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Title:
Common or Conflicting Interests? Reflections on the theme of Private Sector Development in the context of an Employment-oriented Development Agenda

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1. Introduction

There is increasing consensus among development policy analysts within and outside

Africa that the private sector has to be more involved in the structural transformation of the region's economies towards sustainable economic development. The importance of the private sector for economic development in Africa can be presented in a conceptual framework that links investment with rapid and sustained growth and job creation and continuous improvement in the well-being of the largest segment of the population. However, job creation was not recognised as a key function of private investment in most African economies in the post-independence era until more recently; this role was considered to be the responsibility of the public sector and employment was at best a postscript in the role of the private sector in fostering development. In a way, the emphasis given to the private sector as a driver of economic growth in Africa replicates the cyclical nature of development theories and trends that have characterised and shaped economic development efforts in the region over the past five decades.

In the 1980s and 1990s, neo-liberal Structural Adjustment Programmes (SAPs) sought to promote economic growth through deregulation, privatisation and trade and financial liberalisation. Following the failures of most of these approaches, a broader style of development was enshrined in the time-bound Millennium Development Goals (MDGs) adopted by the United Nations in 2000 with a 2015 target date; these goals, similarly pursued alongside neo-liberal, market-oriented policies and programmes, have paid greater attention to poverty reduction measures and basic social service (mainly health, education) provisions, while relegating the state to the role of a sound macroeconomic manager. With the emergence of the global financial crisis in 2008 and subsequent contraction in major economies, the need to correct market failures led to some recognition of the responsibility of the state to selectively intervene in the functioning of markets to stimulate job creation and balanced growth. As the crisis tapered off, attention was again focused on the active role of the private sector in resource mobilization and investment for national development. Despite relatively high rates of economic growth in the African region, employment has remained a major challenge as the numbers of new entrants to the labour force rapidly outstrip available and new job opportunities; the problem of mounting youth unemployment has meant that more attention was being given in development policy to the job-creation potential of the private sector. Beyond 2015, there is already discussion on how the private sector can be usefully engaged in job-creation efforts at national and regional levels, as elaborated in the recently released UN report on the post-2015 development framework.

Today, a whole new range of actors and stakeholders – international, regional and sub-regional institutions and development agencies, donors, policy-makers in national and local governments, business organisations, research institutions and independent analysts – is placing private sector development at the centre of their attention and operations in the quest for rapid economic growth and sustainable development in Africa, including as a strategy or pathway for employment creation and poverty reduction. While such a wide focus on a common approach (i.e. private sector) can provide strength and dynamism to the pursuit of a specific socio-economic development objective (i.e. job creation), it can also bring confusion and incoherence in the absence of a common understanding about the nature of the approach and actual impact on development outcomes. It is therefore necessary to define and clarify the different concepts of the private sector and the implication of these for employment and broad development objectives.

In the case of the ECOWAS economies which is the focus of this paper, it is useful to distinguish between two conceptualisations of private sector development in relation to employment opportunities and challenges: (1) *"promoting indigenous private sector development"* which is more focused on the design and implementation of policies to stimulate economic transformation through investment, business expansion, productivity growth and employment creation; and (2) "*engaging foreign private investment for development"* which relates more to engagement with international business and finance for investment in specific projects and activities to achieve development objectives. These two concepts represent what can loosely be described as the *domestic* and *international* private sectors respectively. While there are overlaps between the two concepts in terms of private sectors respectively. While there are overlaps between the two concepts in terms of investment activities and finance, they constitute different forms of engagement with the local economy and operate through different channels in their linkages with indigenous factors of production. These differences are significant from the standpoint of both development policy and practice, which should be taken into account in the agenda for promoting private sector development particularly with respect to employment impact.

