



INTERNATIONAL ORGANISATION OF EMPLOYERS  
ORGANISATION INTERNATIONALE DES EMPLOYEURS  
ORGANIZACION INTERNACIONAL DE EMPLEADORES

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# HOW CAN EMPLOYERS' ORGANIZATIONS IN AFRICA RESPOND TO THE CRISIS?

## African Employers' Forum

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We are in the midst of an unprecedented situation. Never before has the world faced such a catastrophic economic crisis. This fact is really brought home to me in my various discussions with members from around the world – it seems *everybody everywhere* is affected.

Let me in the ten minutes allocated, outline first, what I see as the key messages from the business community for governments in this region; second, how we as Employers' Organizations should be responding to our members; and finally what we in the IOE are doing to assist members in response to this situation and how we can help further.

I will start with a few words about the unprecedented nature of this crisis and its impact (and likely impact) here in Africa.

In short, every source of development finance is now being adversely affected on the continent - remittances, export and commodity demand, development aid and capital flows. Remittances for example are expected to fall by at least 5 percent forecast for 2009 as migrant workers in developed countries lose their jobs.

Global world trade is dropping, with WTO forecasting a 9% contraction in trade for 2009. For African economies, whose growth is very much linked to trade, this is extremely worrying.

The crisis may also have important political and security implications. Increased poverty and social unrest could turn latent political divergences into acute strife. Normal political contests may harden. Moreover, the crisis could increase the substantial migration flows both in-country and intra-regionally.

*As I said this is an unprecedented situation.*

## ***What are the main business messages to African Governments?***

I see four main messages EOs should be sending their governments in Africa

### *1. Support open trade*

In this deteriorating economic context nothing is more important than providing greater transparency, stability and predictability to global trade through the conclusion of the Doha Round. Trade must be part of the response to the economic crisis and the Doha Round offers the best global stimulus package.

### *2. Get the SME sector moving*

SMEs will play a critical role in economic recovery. *But* governments in too many African countries still make it too difficult to start a business by maintaining onerous regulatory environments and compliance costs that actually obstruct wealth and job creation.

The downturn provides a unique opportunity for governments on the continent to assess whether their regulatory environments are facilitating enterprise creation and development, employment generation and economic growth.

There is additionally a need to ensure access to financing in particular. A number of initiatives can be utilized such as the use of public guarantees to private financial institutions to support the ongoing provision of finance to SMEs.

Microfinance Institutions (MFIs) additionally need support as these lend relatively small sums of money to people to start developing profitable business which then serve local needs which in the current climate are more stable than export markets.

### *3. Spend resources smarter*

The crisis presents an opportunity for many countries to improve public spending such as better targeting of social protection expenditures. Ethiopia, for example, merged several donor programmes to form the *Productive Safety Net initiative*, Brazil merged three prior programmes into the *Bolsa Familia*, Jamaica merged three prior programmes into the *PATH* program, in each case with improvements in systems and outcomes

### *4. Use the crisis now to Invest in:*

#### a) Infrastructure

Over the past decade, 25 countries in sub-Saharan Africa, comprising about two-thirds of the population, grew on average 6.6%. But the lack of infrastructure has created a significant bottleneck, depressing enterprise productivity by around 40%. Regional integration suffers. With better infrastructure, World Bank estimate growth in Africa could be boosted 2.2%.

This presents an opportunity. Investments in large-scale infrastructure should be accelerated to increase competitiveness of developing countries and create cross-border and cross-regional interconnectivity

b) Agriculture

Similarly in agriculture: Investments to boost the productivity of African agriculture across the value chain – property rights, provision of seeds and fertilizers, irrigation, roads and storage, marketing along with reviewing and reforming domestic support programmes – could help sustainable economic growth.

c) Skills and training

Those countries that are able to maintain or build up the skills of their work force during the recession will be poised to take advantage of opportunities once the recovery starts. To sustain educational progress despite the crisis, developing countries and donor countries will need to prioritize efforts and investments.

