



**Roundtable on Mobilising Private Investment in Africa in Support of Development: Laying the Foundations for Sustained Progress**

## **Opening remarks for Mr. Kiyo Akasaka Deputy Secretary-General, OECD**

### **Introduction and credits**

Honourable President Sassou-Nguesso, Ministers, distinguished guests, ladies and gentlemen it is a pleasure to be here. It is both fitting and symbolic that this roundtable on Mobilising Private Investment in Africa in Support of Development is taking place in the Republic of Congo, which is the current Chair of the African Union.

Allow me to start by thanking our Congo hosts for their generous hospitality and excellent collaboration in organising this roundtable. In particular, I would like to extend our special gratitude to Ministre Pierre Moussa and his team for all they have done to make this dialogue possible. I also welcome the co-operation from the NEPAD Secretariat and the collaboration with the organisations that are represented here today, which are working to achieve a shared objective: addressing the obstacles to mobilising investment in support of Africa's economic development.

### **What is the OECD?**

At the outset, I would like to say a few words about the OECD, which in many ways is a unique organisation. We are not a donor agency; however, through our Development Assistance Committee (DAC), donor governments come together to increase the effectiveness of their aid and co-ordinate their development efforts. Nor do we have any executive powers. Our mandate is to promote economic growth and development in countries throughout the world. We promote market-based economies supported by good governance and open, rules-based and non-discriminatory investment and trade policies.

We do this by carrying out evidence-based analyses and policy dialogues, sharing experiences, developing policy recommendations and policy tools and instruments based on best practice, and monitoring countries through peer review. And we do this in a wide range of policy areas, including investment, development, trade, and agriculture to name just a few. Our peer reviews provide an opportunity for learning from each other, while recognising that policy prescriptions cannot simply be lifted from one country's experience and transplanted to another.

### **OECD's co-operation with Africa**

The OECD cannot do its work in isolation. We have to reach out to non-members, especially in areas like international investment. This is why dialogue with African countries has always been an important part of our work. Johannesburg for instance, hosted the OECD Global Forum on International Investment in November 2003 where the Investment for Development

Initiative was launched. It oversees all our investment related co-operation activities with non-Member economies.

OECD relations with Africa have been strengthened since the debut of NEPAD. Contacts were organised in May 2002 between the Ministers of OECD Member countries and their colleagues on the African Union/NEPAD Steering Committee. As a result of this dialogue, the OECD was entrusted with a mandate that calls for it to co-operate with the AU/NEPAD. Earlier this year, a Support Unit for the African Partnership Forum was established in the OECD. The role of this Support Unit is to strengthen the development partnership in Africa and, in particular, on supporting the Africa Partnership Forum in carrying out its mandate. I am pleased that its Director, David Batt, has been able to participate in this meeting.

Specifically, the OECD supports the AU/NEPAD's objectives in four domains:

- i. The African Peer Review Mechanism;
- ii. Peer learning and policy dialogue in support of reform;
- iii. Aid policies and aid effectiveness; and
- iv. The monitoring of development trends and progress.

**How is the OECD fulfilling this agenda?** There are many dimensions to this mandate, but I shall talk on the key area of interest to us, and which cuts across all four domains. That is the mobilisation of investment, both domestic and foreign, in support of development. There is no region in the world where private investment is needed more than in Africa. The ability to attract and mobilise investment addresses the sources of under development, and not just the symptoms and thus is crucial for sustaining higher living standards and reducing poverty.

Even though domestic investment and foreign investment inflows have both expanded vigorously over recent years, Africa as a whole remains a net exporter of capital. And foreign investment is concentrated in a small number of African countries. Overall, FDI inflows represent 3.5% of global international investment, yet Africa accounts for 14 per cent of the world population.

**The need to mobilize additional investment, both domestic and foreign is enormous.**

To give one example, a recent report by the International Energy Agency – a sister body of the OECD – has estimated that Africa's cumulative investment requirement in energy supply infrastructure alone, is in the order of US\$1,402 billion over the next 25 years. That is equivalent to US\$56 billion every year, or 6 per cent of Africa's annual GDP.

The biggest energy infrastructure investment needs in Africa are in oil and power generation and distribution. Decades of underinvestment and neglect in infrastructure have left more than half a billion Africans in the sub-Sahara area without electricity, and those with access often face supply disruptions. That is equivalent to three quarters of the continent's population. To help address such pressing issues, the DAC recently approved guiding principles for donors on using infrastructure to reduce poverty and promote economic growth.