In terms of common and diverging interests, the two concepts of private sector development in West Africa can be further differentiated into *developmental goals* and, as distinct from, core *commercial interests*. While both concepts can fulfil the role of the private sector as a driver of economic growth, the argument made in this paper is that the model of the domestic private sector is more amenable to stimulating business development and expansion with genuine and more lasting, and possibly bigger, impact on job creation and poverty reduction than the international variant that is reliant mainly on engaging multinational businesses and foreign investors for development. Looking at the reality of contemporary employment and development challenges and opportunities in West Africa in an era of globalization, and the need for investment in infrastructure to support the industrialization process, it may be necessary to consider some combined interests of the two concepts that can push the employment-oriented development agenda further. This leads to the important point about linkages between the *international* and *domestic* components of the private sector, and the need for the different actors to improve communication and work closer together to increase employment and development impacts of private sector development within the national economy.

This paper aims at the elaboration of key conceptual, methodological and practical issues pertinent to an understanding of the link between private sector development and job creation in West Africa. First, it distinguishes between two concepts of private sector development – (1) engaging the international business/foreign investment for development and (2) promoting the development of the domestic private sector – and draws on a combination of the two approaches in order to explore feasible options for job creation through private sector development. Significantly, the paper underlines the need for a common agenda when discussing the developmental impacts of private sector development and, hence, the need to agree on what we are talking about (i.e. *which private sector?*). This is important for understanding why reforms to encourage domestic private sector development in West Africa may be more meaningful for job creation than efforts to engage foreign investors and external donors to drive the process of private sector development.

The paper does not aim to provide the final answers to key questions raised, but rather seeks to stimulate and steer debate along more sensible lines on the important issue of private sector development in relation to job creation. It therefore discusses separately the two forms of private sector development which is intended to elucidate pertinent aspects of the debate on the role of the private sector in an employment-oriented development agenda. It concludes by setting out a practical scenario for private sector engagement in development that reflects employment challenges and opportunities of an emergent ECOWAS sub-region in a globalising world.

2. Which private sector and what type of employment?: Definition and conceptual issues

The private sector is increasingly being recognised as a key engine of Africa's economic development. Yet not much is known about the structure and characteristics of the private sector in Africa. A recent study which attempts to fill this gap presented novel estimates of the private sector's size and characteristics for 50 African countries based on national accounts and labour market data (Stampini et al., 2013). Broadly defining the private sector to include economic activities that fall outside the ambit of the public administration and state-owned enterprise sector, the study revealed that the private sector in Africa accounts for about two-thirds of total investments, four fifth of total consumption and receives three-fourths of total credit. The labour market data used in the study also reinforce the notion of a "large" private sector in Africa that accounts for as much as 90 per cent of total employment opportunities in some cases, although as we know most of these jobs relate to low-productivity and low-income informal sector work and unpaid seasonal and casual labour involved in subsistence farming.

Table 1: Indication of the size of the private sector in ECOWAS countries (average for 2003 – 2008)

Country	Private investment total/Total investment	Private Consumption/Total consumption	Private credit/Total credit	Yearly GDP growth
Benin	0.60	0.86	1.55	0.04
Burkina Faso	0.61	0.78	1.15	0.05
Cape Verde	0.87	0.79	0.84	0.07
Cote d'Ivoire	0.71	0.90	0.77	0.02
Gambia	0.56	0.89	0.19	0.06
Ghana	0.58	0.82	0.27	0.06
Guinea	0.86	0.92	0.56	0.03
Guinea Bissau	0.50	0.75	0.45	0.02
Liberia	0.84	0.74	0.21	0.06
Mali	0.64	0.80	2.08	0.05
Niger	0.73	0.82	0.85	0.05
Nigeria	0.66	0.69	0.92	0.06
Senegal	0.77	0.85	0.66	0.04
Sierra Leone	0.68	0.87	0.33	0.06
Togo	0.82	0.87	0.80	0.02

Source: Extracted from Stampini et al. (2013, p.150)

