

investment, anti-corruption, corporate governance, competition, financial markets, public debt management and private pensions

The changing world economy and the role of the OECD

The international economy is experiencing a period of unprecedented change, becoming increasingly integrated and interdependent. New economic actors are emerging and governments and businesses must often adapt to unforeseen market forces.

The OECD helps shape social and economic policy both within and outside its membership. In the face of new challenges, the OECD is broadening and deepening its relations with non-members around the world using its own proven methodology. The OECD's unique working methods, based on peer review and analysis, have contributed to the sound economic expansion of its members and now many non-members in every region of the world.

It is in this spirit that the OECD engages African countries individually, and regionally, in peer to peer dialogues on critical policy issues.

Supporting governments and business in a range of policy areas

www.oecd.org/daf

The Directorate for Financial and Enterprise Affairs (DAF) seeks to improve the quality of governance for business and markets by analysing emerging trends and preparing recommendations that favour policy convergence and best practices for national action and international co-operation. Working with government officials, DAF's work covers international investment; anti-corruption; corporate governance; competition law and policy; financial markets; public debt management; insurance and private pensions. These activities are often conducted in consultation with representatives of business, finance, labour and other non-governmental organisations. Non-member governments – including African countries - are increasingly integrated into the work of DAF and its search for best policy practices.

For more information on DAF work with non-members:

www.oecd.org/daf/nme

DAF's work, directed by its six Committees (Investment Committee; Working Group on Bribery; Steering Group on Corporate Governance; Competition Committee; Committee on Financial Markets; and the Insurance and Private Pensions Committee), often results in recommendations, standards, principles and sometimes legally binding obligations, which are then subject to follow-up monitoring or peer review to promote effective implementation.

NEPAD-OECD Africa Investment Initiative

www.oecd.org/daf/investment/africa

For more information on the Policy Framework for Investment (PFI):

www.oecd.org/daf/investment/pfi

For more information on the OECD Principles for Private Sector Participation in Infrastructure:

www.oecd.org/daf/investment/ppp

For more information on the OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones:

www.oecd.org/daf/investment/wgz

As investment becomes the main driver of globalisation, sound policies towards investment are vital to prosperity in OECD and non-member countries, to help less advanced countries integrate in the international economy and generate development, open new markets and achieve a level playing field. The *NEPAD-OECD Africa Investment Initiative* aims to improve the capacity of African countries to identify and implement concrete policy reforms that strengthen the investment environment, taking advantage of OECD's peer learning method and investment instruments of co-operation such as the *Policy Framework for Investment (PFI)*, the most comprehensive multilaterally-backed investment policy instrument. The *Initiative* featured highly in the 2007 G8 Heiligendamm Summit.

The *Initiative's* work has helped NEPAD (New Partnership for Africa's Development) countries improve the investment-related content of Africa's peer review process (APRM) and enhance capacities to implement investment climate reforms in sensitive sectors such as water and sanitation.

The 2006 Brazzaville Roundtable started a promising dialogue between the APRM Secretariat, other NEPAD actors and reform oriented countries striving for a more robust investment dimension in the APRM and saw the first endeavours by African countries to use the PFI for self-evaluation. The 2007 Lusaka Roundtable brought together NEPAD and APRM actors and achieved its objectives: (i) the investment climate content of the APRM will be strengthened drawing inspiration from the PFI; the PFI User's Toolkit received special attention; (ii) the Roundtable brought together high-level water and sanitation experts and significantly advanced the OECD project on applying the OECD Principles for Private Sector Participation in Infrastructure to this sector.

The *Initiative* is guided by a Steering Group, and chaired by the NEPAD Executive Head with vice-chairs from South Africa and Japan. It is composed of all major NEPAD actors, OECD countries and donors, as well as representatives from the Regional Economic Communities (RECs), the NEPAD Business Group and the NEPAD Business Foundation representing private enterprises. Also participating are the African Partnership Forum Support Unit, OECD Development Assistance Committee, Investment Climate Facility, World Bank, UNCTAD and other partner organisations.

Future steps of the *Initiative* will include PFI-based peer investment policy reviews of pilot countries, policy frameworks for infrastructure investment in support of regional integration and multi-stakeholder dialogue on doing business in weak governance zones based on the *OECD Risk Awareness Tool*. The 2008 annual high-level meeting of the *Initiative* will take place in Uganda in early December 2008, hosted by the Government of the Republic of Uganda and jointly organised by the NEPAD and the OECD.

Adherence to OECD Investment Instruments

For more information the OECD Declaration on International Investment and Multinational Enterprises :

www.oecd.org/daf/investment/instruments

MENA-OECD Investment Programme

www.oecd.org/mena/investment

In July 2007, Egypt became both the first Arab country and first African country to sign the *OECD Declaration on International Investment and Multinational Enterprises*. An OECD investment policy review of Egypt has been published.