In all these endeavour's convincing development partners will be key. New funding mechanisms such as the World Banks' vulnerability fund can be important avenues in addressing these needs.

***What Should EOs be doing?***

In the current climate with so many enterprises either struggling to survive or going bust, we as EOs need to demonstrate our value more than ever. We need to show to the constituencies we represent that we are key national actors that can influence policy debate that can speak to governments and other stakeholders on all issues that effect business.

Strong effective representative organizations of business have never been so important *BUT* we have to show this and prove our worth. To do this I see the following elements.

a) *Providing leadership and advocacy*

Employers in the real economy are suffering the consequences of the decline in confidence, in market activity and in asset and commodity prices.

Promoting policies that will restore confidence and promote private sector activity needs to be our first priority.

*b) Working with key stakeholders in promoting viable national policy proposals*

We need to champion open and honest debate with members, as well as other stakeholders such as governments and trade unions, regarding the policies and measures needed to exit the crisis.

*c) Ensuring responses are effective and sustainable*

Important and wide-ranging decisions, many with longer-term ramifications, are currently being made by governments, understandably in an atmosphere of urgency. EO's should caution governments against adopting immediate crisis management policies that compromise longer-term growth prospects and urge that other policy goals, in particular education, are not sacrificed in the short term.

*d) Helping rebuild trust*

Public perception and trust in business has been seriously damaged. EOs must insist on the ethical conduct of enterprises and be prepared to criticize those that fall short of the mark. They need to actively promote fundamental principles and rights at work everywhere.

*e) Explaining the social and economic relevance of the enterprise sector*

EOs need to promote the message that, when a culture encouraging entrepreneurial activity and business development is established in the right regulatory framework, wealth, jobs, new products and services are created and consequently society as a whole benefits.

*f) Promote our value to SMEs*

The crisis also provides opportunities for local SMEs. The dramatic fall in trade provides openings for SMEs by allowing them to recapture local markets. This requires access to information, credit, business development services and explicit local level strategies to promote entrepreneurial activity to enter such markets competitively.

**What is the IOE doing?**

As you are aware in February 2009 the IOE convened an emergency forum to explore the crisis and possible responses. The Organisation issued a statement entitled "Economic Recovery and Employment", proposing measures to overcome the crisis in the immediate term.

1. Improve liquidity to help sustain employment
2. Sustain SMEs and facilitate enterprise creation as the engine for recovery
3. Promote fundamental principles and rights at work
4. Support education and training as the key to future growth and productivity
5. Embrace corporate responsibility as an important means of action
6. Resist all forms of protectionism, including within the labour market

This statement subsequently served as a basis for IOE contributions to various international policy debates. Such as:

- A high level panel at the March ILO Governing Body with IMF Managing Director Dominique Strauss-Kahn and a number of Labour Ministers;
- Presentation of joint statement (with the Business and Industry Advisory Council to the OECD) to the G-8 Labour Ministers “Social Summit” in Rome in March;
- Input into the London “Jobs Summit” also in March.

Both of these latter events fed into the policy discussions at the G-20 London Summit.

At a regional level we are conducting events such as this one. The IOE Deputy Secretary General is in Asia this week at a similar event. The IOE’s annual European meeting, will be devoted to the crisis and the EO response. In Latin America later in the year the Ibero-American Presidents’ meeting will be devoted to the crisis. And our forthcoming General Council will focus on how EOs are responding, both in terms of internal issues and larger national roles. We have established a special section on the IOE website is developed to the crisis a resource for EOs and produced a number of publications.

Finally in the ILO the IOE has successfully led efforts to refocus the forthcoming International Labour Conference to deal with the Global Jobs Crisis and to formulate exit strategies.

Looking ahead, we are currently working closely with our colleagues in actemp and the ILO to develop technical responses to the crisis. This will entail a heavy emphasis on exchange of policies and programmes, along with the development of new products to assist EOs in their efforts in managing the crisis.

Thank You