Overall, the impression given in the above table is that of an economic structure in which investment and consumption are predominantly mandated by the private sector. However, the notion of a large and dynamic private sector as a wage employer could not be farther from reality for all ECOWAS countries where wage employment accounts for an average of less than 15 per cent of the total workforce, nor does the growth of the private sector broadly defined necessarily lead to faster growth of output and wage employment. The fact remains that most private sector jobs in West Africa, including the situation of the larger more economically significant countries such Nigeria, Ghana, Senegal and Cote d'Ivoire, are informal with only about 1 out of 10 workers holding permanent/formal wage employment. While foreign direct investment (FDI) flows to the formal or organised private sector in the ECOWAS region dwarf traditional official development assistance (ODA) flows by a sizeable ratio, it is the micro, small and medium enterprises (MSMEs) associated with domestic capital and local entrepreneurs that contribute by far the bulk of the wage jobs in the sub-region's private sector. FDI-associated enterprises are concentrated in sectors where production is largely based on capital-intensive technologies, such as oil and gas, mining, and mechanised commercial agriculture, whereas MSMEs operate and produce on the basis of more labour-intensive factor inputs in areas such as retail trade and food products, home-based enterprises, construction, road-side garages and repair shops, metal works and artisanal manufacturing, and rural non-farm enterprises that are associated with employment growth (Strassman, 1987; Leidholm, 2002; Kinda and Loening, 2010). From a job-creation perspective, there is abundant evidence over the past two decades that the MSME investment scenario provides a more conducive climate to unleash the full potential of private sector-led development in Africa than the FDI scenario (McPherson, 1996; Liedholm and Mead, 1999; Collier and Garg, 1999; UNIDO, 1999; Gelb and Tidrick, 2000; Liedholm, 2002; Sleuwargen and Goedhuys, 2002; Fajnzylber, et al., 2006; World Bank, 2007; Kinda and Loening, 2010).

3. Assessing the employment benefit of private sector development: Methodological and practical issues in measuring of impact

There is need for a common understanding between different private sector interests (i.e. the ‘pro-developmental’ private sector activities and the ‘core commercial’ activities/interests) of the role of the private sector development in relation to the goals of economic development, and particularly employment creation. In order to assess employment impact of private sector development within a country, we need to agree in the first instance on *what* we want to measure and then discuss *how* we want to measure it. In addition, and related to the “what” and “how” questions, is asking the “what for” question about private sector development.

(i) What do we want to measure?

The choice of measurement tools depends on the objectives of private sector development in a given context. Bearing in mind the urgent need for job creation throughout the ECOWAS sub-region, and taking into account labour market structures and characteristics typical of ECOWAS economies, these objectives should revolve around the contribution of private sector development to promoting the effective participation of micro, small and medium-sized enterprises (MSMEs), including informal sector activities in the overall development process. This is distinct – though not mutually exclusive – from engaging the international private sector for development, which is typically characterised by the ‘enclave -type’ activities of foreign investors, multinational firms and donors and often with only minimal linkages with the domestic economy.

A strong case can be made for choosing policies and programmes designed to facilitate indigenous private sector growth as measurement tools for assessing the employment impact of private sector development. As the experience of the ECOWAS (and most African) countries shows, large foreign investments, while crucial in the process of output growth and contribute to modernization of the economy, nevertheless tend to have very limited impact on employment generation. This is because they are largely capital-intensive and have extremely weak linkages with domestic economic activities - as exemplified by activities in the oil and gas, mining, commercial agriculture and infrastructure sectors. In addition, those types of investment – which often depend on imported skills and technologies – do not play an essential role in the development of a country’s human capital and the process of skill acquisition that could improve current and future employment prospects and increase international competitiveness.

The industrialisation policy of many African countries tend to emphasise comparative advantage, which implies resource- and capital-intensive types of production activities at the expense of labour which is relatively abundant and less costly. In addition, this comparative advantage approach supports the tendency of foreign investors and donors in the international private sector to ignore and shy away from opportunities to encourage and facilitate linkages with local suppliers and contractors in the domestic private sector (Leys, 1993; Chang and Lin, 2009; UNCTAD, 2011)). Hence, local labour and indigenous enterprise are stifled and denied the chance to invest, develop and grow in those foreign-dominated sectors.

It is therefore important to understand why reforms to support private sector development should focus on enhancing the domestic private sector than seek mainly to engage international businesses and investors. This is precisely because interventions aimed at the domestic private sector relate to a process of economic transformation that impacts on the allocation of productive resources and the creation and the distribution of employment and income-earning opportunities, which serve the interests of the largest segments of different and diverse groups in the society.

(ii) How do we measure impact?

