Co-Chairs’ Conclusions from the NEPAD-OECD Africa Investment Initiative’s 2008 Annual High-level Meeting and Expert Roundtable

The 3rd NEPAD-OECD Africa Investment Initiative’s Annual High-level Meeting and Expert Roundtable had challenging discussions on: advancing investment policy reform in Africa; making the most of the African Peer Review Mechanism (APRM) and the Policy framework for Investment (PFI) for improving the continent’s business climate (following up on the 2006 Brazzaville and 2007 Lusaka Roundtables); and investing in African transport infrastructure. The Initiative’s focus on private sector engagement in infrastructure was strongly supported. High-level representatives from NEPAD and OECD countries have issued the following conclusions:

1. Ministerial Forum: advancing investment policy reform in Africa

- While the global financial crisis has already affected revenue flows to the continent, the Forum felt that Africa’s progress in reforming the investment framework is likely to mitigate its impact. More should however be done.

- President Museveni, in highlighting the implications of the crisis, stated that “the prescriptions of yesterday will not be relevant today”. This will entail a balanced assessment of the needed reforms at this juncture.

- It was considered that consolidating investment policy reform was critical to avoiding a backdrop. African governments can still reduce the cost of doing business, particularly for SMEs, through simplifying and further improving the regulatory framework.

- Examples of good practices were highlighted. Amongst others, they included the launch of Zambian Development Agency, and Kenya’s streamlining of business licenses, retaining only those which promote environmental or health policies.

2. Strengthening investment policy reform through peer learning and active private sector engagement

- The APRM was unanimously considered as a critical step forward in achieving good governance in Africa. African countries could further strengthen their economic governance through enhancing the investment component of the APRM.
The APRM Secretariat has indicated that it is revising the Questionnaire for Country self-Assessment in collaboration with the AfDB. It will consider how to practically include a specific business climate-related component in the Country Questionnaire. The NEPAD/OECD Africa Investment Initiative can be a useful platform to deepen this review process.

Partner institutions – including the ICF and the Initiative – are encouraged to support the investment component of the National Programmes of Action.

3. Making optimal use of policy tools for reform of the investment framework

Participants highlighted that Africa must recognize the need for investment policy reforms. African countries are encouraged to keep improving their business climate through self-assessing their investment frameworks, while taking advantage of various investment policy tools such as the PFI.

Investment policy reforms should also be tailored to domestic investment needs, especially as regards SME development.

The introduction of the PFI into Japan’s and Finland’s bilateral ODA was welcomed. The meeting took note that the Initiative will keep taking advantage of the PFI for supporting national investment policy reforms in African countries that have expressed interest, such as Rwanda and Mali.

4. Investing in regional road infrastructure

The link between adequate transport infrastructure development, economic growth and poverty alleviation was strongly emphasized.

Efforts made by East Africa in deepening its regional integration were commended.

African governments are called to harmonise their infrastructure policies, procedures, guidelines and standards. There was agreement on the importance of careful upstream project preparation, strengthening local financial markets, and institutional capacity-building at the REC and country levels.

East African governments are encouraged to: (i) update the EAC Treaty Provision on joint financing of regional projects; (ii) establish an East African Transport Authority to coordinate the management, development and maintenance of regional roads and railways.

All stakeholders are urged to take advantage of available facilities for the development of infrastructure projects, such as the NEPAD-IPPF, the NIIF, and the G8’s REC Capacity-Building Initiative.

5. Furthering private investment in road infrastructure

It was recognized that the gap between Africa’s needs and existing infrastructure in the transport sector is enormous. Main constraints to increasing private investment in road infrastructure must crucially be addressed.
With strong public backing, the private sector is called to: (i) Ensure maximum benefits for local communities by employing local contractors in road projects to the greatest possible extent; (ii) contribute to evaluating and managing the social and environmental impacts of its activities.

Governments are encouraged to improve regulatory frameworks and contracting arrangements, and to prioritise road maintenance, including through enhancing road funds’ autonomy and developing performance-based contracting.

The Initiative will work closely with the Development Centre and African countries to assess ways and means of promoting domestic and foreign investment in the road sector, notably so as to tap into the vast financing potential of Sovereign Wealth Funds (SWFs).

Development partners and African institutions could: (i) consolidate risk-mitigation tools to ensure successful PPPs; (ii) streamline infrastructure facilities to guide upstream project preparation, possibly within a common platform such as the ICA.

6. Steering group guidance for the future

There was strong support for keeping private investment in infrastructure as one of the core issues that should be addressed by the Initiative’s future events and processes. It was proposed that next year’s roundtable focus on private sector involvement in the energy sector.

The Steering Group asks the Initiative to support the strengthening of the business climate-related components of the APRM, particularly as for supporting the investment dimensions of the National Programmes of Action.

As a co-convenor of regional and multilateral institutions, the Initiative is encouraged to support investment climate reform at the subregional level, with RECs.

The NEPAD and OECD Secretariats will set up a joint working group to follow-up on the outcomes of the Roundtable and Steering Group, and to keep the Steering Group posted on progress with the Initiative’s implementation.

Countries and RECs are also encouraged to take ownership of some of the Initiative’s future priority issues through leading thematic task forces.