⁹ in support of inclusive value chain upgrading. | Organization of Regional or Sub-regional Public Private Dialogues around topics of interest to advance regional value chains and inclusive markets development. | Development and roll-out of relevant Knowledge Products including thought leadership, studies, best practices, and lessons learnt from the field, in the area of regional value chains and inclusive markets development, and private sector engagement ¹⁰ . |
| Evidence-based policy advice to AUC, RECs and Members States, on policies needed to foster and underpin IMD. | Create a Coordination and collaboration platform for various regional initiatives in infrastructure and trade. | Regional and sub-regional level advocacy activities on the role of the private sector in development and in particular in the Post 2015 agenda. | Development and roll-out of training material and toolkits For instance, training material could be developed on developing policies for inclusive businesses. |

⁹ Please see Appendices III and V for more on this product.

¹⁰ This would include studying and compiling best practices and lessons learnt from other programmes and projects of the AU and development partners at sub-regional and national level, working in the field of inclusive markets and business development.

| Policy Advice | Catalytic Actions | Advocacy | Knowledge Exchange and Training |
|--|-------------------|----------|--|
| Advisory support to Member States on the development of Inclusive Markets and Business Development strategies. | | | Creation of a platform for knowledge exchanges between Member States. |
| Advisory support to the national roll-out of the African Agribusiness Supplier Development program ¹¹ and Supplier Development programs in other sectors including Extractive Industries. | | | Organization of an annual conference under the theme “The State of Inclusive Market Development in Africa” |
| Advisory support to the national roll-out of the CAADP Investment Facilitation Programme ¹² | | | |

These products will benefit from the experience and expertise of UNDP AFIM. They will build on the findings and recommendations from the flagship report “**Realizing Africa's Wealth – Building Inclusive Businesses and Ecosystems for Shared Prosperity**” launched in May 2013. Some of these recommendations target policy makers, so for instance policy dialogues could be organized by the Center on the theme of public policies conducive to inclusive businesses, and policy papers could be prepared on the topic. Also to be noted, the report was developed through a Board including representatives of AUC, NPCA-CAADP and AfDB. Given its Board broad based and strong intellectual pull, the AIMEC project will tremendously benefit and be well positioned to support the follow report recommendation work as part of each of the products and services described above.

3.2. Indicative Activities under each Output

Output 1 - An Africa Inclusive Markets Excellence Center is operational.

- Prepare a business plan for the center along several options for its operationalization, through extensive consultation with all relevant institutions and potential partners. The business plan shall include:
 - The Value Proposition for the Center based on a thorough stakeholder analysis and existing initiatives mapping
 - The detailed products and services to be delivered by the Center to the Member States
 - A list of options for operationalizing the center – as per the section on operationalizing the AIMEC below – with pros and cons and recommendations
 - The Proposed fee structure for products and services, keeping in mind that these will be subsidized for the first 4 years of the Center in order to create the demand for those services, based on the best practices from other similar Centers operating throughout the world
 - Staffing including ToRs
 - The detailed budget for the Center for 2016-2019 along the various options for operationalizing selected above

¹¹ Please see Appendices III and V for more on this product.

¹² Please see Appendices III and V for more on this product.

- Recruit staff for the Center and/or for partner institutions, as relevant
- Train staff for the Center and/or of partner institutions and develop a capacity building programme for them as relevant.
- Set-up the physical location for the center as relevant. This may include purchasing furniture and ITC equipment as relevant.
- Develop further the products and services to be delivered by the Center and prepare communication material around them.
- Test the delivery of the products and services to Members States based on demand for a period of 2 years (2017-2018).

Output 2 - The products and services from the Center are appreciated by the Center clients and clients are contributing financially for them

- Review the achievements of the Center and its business model (products and services, fee structure, fee received so far, etc) in the second half of 2018.
- Propose a strategy and revised Business Plan for the Center to ensure that it is institutionally and financially sustainable by the end of 2018.
- Validate and approve this strategy by the end of 2018.
- Implement the strategy in 2019.
- Evaluate implementation of the strategy in late 2019 or early 2020.

3.3. Value Addition of the AIMEC

There are many institutions, initiatives and projects working in the area of capacity development in Africa, however there are very few concentrating in the area of regional integration through transformative value chain and inclusive markets and business development. The AIMEC's value-add in comparison to the initiatives highlighted in Appendices I and II below, can really be outlined as follows:

1. It will represent Africa's first continentally focused regional value chains, inclusive market and business development centre and knowledge resource
2. Focus on working with and building the capacity of AUC, its organs (including NPCA CAADP), and RECs
3. Coordinate and collaborate with other regional economic integration initiatives and partners
4. Engage the regional and national private sector companies in regional economic integration through transformative value chains
5. Partnership with UNDP as a key technical partner bringing to the table:
 - a. Proven concepts and expertise in the fields of interest (as developed in Appendices III, IV and V) and, in particular, the work of [UNDP's Africa Facility for Inclusive Markets](#).
 - b. Capacity building expertise and experience in Africa, in particular the capacity development work undertaken by the UNDP Regional Services Centre through the "*Regional Project to Strengthen Institutional Capacities to Accelerate Pro-Poor Growth and Accountability in Sub-Saharan Africa*". This foundation expertise and AUC organ-focused capacity development

programme implementation will establish AIMEC as a premier thought leadership centre.

c. The knowledge, experience and expertise and network from its Country Offices all over Africa and from its Regional Service Center in Addis Ababa

d. Its network of business and public partners throughout Africa in Inclusive Markets and Development, including AfDB, etc.

e. The 4Cs: convening power, complementary capacity building, catalytic action and coordination.

f. Its neutrality.