For the purpose of how to measure impact of private sector development in relation to employment generation, the distinction between the two concepts of private sector employment generation, the distinction between the two concepts of private sector development in West Africa suggests that a number of pertinent questions concerning the link between private sector development and employment should be addressed. First, to what degree do foreign direct investments and international business environments act as a constraint to the development of the domestic private sector and local investment? Second, given the differences in scale of production and operational modality between domestic MSMEs and large foreign firms/investors, who genuinely benefits from reforms and incentives to enhance private sector development? Third, what policies could create linkages between the domestic private sector and larger foreign (and national) enterprises in the international private sector for the creation of new and additional jobs? Fourth, are there trade-offs between the potential of the international private sector (including donors) to inject capital and technology to promote economic growth and modernization, on the one hand, and commitments to policy inducement and coherence for inclusive growth and sustainable development, on the other? Fifth, how can governments of ECOWAS member states achieve greater tax compliance and 'tax justice' from the international private sector businesses for generating revenues to support rapid and sustained economic transformation, while promoting investment for job creation? Sixth, what are the processes that can be used to promote partnerships between the public sector and both the domestic and international private sectors to improve the overall business environment for greater job creation prospects?

Without attempting to find answers to these questions, or to simplify the issue, the measurement of employment and development impacts can be narrowed to the distinction that emerges in forms of policy for private sector engagement. The agenda for promoting *"private sector development"* is relatively well-established with respect to questions relating to how to identify binding constraints to private sector development that hold back employment growth and even how to achieve and measures policy impact. What is less well-entrenched, at least from an analytical perspective, is the increased focus from host governments and donors more recently on "*engaging the private sector for development*". The distinction between the two broad approaches or agenda is important for analysis. As already observed, the more traditional policy area of "private sector development" is about governments designing and implementing policies to achieve economic growth and transformation through investment, business expansion and employment and, therefore, focusing more on the domestic economy; the new form of policy relates to engaging with international business activities and finance to implement specific development projects and objectives.

Although, in practice, there are clear overlaps between the domestic and international private sectors, the forms of policy for engagement of the private sector operate through very different channels. The implications of involving the two conceptualisations of private sector development are similarly different especially with respect to employment and income distribution outcomes. While there is a dearth of empirical research on ECOWAS countries that links private sector investment with economic growth and job creation, it is becoming clearer from analysis of enterprise survey data and reports that if the private sector is to fulfil its job creation and wider development potentials it has to be structured within a framework that that is rooted in the domestic economy and one in which indigenous actors play an important, if not dominant, role. The prospects for leveraging private sector resources for employment and development goals not only call for an enabling environment to attract foreign investment but, more importantly, one that also creates conditions for increased participation of domestic firms and actors in the economic transformation process (McPherson, 1996; UNIDO, 1999; Sleuwaegen and Goedhuys, 2002; Wach, 2012). African governments (and their international and regional development partners) therefore need to make strategic choices regarding the type of private sector development that should be measured and, accordingly, the priority areas for policy interventions, as advocated by the UN Economic Commission for Africa and the AU Commission in their recent joint strategy paper on industrialization in Africa (UN-ECA and AU, 2013).

(iii) Measurement of impact – what for?

I would argue that the main purpose for measuring employment impact of private sector development in West Africa has much to do with the implication for poverty reduction and inclusive development. Poverty and social exclusion are widespread and pervasive in the sub-region, even in the fastest growing and most resource endowed economies in the sub-region. Economic growth, which is credibly associated with foreign investment and e engaging the international private sector (e.g. oil and gas and mining activities), while necessary, is not a sufficient condition for poverty reduction. This view supports the broad consensus on the need to promote private sector development for *economic transformation* in terms of creating and expanding employment and socio-economic opportunities, growing incomes and demand, and improving access to social services for the largest segment of the population. This implies that private sector development should lead to growth that is accompanied by transition towards greater participation of local MSMEs in the economy, higher productivity activities, increasing supplies of goods and services, and tax revenues to finance public goods. All of these can be achieved through an expanding private sector that is based on a sensible combination of the two forms of policy for private sector development domestic and international), and to make the economy conducive to both foreign investment and domestic private sector with strong economic linkages between the two. It is therefore important to ensure that policies to attract foreign investment for development entail a strong and lasting engagement with the domestic private sector. A more focused and separate discussions of the two forms of private sector development would provide clarity on key issues of policy which might make the debate on the role of the private sector in employment creation more interesting to different stakeholders.