A point often missed is that inadequate infrastructure development and a poor investment climate more generally, adds to the cost of doing business. According to the World Bank, doing business in Africa is 30 per cent more expensive than in any other region. Part of this extra burden is linked to poor infrastructure, raising business overheads. Another part is due to bad policies or their poor application in areas such as customs clearance and border controls, which delay the transit of goods and are a source of corruption.

It means that the international competitiveness of African businesses suffers, reducing investment opportunities across all sectors of the economy. This damages job creation and poverty reduction and keeps Africa's markets fragmented.

The irony is that we are all aware of the enormous investment possibilities in Africa. Taking again infrastructure as an example, I recently read that the potential hydro-electricity generating capacity from the Congo river, which flows several kilometers from where we are seated this morning, is 39,000MW, twice that of China's Three Gorges dam. Actual capacity at Inga, however, is just 1700MW.

By dwelling on the low level of infrastructure development in Africa, I do not wish to be labeled an "Africa pessimist". Rather, my point is to contrast the large gap between Africa's investment needs, its enormous potential and the current situation, taking infrastructure as an example.

**How then, can Africa's investment potential be unlocked?** The short answer to that question is that there is no single policy that a government can use to mobilise investment. Rather, OECD experience and analytical work suggests that the most effective way to realise the full potential for investment to contribute to sustainable growth is to put in place the right framework conditions. There is a general agreement, embodied in the Monterrey Consensus, that these conditions include sound macroeconomic and regulatory policies, openness to investment and trade, non-distorting tax policies and an emphasis on advancing human resource development, through education, training and better population health.

**But where should the priorities be set and how best can these policy goals for mobilizing investment be pursued in an African country context?** Translating the general principles of a conducive investment climate into specific policy action and the development of investment climate reform programmes suited to the context of African economies is the purpose of the NEPAD-OECD Africa Investment Initiative.

The *Initiative*, which is being launched here in Brazzaville today aims to contribute to the effective implementation of the Monterrey Consensus and the advancement of the Millennium Development Goals on the African continent. It has four distinct, yet related objectives. These are:

- i. To support African government efforts to develop an integrated policy roadmap based on concrete measures for improving the investment climate;
- ii. To raise the profile and image of Africa as a place in which to invest;
- iii. To give an African voice in international dialogue on policies for investment; and
- iv. To strengthen and support African countries' own capacity to design and implement a result-oriented national reform agenda to improve the investment climate.

### **What do we hope to achieve during this roundtable ?**

Over the next two days we want to discuss with you first how the Policy Framework for Investment (PFI) could be used as a self-diagnostic tool in an African country context and second, we want to examine and pilot ways in which the PFI helps to improve the capacity of African countries preparing an investment policy reform Action Plan as a part of the APRM process.

**What is the PFI?** I am sure that many of us in the room today have never heard of the PFI. Session 1 will explain the PFI in detail, as well as introduce the complementary DAC guidance to donors on using ODA to promote private investment for development. But let me say a few words about the PFI here. The PFI represents the most comprehensive multilaterally-backed approach to date for improving investment conditions. It addresses some 82 questions to governments in 10 policy areas to help them design and implement good policy practices for attracting and maximising the benefits of investment. Importantly, it is not a set of rules or obligations, but a tool based on the common values of rule of law, transparency, non-discrimination, protection of property rights in tandem with other human rights, public and corporate sector integrity, and international co-operation. It was developed

by a Task Force consisting of government officials from about 60 OECD and non-OECD economies, including half a dozen African countries.

**The launch of the NEPAD-OECD Africa Investment Initiative is opportune.** Favourable resource prices, price stability, economic growth and political predictability are now more firmly in place in more African countries than has been the case for a long period of time. This makes me confident that a growing number of African countries are poised to take advantage of the large investment potential that lies unexploited in Africa. Much of what is left to do is to tackle the obstacles that hamper the potential from being realised.

**In conclusion and to put it in a nutshell,** we are working with NEPAD and others to improve the investment climate in African countries through the application of policy tools for practitioners, through advice on how to improve outcomes and through analytical work on comparable indicators and benchmarks. This is a challenging program and we should start with learning what has worked, what needs to change and what is feasible in terms of evaluation. This roundtable is the beginning of that process.

I look forward to a very productive dialogue and discussions in the next two days.

Thank you for your attention.