3.4. Operationalizing the AIMEC

The AUC through consultations with its bodies, RECs and Member States, should select options for the Center's location and institutional set up. Options for institutional set-up could include

1. Set-up as a new center hosted at an existing institution to be selected (e.g. AUC in Addis Ababa, NPCA in Johannesburg) and working in partnership with existing institutions as and when needed (e.g. Think Tanks, Academia, etc.)
2. Set-up as a connected web of existing institutions to be coordinated by a small Secretariat to be hosted by an institution to be selected
3. Set-up as an independent entity in a highly motivated Member State with capacity to support its development. The country and exact location for the Center would need to be identified.

3.5. Operating Principles

1. **Multi-Stakeholder/Open Approach:** The Center will create a multi-stakeholder, open environment, involving as wide as possible a range of partners in the elaboration and delivery of its products and services. These partners should include key development partners programmes and initiative such as for example, Trade Mark East Africa and Borderless Africa in West Africa, as well as key regional and national private sector actors.
2. **Financial sustainability:** The Center will aim to become financially sustainable after 4 years of operation through a combination of fees for services, membership fees, and others options to explore based on the best practices of similar centers operating throughout the world.
3. **Link with the Paris and Busan Declarations:** The Center will ensure that it builds on the existing initiative and experience of the main actors in the area of Inclusive Markets and Business development in Africa, and finds ways to coordinate its products and services with those offered by others.
4. **Focus on South South and Triangular Collaboration:** The Center will ensure that it promotes South South and Triangular Collaboration as a priority through its products and services.
5. **Women and Youth focus:** The Center will ensure that the specific issues of women and youth inclusion in markets are tackled by its products and services.

6. **Sustainable Development Goals focus:** The Center will promote the development of regional value chains, markets and businesses that respect the internationally agreed principles of sustainable development.

3.6. Partnership strategy

The Center is an AUC's (including its technical bodies such as the NEPAD Planning and Coordination Agency) initiative. AUC would like to entrust UNDP as an initial technical assistance partner in the establishment of the Center, in order to tap into its knowledge and experience to date in the field of inclusive markets development in Africa. However more partners will be needed in order to establish the Center and lead it to sustainability, in particular:

- Regional Economic Communities and NPCA as key partners and beneficiaries.
- Funding partners for the set up and initial 4 years of operations of the Center.
- Other technical assistance partners for specific products and services such as Academic Institutions and Think Tanks, (for the Knowledge Exchange and Training and Advocacy products and services categories of the Center) and Technical NGOs specializing in certain advisory services aspects.
- Regional economic integration initiatives including those supported by development partners, such as Trade Mark East Africa and Borderless Africa in West Africa.
- Pan African business organisations, such as the Pan African Chamber of Commerce and Industry, Business and Sectoral Associations, Private Foundations, and other entrepreneurship related groups.
- Private sector including key regional and national private sector actors.
- AU traditional partners such as the African Development Bank, the UNECA and the European Union. It will build on these organizations strengths and flagship initiatives and products, such as the African Economic Outlook and the AMDC.

3.7. Indicative Budget

It is difficult to define a precise budget at this stage, in particular not knowing what the operational mechanism (institutional support and physical location) will be and its related costs. Nonetheless the main Budget lines can be found in the table below. This table should be filled in as part of the operationalization mechanism option selection process ahead of preparing a full proposal for this project.

However, based on UNDP's experience of its Istanbul International Center for Private Sector in Development in partnership with the Turkish Government, running such a Center in a free of charge physical location costs about USD 2M per year. Therefore depending on location and local costs there, we estimate that a 4 years program will cost between USD 8M and 10M to run.

| Options/Budget Lines | AU – Addis Ababa | NEPAD – Jo'burg | Other |
|--|------------------|-----------------|-------|
| Physical site rental | | | |
| Procurement (office furniture and ICT equipment) | | | |

| Options/Budget Lines | AU – Addis Ababa | NEPAD – Jo’burg | Other |
|---|------------------|-----------------|-------|
| Running costs (Internet and phone lines, office supplies, water, electricity, insurances, etc) | | | |
| Staff cost (salary and benefits) for 1 Director, 1 Researcher, 3 Advisors, 1 programme analyst, 1 finance and admin assistant, 1 general services assistant | | | |
| Travel and DSA for staff | | | |
| Contracting of professional technical services (for the delivery of some of the specialized products and services of the Center) | | | |
| Publications (editing, graphic design and printing of communication, training materials, as well as reports and other knowledge products) | | | |
| Event organization (room rental, catering, advertising, interpreting, etc) | | | |
| Any other | | | |
| TOTAL | | | |

4. Next steps

AUC Private Sector This Concept Note was developed as a result of the adoption of the Abidjan Declaration of November 2012 at the 5th AU Private Sector Forum, where the creation of such a Center is featured. The AIMEC was also announced by the AUC Economic Affairs Commissioner during the Pan African Business Conference of May 24, as a strategic initiative of AUC currently being designed with support from UNDP as Technical Assistance partner. This Concept Note will be discussed at the 7th AU Private Sector Forum to collect views and move to the feasibility study and business planning stage.

It is meant to be shared with potential funding partners for their feedback and further refinement.

Once at least one potential funding partner identified, a discussion will take place among the various partners on the institutional and physical location for the Center. It is on that basis that a business plan for the Center will be developed in 2015.