4. Private sector development and job creation: Two approaches –where should the focus be?

(i) Promoting the domestic private sector

The private sector in the ECOWAS sub-region is diverse. It consists of various types of enterprises, micro/ small/medium (MSME) and large, formal and informal, rural and urban, domestic and foreign-owned. Here, we are focusing on those enterprises that are operating within the domestic or indigenous private sector and their employment potential. In the light of the critical employment situation – high and rising levels of unemployment and underemployment especially among young people – in ECOWAS economies, we argue that it is vital that policies and programmes for private sector development should accord a high priority to the promotion of MSMEs which have great employment potential. In virtually all countries in the ECOWAS sub-region, MSMEs, including those in the informal economy, contribute well over two-thirds of all new jobs created in the past decade –albeit that most of these are low-productivity and low-paid activities. Yet capital flows to the MSMEs in the domestic private sector is dwarfed by international private and public sector investment resources and ODA flows for development. This lack of access to capital partly answers the question of why has the domestic private sector failed to thrive and in much of sub-Saharan Africa?

Drawing on a unique set of data from the World's Bank Investment Climate Enterprise Surveys, research carried out under the auspices of the Washington DC-based think tank, the Center for Global Development (CGD), identified lack of access to credit, inadequate infrastructure (especially electricity and poor transportation) and burdensome regulations as the biggest obstacles to business expansion in Africa (Ramachandran et al., 2009). In several ECOWAS countries, the domestic private sector is dominated by ethnic minorities of foreign (mainly Middle-Eastern and Asian) origin, which somehow inhibits competition and lowers demand for a better business environment. In addition, the tendency of some governments in the sub-region to distance themselves – and hence official support and assistance – from indigenous businesses, in contrast to the cosy relationship they cultivate with foreign-owned enterprises, goes a long way in explaining the general malaise that we with foreign-owned enterprises, goes a long way in explaining the general malaise that we have come to associate with local entrepreneurs and their inability to take advantage of the opportunities of an increasingly open and globalizing Africa. In most of the ECOWAS countries, the indigenous private sector and African-owned small and medium enterprises have had less access to credit and opportunities as compared with the international private sector and foreign-/ethnic minority-owned businesses.

This skewed and unfavourable state of affairs has strategy and policy implications for the political economy of government-business relations which must be addressed in order to find solutions that would help African-owned business to overcome existing hurdles and thrive. To begin with, let us consider some stylised facts in the discourse on the role of the private sector in economic development in West Africa. First, while it is clear that foreign investment can play an important role in generating growth, it is also increasingly evident that ECOWAS countries cannot grow and create employment without a vibrant, domestic private sector. Second, much of the relatively high growth in sub-Saharan Africa in the past decade has come from extractive industries, rather than from private entrepreneurial activity. For reasons already stated, this extractive-based and resource boom-driven growth has had very little impact on wage employment levels, giving rise to the phenomenon of ‘jobless growth’ that permeates development efforts in the region. Third, most ECOWAS countries pursued post-independence industrialisation strategies that focused on import-substitution, which in turn led to the emergence of the inefficient dualistic private sector configuration consisting of a large number of indigenous informal and small enterprises coexisting with relatively large capita-intensive firms. Historically, the manufacturing sector within this dualistic configuration has remained small and fragmented and under the control of foreign and minority ethnic groups and/or the state in some cases, and accounts for much of the non-extractive wage employment in the private sector. Understanding and rectifying why African-owned businesses in the private sector tend to be relatively few and small is important for employment creation; future broad-based growth of manufacturing - such as that envisaged with the transfer of the lower end of global manufacturing from China to lower-income developing countries - can only occur with the participation of domestic firms, including many presently operating in the informal sector.