Since its launch in 2005, the *MENA-OECD Investment Programme* offers a forum for results-oriented policy dialogue among MENA and OECD practitioners. This innovative partnership serves to share know-how on best practices and lessons learned in implementing investment reforms. Building on the OECD model of peer review, policy experts work closely together to design innovative solutions, tailored to the specific policy environments of each MENA country. MENA countries identified five investment reform areas to structure the regional dialogue:

- Transparent and open investment policies
- Encouraging Investment Promotion Agencies and business associations to act as driving forces for economic reform
- Providing a tax framework for investment and assessing incentives
- Promoting policies for financial sector and enterprise development in support of diversification
- Strengthening corporate governance

Anti-Corruption

www.oecd.org/corruption

Bribery and corruption are major global concerns distorting markets, undermining the rule of law, damaging government legitimacy and harming economic development.

In June 2007, South Africa ratified the *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions* (OECD Anti-Bribery Convention) and as a result also became a member of the OECD Working Group on Bribery. South Africa is the first African country to join the OECD Anti-Bribery Convention. The Anti-Bribery Convention makes it a crime in Working Group member countries for companies from those countries to bribe African public officials. A number of Working Group members are currently investigating allegations of bribery by their companies in African countries.

The OECD is developing a joint *Anti-Bribery and Business Integrity Initiative for Africa* with the African Development Bank to support interested African countries in strengthening their frameworks and practices to curb bribery of African public officials in business transactions. Working in partnership with other international organisations and key players in the region, the *Initiative* will focus on policy dialogue between different stakeholders - governments, civil society, private sector, international donor community - and provide a mechanism to assess progress using

For more information on the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions: www.oecd.org/daf/nocorruption/convention

international instruments as a standard, primarily the Anti-Bribery Convention and the UN Convention Against Corruption.

In 2008, selected African countries are participating in a review of business integrity measures and anti-bribery policies for the purpose of assisting African countries in identifying and implementing reform priorities at both regional and country levels.

Corporate Affairs

www.oecd.org/daf/corporateaffairs

For more information on Privatisation and Corporate Governance of State-Owned Enterprises, including the OECD Guidelines on Corporate Governance of State-Owned Enterprises:

www.oecd.org/daf/corporateaffairs/soe

Good corporate governance underpins the integrity of corporations, financial institutions and markets, and is central to the health of our economies and their stability. The *OECD Guidelines on Corporate Governance of State-Owned Enterprises* now serve as a global benchmark for countries introducing governance reforms in the state-owned sector. Furthermore, the Africa Union (AU)/NEPAD have endorsed the *OECD Principles of Corporate Governance*.

In southern Africa, the role of state-owned enterprises (SOEs) is of significant importance across a number of economies and in the regional economic framework. Poor governance structures lead to poor returns on invested government capital, ongoing government subsidies and inefficient services in key sectors. Responding to a strong demand to develop policy responses to promote an economically viable and efficient state-owned enterprise sector, the OECD has launched a policy dialogue on SOE reform with the establishment of a *Southern African SOE Network*.

The *Southern African Network* held its first meeting in Cape Town on 6-7 May 2008, involving government officials responsible for policy development and SOE oversight, as well as a range of private sector representatives from countries of the Southern African Development Community. Experts from Brazil, India, Finland and Sweden also attended. The *Network* identified priorities for reform and practical ideas on how to improve the corporate governance of SOEs in the sub-region.

In developing the *SOE Network*, the OECD has worked closely with South Africa and the Development Bank of Southern Africa. South Africa has participated as an ad-hoc observer to the OECD Working Group on Corporate Governance and Privatisation of State-Owned Assets.

The OECD is also collaborating closely with regional and international institutions concerned with supporting African efforts to develop better corporate governance in both the private sector and SOEs including the Global Corporate Governance Forum, the World Bank, the International Finance Corporation (IFC), and AU/NEPAD. AU/NEPAD has endorsed the *OECD Principles of Corporate Governance*.

For more information on the OECD Principles of Corporate Governance:
www.oecd.org/daf/corporate/principles

Competition Law and Policy

www.oecd.org/daf/clp

Governments increasingly recognise the importance of competition to robust economic performance. But competition enforcement and reforms face strong entrenched interests. The competition authorities themselves are often small, especially given the potential impact of their work on economic performance. The OECD's Competition Committee provides capacity building to non-members, including African competition authorities and judges reviewing competition cases. The collective expertise and best practices of the OECD in competition policy are shared with African countries at the annual *OECD Global Forum on Competition* and through specialised workshops. South Africa is an observer at the OECD's Competition Committee and underwent a peer review in February 2003.

Public Debt Management and Government Securities Markets

www.oecd.org/daf/publicdebtmanagement

For more information on the Public Debt Management Network for Emerging Markets:
www.publicdebtnet.org

The OECD has compiled an authoritative pool of knowledge on best practices, techniques, strategies, and operations in this special field of government activity and policy. In response to a request by the G8, the OECD has intensified its efforts to share its best practices with African debt managers, central bankers, and other financial officials involved in public debt management and government bond markets through a range of projects, and annual fora. This work improves the capacity of policymakers to prepare and execute sound debt management strategies and develop local-currency bond markets while bringing African debt managers and policymakers into an efficient and well-structured worldwide network of debt managers.

