NEPAD/OECD INVESTMENT INITIATIVE

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Investment for African Development: Making it Happen

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OPENING REMARKS BY KIYO AKASAKA, DEPUTY SECRETARY-GENERAL, OECD

Mr. President, Your Excellencies, Ladies and Gentlemen,

It is a great pleasure for me to be here with you today. Let me first introduce myself. I am Kiyo Akasaka, Deputy Secretary-General of OECD.

On behalf of the OECD, as one of the joint organisers of this roundtable, I would like to express our gratitude to the President of the Republic of Uganda, His Excellency Yoweri Museveni, for hosting the Roundtable and kindly agreeing to share his thoughts on investment for African development with us today.

I would also like to introduce my co-chair in this session, the representative of our African partners, Mr. Maxwell Mkwezalamba, Commissioner for Economic Affairs of the African Union. Finally, welcome to you all, and our warm thanks to many of you who have had to come a long way to contribute to this important event.

Standing here today, I cannot help noting how extremely timely this roundtable is. As a foreigner in Africa one notices these days a new optimism, a fresh sense of direction and of determination. Today, a growing number of countries have embraced ambitious reform agendas and have, in recent years, been rewarded with encouraging rates of economic growth.

The OECD and African Development Bank's recent African Economic Outlook estimates that the African economy is presently growing at a healthy rate of around 5 per cent in 2004, a rate which is likely to be maintained over the next couple of years. And while some countries continue to face serious problems, prospects for much of Africa are more favourable than they have been for many years. The underlying causes for this pick-up in growth include: higher global commodity prices, significant increases in official development assistance, recovery of agricultural production, new oil fields, and improving macro-economic stability.

A sense of new determination in Africa is buttressed by a number of common undertakings, owned and driven by the continent itself. I would like to stress the role played by the New Economic Partnership for African Development (NEPAD), which for many OECD countries served as a wake-up call, alerting policy makers and businesses to the new willingness among the continent's countries to work together.

One of the essential messages of the Monterrey Consensus, agreed by 183 countries in 2002, was that it emphasised private investment, including foreign direct investment (FDI), as a main source of development finance. This international consensus that putting countries on a sustainable growth path will have to rely principally on private investment is also reflected in NEPAD's current investment priorities. The Africa Partnership Forum, which includes the G8, has similarly pledged to support NEPAD programmes to enhance the business climate (e.g. Investment Climate Facility initiative).

Hence the title of this Roundtable: "Investment for African Development". Across the world policy makers have come to realise that they are not going to see much growth unless they put in place macroeconomic and institutional environments that induce households and entrepreneurs to invest. For the most part, this same economic environment will also make a country an attractive location to large international operators.

A 2002 OECD survey of the experiences with direct investment for development documented that FDI: (1) improved integration into the global economy by bolstering foreign trade flows; (2) had important effects on economic efficiency by increasing competition and enterprise restructuring; (3) had spillovers such as technology transfer and human capital formation; and indirectly improved public governance for the benefit of all businesses.

FDI to African countries last year amounted to more than US$ 15 billion – which is high by past standards but still represented only 3 per cent of global flows. On the other hand, FDI is perhaps best measured not in dollars and cents but in terms of its potential impact on the host economy. An average African country has an inward FDI stock corresponding to about 30 per cent of domestic GDP. This is higher than most OECD countries. However, African FDI is unusually concentrated in the resource based industries, and the real challenge for policy makers is to broaden the sectoral appeal of their national economies.

Uganda, to give an example of reform, has a 10-year-old programme to improve the investment climate which has paid handsome dividends. The economy grew at above 5% per year in recent years, and the share of its population living below the poverty line fell considerably.

The second part of the title of the Roundtable is "Making It Happen". There can be no doubt that "to make it happen" the driving force must be the countries of the region. Strategies to mobilise investment for development must necessarily be based on local African "ownership". How then can outsiders help? They can act as partners and share their experiences, positive and negative, as African countries take steps to enhance their investment climates and put in place necessary reforms.