(ii) Leveraging international private business and finance for development

Foreign capital inflows, including aid, have been presented by national policy-makers and the international development community as central to the process for achieving sustainable development in Africa. Foreign aid and loans have been offered by bilateral donors and the international financial institutions on the hope that FDI will follow, presumably attracted by opportunities associated with domestic restructuring and globalization. There may be problems in the case of the ECOWAS economies with the assumption that aid will produce a structure of incentives that will attract foreign direct investment to finance an employment-oriented development agenda. If we look at foreign aid going to the sub-region, as shown in Tables 2 and 3 below which present estimates of ODA (total and per capita) for ECOWAS countries for the period 2006-2011, the figures show more or less an upward trend; yet there is this hardly any evidence that aid, even in relatively large amounts as in the case of Burkina Faso, Ghana, Senegal and Nigeria, has been instrumental in spurring overall investment with employment gains. Relatively high growth rates in the sub-region over the past decade can be attributed largely to the effects of a long-run commodity boom – which may not be sustainable in the future – than to the impact of aid and foreign capital inflows. Most of the aid received by ECOWAS countries has gone towards financing current public expenditures and private consumption including social services rather than productively invested in entrepreneurial activities and, as such, has not produced concomitant levels of new employment opportunities. Similarly, aid has not gone towards boosting public sector financing of investment in the ECOWAS countries, which is important for job creation because of the externalities and complementarities associated with public investment.- such as by contributing to reallocation of resources required for stimulating private sector development and engaging local businesses in productive activities. It is possible that if the bulk of ODA going into the sub-region had been productively invested in entrepreneurial activities, aid inflows alone would have had a very big impact on job creation.

Table 2: Net Official Development Assistance (current US$ millions): ECOWAS

Country Name	2006	2007	2008	2009	2010	2011
Benin	399.3	474.3	641.4	682.0	689.1	677.2
Burkina Faso	901.5	950.4	1001.2	1082.3	1062.3	990.0
Cape Verde	138.5	165.2	221.8	195.6	327.9	245.6
Cote d'Ivoire	247.1	171.1	625.6	240.1	845.	1437.5
Gambia, The	74.9	97.2	93.9	127.4	120.2	135.1
Ghana	1243.2	1165.2	1306.9	1581.8	1692.5	1815.5
Guinea	169.6	228.0	328.3	214.3	217.7	207.9
Guinea-Bissau	87.0	122.3	133.8	146.5	139.3	118.8
Liberia	260.4	701.4	1251.0	512.6	1419.3	765.5
Mali	865.8	1018.7	964.1	984.4	1088.6	1270.9
Niger	544.4	544.3	612.32	469.3	744.5	648.9
Nigeria	1142.8	1956.3	1290.2	1657.1	2061.9	1813.1
Senegal	865.0	869.7	1068.5	1016.2	927.7	1052.0
Sierra Leone	380.5	549.8	378.2	448.3	466.8	428.7
Togo	79.9	122.4	330.1	498.5	418.9	557.2

Source: Extracted from the World Bank, [Online], Available on: <http://data.worldbank.org/indicator/DT.ODA.ALLD.CD/countries> [Accessed on: 24/06/2013]

Table 3: Net Official Development Assistance per capita (current US$): ECOWAS

Country Name	2006	2007	2008	2009	2010	2011
Benin	50.7	58.5	76.8	79.3	77.9	74.4
Burkina Faso	61.6	63.1	64.5	67.7	64.5	58.3
Cape Verde	289.5	341.9	455.0	397.9	661.1	490.7
Cote d'Ivoire	13.5	9.2	32.9	124.1	42.8	71.3
Gambia, The	48.4	61.1	57.4	75.8	69.5	76.1
Guinea	18.4	24.3	34.3	21.9	21.8	20.3
Guinea-Bissau	62.4	85.9	92.0	98.7	91.9	76.8
Liberia	78.6	201.7	341.9	133.6	355.3	185.4
Mali	63.7	72.7	66.7	66.0	70.8	80.2
Niger	40.4	39.0	42.4	31.3	50.0	40.4
Nigeria	79.7	13.3	8.6	10.7	13.0	11.1