The OECD is undertaking a cross-country study of African debt management practices and the current development of local debt markets. A new network of academic experts on African public debt management and government securities markets is currently under creation.

The OECD has also launched a database of African central government debt using its own methodology to produce reliable statistical data that can lead to comparative analysis and policy recommendations. This project has enhanced awareness of public debt management and government bond markets in Africa across multiple audiences. Within Africa, policymakers have gained a greater understanding of sound practices in modern and professional public debt management, their implementation, and the development of robust local-currency government bond markets. These activities take on greater importance as many countries take advantage of debt reduction initiatives and seek to avoid falling back into positions of unsustainable debt.

At the same time, the project has enhanced awareness of advances in Africa among policymakers, investors, and others outside the continent. Emerging markets are an increasingly important asset class for investors from the OECD area. As local-currency government bond markets in Africa gain strength in terms of liquidity, maturity structure,

transparency, operational efficiency, and regulatory safeguards, they become more attractive as a destination for long-term investment by a wider range of categories of investors. African governments stand to benefit from this development, as it should lead to broader and more reliable sources of market-based funding for the public investment that is needed to grow their economies, reduce poverty, and make progress on the Millennium Development Goals.

The annual *OECD Forum on African Public Debt Management* acquaints senior debt managers and other financial officials involved in public debt management and government bond markets in African countries with OECD best practices and specific issues, and debt management policies of particular relevance to African countries.

Private Pensions

www.oecd.org/daf/pensions

Given aging populations around the world, pension reform remains a top priority for many OECD and non-OECD countries alike. The role of private pensions is growing rapidly. Reforms have led to increased reliance on private pension schemes while funding shortfalls in employee pension plans have reinforced a trend for companies to favour defined contribution plans over defined plans. Policymakers are now taking a close interest in the way private schemes are governed and the way they invest their funds.

Policymakers and regulators look to the OECD as a focal point for leadership on co-operation in addressing emerging issues. Highlighting the issues faced by developing and emerging economies, *OECD's 2008 Global Forum on Private Pensions* will be held in Kenya in October 2008, co-organised with the International Organisation of Pension Supervisors (IOPS) and the Retirement Benefits Authority of Kenya. Though a less pressing issue for Africa, developing pension systems is an important social policy – providing support for vulnerable groups in the face of social changes which are making it harder to rely on family support. Building pensions assets may also be a way to support the development of financial markets in the region. The *Forum* will cover a wide range of topics including the role of pensions in developing market economies (specifically capital market and infrastructure development), examples of national pension awareness campaigns and how to extend pension coverage to informal sector workers. A report on African pensions systems will be released at the conference. In the OECD tradition, the *Forum* will allow policymakers to exchange experiences of innovative policies and programmes across the participating countries.

South Africa is an observer to the OECD'S Working Party on Private Pensions (WPPP) of the Insurance and Private Pensions Committee. The OECD has contributed to the development of draft pension reform proposals currently under consideration by the South African government.

Selected Further Reading on OECD and Africa

Publications available on the OECD's online bookshop:

African Economic Outlook 2007/2008 ISBN 978-92-64-04585-9

Development Aid at a Glance 2007 ISBN 978-92-64-02224-9

Business for Development 2008: Promoting Commercial Agriculture in Africa ISBN 978-92-64-04469-2

OECD Journal on Budgeting, Volume 6 Issue 2: Collaborative Africa Budget Reform Initiative
ISSN 1608-7143

Development Centre Studies: The Rise of China and India: What's in it for Africa?
ISBN 978-92-64-02441-0

The Development Dimension: Fishing for Coherence in West Africa: Policy Coherence in the Fisheries Sector ISBN 978-92-64-04058-8

The Development Dimension: Cotton in West Africa: The Economic and Social Stakes
ISBN 978-92-64-02505-9

OECD Economic Surveys: South Africa - Economic Assessment - Volume 2008 Issue 15
ISBN 978-92-64-04692-4

OECD Reviews of Innovation Policy: South Africa ISBN 978-92-64-03823-3

OECD Review of Agricultural Policies: South Africa ISBN 978-92-64-03679-6

Making Reform Succeed: Moving Forward with the MENA Investment Policy Agenda (forthcoming)
ISBN: 9789264044340

Free Documentation:

Web Atlas on Regional Integration in West Africa www.atlas-ouestafrique.org

OECD and Africa www.oecd.org/dataoecd/4/32/37577026.pdf

Information and Contacts

More information on the OECD and the Directorate for Financial and Enterprise Affairs:

Visit the OECD website at: www.oecd.org.

For more information on DAF work with non-member economies visit: www.oecd.org/daf/nme

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