Partnership with OECD countries manifests itself, first, through the disbursement of development assistance. Out of a total worldwide development aid of just under US$ 80 billion in 2004 the African continent received about US $25 billion. Much of this was spent in areas – such as infrastructure and institutional and regulatory reform – that are directly relevant to the investment climate, although increases in African ODA since 2003 have been driven considerably by debt relief and emergency aid. The recent report from the Commission for Africa recommended that the amount of ODA to Africa be doubled. Such calls for higher aid amounts have not gone unheeded. Many OECD countries are presently in the process of increasing their foreign assistance. The OECD tracks aid commitments made by donor countries to 2015, and the amounts promised so far will translate into an additional US $18 billion aid for Africa.

There is also a fresh emphasis on solving governance issues, and on a need for capacity building. This is an area where I believe the OECD can be of great assistance to African countries. First, we are a forum for policy cooperation in areas stretching from agriculture, to regulatory reform, to investment policy, to general economics.

Secondly, while most of our member countries are well off, many of them were far from rich when they joined the Organisation. For instance, when Japan joined the OECD in 1963, its per capita GDP was about $ 5,100 (in 1990 dollars), the level which Gabon reached in 1967, Mauritius in 1985, and Equatorial Guinea in 1998. Japan and many of our members have developed modern economies in a process of partnership with the other OECD countries. We see ourselves as partners in development and as a forum for sharing experiences between policy makers and other stakeholders.

Today's Roundtable, organised jointly with NEPAD, serves as an illustration of our approach, and is intended as crucial stepping stone in our cooperation with African countries, with NEPAD and the African Union. The themes that are considered on days one and two – investment climate and private participation in infrastructure – were suggested by African participants in OECD's 2004 Global Forum on International Investment in support of ongoing efforts by NEPAD. The special seminar on day 3 – on the Asian-African perspective – grew out of discussions between JICA and JETRO of Japan and the joint organisers.

What are the OECD's expectations to this important event? First, we look forward to hearing the regional players' views – on investment policy challenges, certainly, but even more importantly on the specific policy areas in which they wish to move forward in partnership. Secondly, we hope to use the opportunity to see if some concrete channels for exchange of information, follow-up and progress reporting can be established for the future.

Each element of the Roundtable's agenda has been selected with these twin objectives – African ownership and future cooperation – in mind.

- In Session 2, the discussion of regulatory approaches to FDI could lead to a joint undertaking to review practices and raise transparency in this area.

- Session 3 serves as a consultation on our evolving Policy Framework on Investment. Developed at the OECD with interested African and other non-OECD partners, this product will in the future be offered to policy makers as a checklist against which to self-evaluate and review their investment policies.

- Session 4 draws together some of the main organisations assessing the investment climates of African countries – to compare approaches and to listen to the priorities of the Roundtable participants.

- Session 5 discusses recent experiences with private participation in infrastructure and is expected to lead to a common undertaking to review the progress of ongoing projects.

- The special seminar on the last day will discuss the usefulness of Asian experiences to African countries and explore options for future cooperation as we go ahead.

Finally, I have an announcement to make: for OECD's investment community, working with African countries in the coming years will not be "business as usual". The OECD Ministerial meeting three weeks ago gave the Organisation a strong impetus to "strengthen co-operation with African countries to raise private investment… in their overall efforts to achieve the Millennium Development Goals"[1]. The Ministers also gave support to a proposal by Japan to strengthen co-operation with African countries to raise private investment, both domestic and foreign, in their overall efforts to achieve the Millennium Development Goals. Details of this important proposal will be elaborated by the Japanese representative during this Roundtable.

[1] From the 2005 MCM Chairman's Summary.

Our plan is to partner with regional organisations and individual countries seeking to (i) address regulatory and other impediments to private investment; (ii) identify priority areas for creating a better investment climate using the Policy Framework for Investment as an aid; (iii) assist in pilot self-evaluation and progress reviews with volunteer African countries; (iv) engage the donor community in support of the process; and (v) evaluate the results of these exercises in cooperation with African Union/NEPAD.

In other words, we foresee a much stronger and more engaged cooperation with African countries on investment for development. The question is how. We're here to learn, from you, how the OECD's unique approach and experiences can best be used to assist African countries. And we're here to discuss with you how to get such an undertaking on track and moving forward.