Senegal	77.5	75.8	90.6	83.9	74.6	82.4
Sierra Leone	71.4	100.4	67.4	78.1	79.6	71.5
Togo	14.4	21.7	57.1	84.5	69.5	90.5

Source: Extracted from the World Bank, [Online], Available on:< http://data.worldbank.org/indicator/DT.ODA.ODAT.PC.ZS> [Accessed on: 24/06/2013]

Foreign Direct Investment (FDI), along with ODA, is often thought to fill the gap between domestic savings, both public and private, and the desired level of domestic investment. The role of FDI for private sector development in ECOWAS countries assumes even greater significance, given the negligible levels of domestic savings in those economies. Foreign capital is also seen as critical link to international technology and global markets, as well as a complement to, rather than competitor with, domestic capital formation. According to this logic, ECOWAS countries should benefit from foreign direct investment – presented in Table 4 and Table 5 below in terms of growth of the domestic private sector through higher levels of productivity and the creation of new employment opportunities. In reality, this is misleading as there has not been any significant increase in wage employment opportunities in the private sector of ECOWAS economies, precisely because of economic lack of linkages between foreign investment and the domestic private sector. Of even greater concern, and more worrying from an employment creation standpoint, are indications of an the upward trend in capital outflow from the sub-region – due to over-generous concessions given by governments to foreign investors regarding taxation and repatriation of profits, in addition to undervaluation of mineral assets, high incidence of tax evasion and illicit transfers (Africa Progress Panel, 2013; African Development Bank, 2013; Ndikumana and Boyce, 2011; Bolton, 2008). Outflow of financial resources from ECOWAS countries could have been mobilized as capital accumulation to finance profitable job-creation investments in the domestic economy.

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Table 4: Foreign Direct Investment (Net, BoP, current US$ million)

Country Name	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Benin	-12.4	139.0	48.0	-18.7	53.5	118.5
Burkina Faso	83.8	21.7	33.1	56.4	34.6	7.4
Cape Verde	131.6	191.9	211.0	127.1	116.2	105.2
Cote d'Ivoire	350.7	443.2	466.5	396.0	358.1	344.2
Gambia, The	82.2	78.1	78.6	39.4	37.1	36.0
Ghana	636.0	1383.2	2714.9	2372.5	2527.4	3222.2
Guinea	0.0	0.0	10.7	91.0	0.0	896.5
Guinea-Bissau	17.9	18.8	6.6	-1.3	1.5	19.4
Liberia	107.9	131.6	283.5	127.8	452.3	1312.7
Mali	17.0	-50.1	100.3	102.8	26.9	177.8
Niger	40.3	98.9	281.9	631.3	940.3	1013.6
Nigeria	4854.4	6035.0	8196.6	8554.8	6048.6	8842.0
Senegal	289.6	351.0	453.9	330.1	274.9	286.1
Sierra Leone	58.9	95.5	53.1	110.4	238.4	715.0
Togo	91.3	62.3	50.7	46.1	124.9	53.8

Source: Extracted from the World Bank, [Online], Available on: < http://data.worldbank.org/indicator/BN.KLT.DINV.CD> [Accessed on: 24/06/2013]

Table 5: Foreign direct investment, net inflows (% of GDP)

Country Name	2005	2006	2007	2008	2009	2010	2011
Benin	-0.2	-0.3	2.5	0.7	-0.3	0.8	
Burkina Faso	1.0	1.4	0.3	0.4	0.7	0.4	
Cape Verde	8.3	11.9	14.4	13.5	7.9	7.0	
Cote d'Ivoire	2.1	2.0	2.2	2.0	1.7	1.6	
Gambia, The	8.6	12.5	9.8	8.1	4.4	3.9	
Ghana	1.4	3.1	5.6	9.5	9.1	7.9	
Guinea	0.0	0.0	0.0	0.3	2.2	0.0	
Guinea-Bissau	1.5	3.1	2.7	0.8	-0.2	0.2	
Liberia	15.3	17.9	17.8	33.3	11.1	35.0	
Mali	3.3	0.3	-0.7	1.1	1.1	0.3	
Niger	1.5	1.1	2.3	5.3	12.0	17.4	
Nigeria	4.4	3.3	3.6	4.0	5.1	2.6	
Senegal	1.9	3.1	3.1	3.4	2.6	2.1	
Sierra Leone	5.6	3.2	4.5	2.2	4.6	9.4	
Togo	4.5	4.1	2.5	1.6	1.5	3.9	

