



Update on the Investment Climate Content of the African Peer Review Mechanism (APRM)

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Outline of Presentation

- Introduction
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- Update on the Investment Content of the APRM

Introduction

In realization of the critical role of investment (both foreign and domestic) for development, African Countries are working increasingly towards reforming their investment climate

The OECD Investment Division has been rendering assistance

As part of supporting investment climate reform in NEPAD countries, two previous editions of the Roundtable (Brazzaville 2006 and Lusaka 2007) examined how to improve the investment-climate content of APRM process.

To sum up: a lot of discussion on the Policy Framework for Investment (PFI) and concrete suggestions on how to improve the APRM Questionnaire.

We present an update on reforming the Investment climate content of the APRM.

Status of implementation of the APRM thus far



APRM Member Countries

Togo's accession in June 2008 brings to **29** the total number of AU member countries that have so far acceded.

Mauritania was **suspended in October 2008** following the ousting of its democratically elected President.

APRM Countries currently represent about 76 per cent of the African population.

We look forward to other countries joining the fold.

Status of implementation

- So far, 15 out of the 29 member countries have launched the process while nine countries have been peer reviewed by the APR Forum. (Ghana, Rwanda, Kenya, South Africa, Algeria, Benin and Uganda, Nigeria and Burkina Faso).
- 4 country Reviews conducted this year alone. If this pace is sustained, all 28 member countries would have been peer reviewed by 2013 or 2014 with allowance for second review by some of the pioneer countries.
- After a reorganization process, Mali Review Mission is ongoing; Mozambique and Lesotho (Feb 2009); and Ethiopia (April 2009).
- Parallel process- Tackling the crosscutting issues- Cotonou Extraordinary Summit of the APRM Forum in October 2008 (Managing Diversity and Xenophobia, Land, Corruption and Elections (See APF 2008 Report). 5

Key Lessons

The APRM is a unique African instrument that is trail-blazing and has great potential as a tool to promote and strengthen good governance. It is **African in origin, African inspired and African-owned.**

The experiences from the APRM implementation process are very encouraging. The process has been empowering in ways that were not envisaged when it started.

Notwithstanding some challenges, it is show-casing African innovative thinking in governance. An area the rest of the world can potentially learn some useful lessons from Africa.

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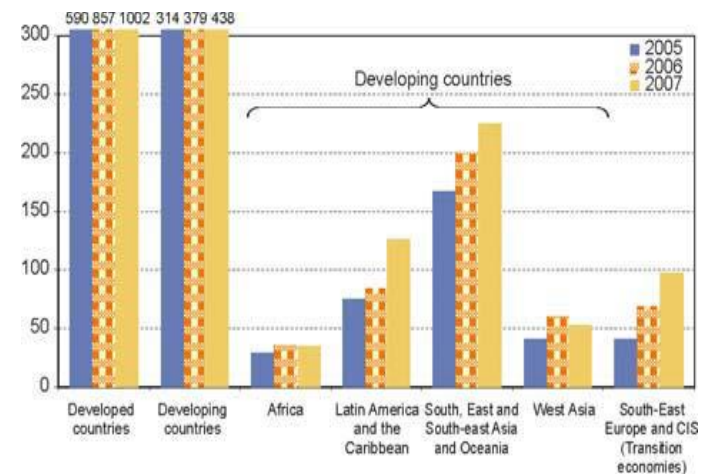
Investment in Africa

- Africa, it seems, is slowly but steadily approaching the path of long run growth and development.
- The Continent recorded a robust growth in FDI flow in the recent times.
- UNCTAD “World Investment Directory: Africa” released in Ghana on 2nd April 2008 indicates total FDI inflows to Africa stood at US\$36 billion in 2006 from a meager \$2.4 billion in the year 1985.
- Only one African country received FDI inflows of more than \$1 billion in the early 1990s, but in 2006, that number had increased to eight.
- The surge in FDI inflows for African from 2001 to 2007 can be explained by the **twin factors** of upwardly mobile commodity prices and a favorable investment climate.

Investment in Africa

- The rising FDI inflows over the recent past have, however, not led to an increase in Africa's share of global FDI, as flows to other regions have grown faster.
- Africa's share of global FDI inflows stagnated at about 3 per cent between 2000 and 2006 (2.7 per cent in 2006), a major decline from its share of about 9.5 per cent in 1970.
- Attributable to structural obstacles to FDI inflows, especially in the manufacturing sector.

FDI inflows by region, 2005, 2006 and 2007^a (Billions of US Dollars)



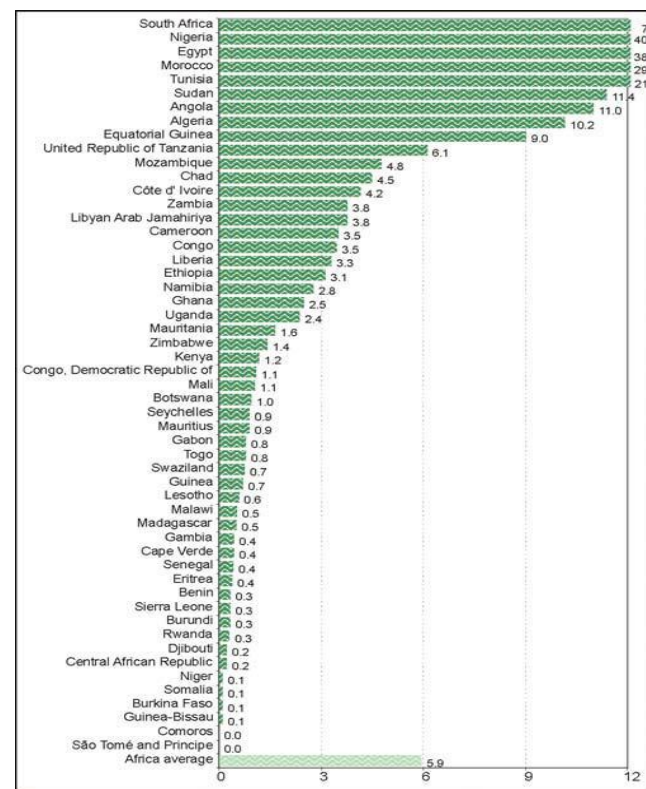
Source: UNCTAD, **World Investment Directory, Volume X, Africa 2008**

Investment in Africa

- FDI inflows are still far below their potential. Most of FDI, while slowly diversifying, is concentrated in the extractive sector.
- Also concentrated in few countries. South Africa and Nigeria, together accounted for 37 per cent of FDI stock in Africa in 2006.

New Challenges: the current global financial crisis will dampen FDI inflows to Africa. Impact already being felt in the extractive industries. In addition to the financial turmoil, many African countries are contending with an ongoing and extreme volatility of food and fuel prices, while trying to mitigate the growing impact of climate change.

Inward FDI stock in African economies, 2006
(Billions of dollars)



Source : UNCTAD World Investment Directory, Volume X, Africa 2008

Insight from the APRM Process

The implementation of the Algiers Recommendation for *fast tracking and streamlining the APRM Process* is ongoing.

The APRM Questionnaire is being revised in collaboration with the African Development Bank.

New Objective in EGM on investment climate (legal and institutional foundation for investment – investment policy, investment promotion and facilitation and trade policy). CG addressing domestic investment.

As a parallel process- Need to encourage APRM member countries to join Egypt and Rwanda in conducting the OECD investment assessment.



Thank you for your attention

[WWW. aprm-international.org](http://www.aprm-international.org)