

ICF

THE INVESTMENT CLIMATE FACILITY FOR AFRICA

Making Africa an even better place to do business

NEPAD-OECD Africa Investment Initiative conference, December 2006

By Hugh Scott

In support of and supported by:



ICF origins

- Originated in Africa in shared efforts of several far-sighted individuals to find a practical response to Africa's investment climate challenges
- DFID and DANIDA provided seed funding to test and explore the concept
- Since 2004 the concept has gained increasing support in various African forums

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Partnership with NEPAD

- Developed with the close involvement of the African Union's New Partnership for Africa's Development (NEPAD)
- NEPAD participated in the International Advisory Group and Technical Working Group that developed and designed the ICF
- Views ICF as flagship programme of NEPAD private sector development strategy
- Professor Mucavele, Head of the NEPAD Secretariat, describes the ICF as:
 - “A good example of partnership between Africa and the developed countries, and between governments and the private sector, as well as a vehicle for accelerating the implementation of NEPAD and the African Union”
- NEPAD has observer status on the ICF Board

- Also formally endorsed and supported by
 - African Union
 - African Development Bank



Formal launch

- Formally launched at the World Economic Forum for Africa 2006, Cape Town, 1 June
- Received the full backing of Africa's premier gathering of leaders in business and politics
- Recognised as a genuine public private partnership that provides opportunities for local and foreign private corporations, development partners, African financial institutions, and African countries to invest in solutions that improve business climates on the continent

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ICF's Unique Features

- Focus is exclusively on improving the investment climate and removing barriers to growth across Africa
- Structured and governed along private sector principles with strong and sustained business engagement
- Able to deliver at national, cross-border, regional and pan-continental level
- Directed toward practical action and measurable change
- Annual performance assessment by investors
- Builds synergies with existing programmes and targets gaps
- A defined 7-year life span and exit strategy

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African political engagement

- Based in, and run from, Africa, with African ownership and engagement at a high level
- Positive involvement and responsiveness of African governments is crucial to success – ICF has the political support in Africa to make change happen
- ICF co-chair Benjamin Mkapa plays a high-profile role in liaison with African governments and other relevant organisations and institutions
- Recognition that high level decision-makers and implementers must be actively involved in ICF interventions to ensure their success and sustainability
- Clear commitment of political support for implementation is a core criteria for ICF project selection

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Board of Trustees



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Dr Nkosana Moyo



Lazarus Zim

ICF Activities

- Building support for change
 - Evidence-based advocacy, promoting and improving public-private dialogue, bringing together key players to identify priorities for reform and strategies for implementation
- Implementing change
 - Helping African governments to improve the regulatory environment, developing institutional capacity, strengthening enforcement, facilitating access to good quality data to aid decision-making
- Promoting investment directly
 - Addressing negative perceptions, publicizing reforms and success stories

Targeted Priority Areas

- Property rights (incl. IP) and contract enforcement
- Business registration and reducing red tape
- Customs and tax systems and regulations
- Financial markets
- Labour markets
- Competition
- Infrastructure facilitation incl. reform of ICT regulations
- Corruption, crime, corporate governance

Projects under consideration

- US\$12.9m approved
- Rwanda Investment Climate Project
- NetTel Africa – telcoms regulation
- Africa Law Institute
- VAT repayment delays
- BAFICAA Customs Reform
- And more to come

Where the ICF will work

- The ICF will be guided in its selection of where to work using a competitive country selection process based on the demonstrated strength of the country's commitment to act on reform recommendations
 - e.g. APRM participation
- Where possible, ICF will seek to support proposals with potential to be rolled out at regional level
 - Implement a project in a country on a pilot basis where conditions for success are optimal
 - Once success has been achieved, work with other countries to introduce a proven reform process

Funding

- Current capitalisation for first 3 years of operation = US\$150m (committed and pledged funds)
- Donors and investors:
 - UK, the Netherlands, Ireland, Norway , EU, Germany
 - World Bank's International Finance Corporation
 - African Development Bank
 - 7 multinationals – Anglo-American, Celtel, Coca-Cola, SABMiller, Shell, Standard Bank, Unilever

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Maximising value from investors

- Corporate investors bring their business expertise and experience of doing business in Africa to the table
- Donors and investors have appointed individuals with extensive experience of working in Africa to sit on a *Technical Advisory Committee* – which provides input into project development and selection.
- Valuable source of knowledge and in-country experience
- Ensures synergies with existing initiatives and highlights genuine priorities and gaps to be addressed

The private sector's role

- “Unilever’s business experience throughout the developing world will contribute to making the ICF an effective results-driven organisation. We have a wide range of technical expertise and management capability which we can bring to the partnership... We want to work with the ICF to lift the constraints that currently exist for business in terms of bureaucracy, capacity, finance and good business planning. Our experience of working collaboratively with government, donors and local communities will also add value.”
 - *Harish Manwani, President of Unilever’s Asia and Africa business*
- “We believe that the private sector is the engine for growth in Africa. International investors, small businesses and entrepreneurs must be able to take advantage of the many business and investment opportunities that Africa has to offer. Our experience as a leading multinational brewer, with our origins in Africa, will enable us to contribute significantly to the ICF.”
 - *Graham Mackay, Chief Executive SABMiller*

The private sector's role

- “If enabled to do so, it is the private sector that will create the jobs and wealth needed to reduce poverty. There are too many barriers to trade and enterprise in Africa – barriers caused by lack of infrastructure, barriers caused by bureaucracy or corruption, barriers caused by bad legislation, barriers raised by lack of secure property rights or by an inability to raise capital.”
 - *Sir Mark Moody-Stuart, Chairman, Anglo American plc*
- “ICF is a bold and innovative initiative that will play a crucial role creating the conditions for enterprise growth in Africa – and through that, the sustained reduction of poverty. The hard work begins today, but its unique structure, which brings together those who best understand the business environment in Africa, makes its success all the more likely.”
 - *Kurt Hoffman, Director of the Shell Foundation*

Project implementation/ ICF Business model

- Wherever possible, implementation will involve a 'task force' approach - coalitions of key actors from public and private sectors
- Aim is to ensure that the people responsible for making reform effective are involved from the outset, in identification of issues and planning of interventions, securing their commitment from the outset
- Task Forces will be issue/country/region specific, and have a dedicated team directed by the ICF
- All projects will be committed to and measured by specific outputs and operate against a clear timetable

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Measuring success

- ICF will measure performance against 2 key indicators: reform achieved and new economic activity generated
- KPIs include observable increases in productive investment, firm start-ups, jobs created, increased levels of trade and production

Evaluating impact

- ICF investors as a group will commission independent assessment of the ICF's performance and impacts every 2 years, against objective investment climate indicators
- ICF is committed to an annual review of its own performance against KPIs
- Draw down of investor funds for each new financial year is dependent on successful performance against KPIs
- ICF Board accounts formally for the ICF's work and budget to ICF investors, and will make periodic progress reports to NEPAD and African Union

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Contact details

e-mail: hugh@investmentclimatefacility.org

www.investmentclimatefacility.org