Source: Extracted from the World Bank, [Online], Available on: < **http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS**> [Accessed on: 24/06/2013]

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5. Conclusion

We argue in this paper that policies for promoting the private sector's role in development – principally in relation to employment creation – should pay particular attention to issues relating to business facilitation and expansion in the domestic economy and trade promotion within and between the economies of the ECOWAS sub-region. This requirement again highlights the need for clarity when exploring policies and programmes for private sector development – and perhaps the need for different terminology – about 'which' or 'whose' private sector we want to promote. We posit that the domestic private sector and specifically MSMEs are better at generating employment and, hence, at reducing poverty. The development potential of MSMEs, however, will be frustrated if entrepreneurs do not have the attention of policy makers and those in control of resource allocation in the development process. If job creation is a major objective, the focus on private sector development should therefore be on the development of MSMEs in the first instance.

The importance of MSMEs is certain to increase with economic development in the ECOWAS countries, as will the MSME sector's contribution to growth of both employment and national output (GDP). As ECOWAS countries grow richer, the share of the labour force employed in MSMEs will increase and the sector is also likely to make a larger contribution to GDP. However, this view about the dynamic contribution of MSMEs to economic development will depend on the extent to which these types of enterprises are encouraged through policy intervention to expand and contribute to competition and entrepreneurship. This implies that key constraints to the development, expansion and survival of MSMEs are removed: these constraints include lack of access to formal sources of credit and external finance; unreliable supply and high cost of electricity; poor transportation infrastructure; restricted access to new markets; low skills level and limited access to training and technology; and excessive regulation and corrupt practices. It is also important that MSMEs are clustered and located in areas where they better placed to benefit from potential linkages with larger firms and other businesses in the private and public sector, to access common commercial and public services, and to enter and move up along value chains, rather than operating in isolation.

At the same time, the definition of the type of private sector that should promoted should also take into account the prospect of leveraging private sector funds for development goals pertaining to infrastructure and industrialisation where there are huge deficits in most ECOWAS countries. This invariably implies engaging businesses and organisations in the international private sector and using foreign investment to leverage capital for unleashing a range of commercial activities (e.g. mineral resources), which might otherwise remain unexploited. Private finance can also be used to leverage aid through public-private partnerships (PPPs) as another option for involving the international private sector in badly-needed development projects and programmes. Notwithstanding the important distinction between the two forms of private sector involvement in development, it is nevertheless clear from our discussion that a combination of the two interests may be required for stable growth and sustainable development in the ECOWAS economies. Realisation of the job creation potential of the domestic private sector economy would require increased investment by the international private sector in infrastructure to lay the foundation for industrialisation for most, if not all, countries in the ECOWAS sub-region. Governments should therefore seek to optimise complementarities between the two forms of private sector development through the promotion of policies to encourage the foreign and domestic private sectors to work together and strengthen linkages between them.

More recently, there are signals of an important shift whereby the private sector is afforded greater recognition in international and national policy discussions on development cooperation, and donors viewing the private sector as an important development partner. Renewed and heightened focus by donors on private sector development as a driving force behind rapid economic growth and sustainable development in Africa can be discerned from emphasis in the current programmes and activities of major donors (BMZ, 2011; DfID, 2011; European Commission, 2011; G20, 2010; GIZ, 2011; Norad, 2010; SIDA, 2011, Kurokawa et al., 2011; Netherlands, Ministry of Foreign Affairs, 2012; JICA, 2012). Aid donors are seeking to engage the private sector in development in order to leverage stagnating ODA budgets, harness private sector innovation and improve the effectiveness and value-for- money for development interventions. This coincides with a renewed focus on economic growth, and trade in the development process, and one in which the private sector can play an even greater role. It also represents a unique opportunity for ECOWAS countries to develop and integrate their domestic private sector with therest of their economies and beyond that with the regional and global economies, in order to realise the full employment creation potential of MSMEs.

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