OECD SUSTAINABLE INVESTMENT PROGRAMME FOR AFRICA
OECD Sustainable Investment Programme for Africa (SIPA): key features, achievements and areas of action

Introduction

Prior to the pandemic, much of Africa had seen positive economic growth. The health and economic crisis brought on by Covid-19 hit African economies hard, creating new structural challenges and accentuating existing ones, from insufficient competition to skills shortages, inadequate infrastructure, political instability, poor governance, and weak regional integration. African governments need to prepare for further reforms to promote recovery, foster greater resilience, improve the business climate, and further enhance the development impact of FDI to regain sustainable growth. Demographic projections in Africa show the need to generate millions of new jobs: by 2050, the continent will be home to nearly 2.5 billion people – twice as many as today.

The implementation of the African Continental Free Trade Area (AfCFTA) will be an opportunity for Africa to build resilience and enhance trade and investment. As the largest free trade area in the world, comprising a market of over 1 billion people and worth USD 3.4 trillion, the AfCFTA is expected by the World Bank to increase intra-African trade by 80% and extra-African trade by 19%, opening up opportunities for African economies in terms of development of intra-African value chains. Its Investment Protocol currently being negotiated is also expected to increase the share of intra-African FDI and further promote industrial development and inclusive growth among African economies.

This brochure provides key features and achievements of the OECD Sustainable Investment Programme for Africa, as well as possible actions for the future.

The OECD Sustainable Investment Programme for Africa

Since 2005, the OECD Sustainable Investment Programme for Africa (SIPA) has become an important framework to support investment policy reform at country and regional level, building on OECD methods of policy dialogue and peer learning and leveraging OECD practices, tools and internationally recognised standards developed in the Investment Committee. It has helped countries benchmark their existing policies regionally and globally and against OECD best practice in areas affecting investment to help set priorities for reform.

SIPA builds on increasing global, regional and national efforts to foster sustainable development and improve the framework for private investment in the region. The Programme is under the responsibility of the Investment Committee. It builds on complementarities and comparative advantages vis-à-vis other international and bilateral
initiatives and leverages horizontal co-operation within the OECD. Its main objective is to support African countries in their efforts to identify and implement reforms conducive to a more favourable environment for private investment in order to spur productivity growth, job creation, and poverty reduction.

**Key features of the Programme**

Distinctive features of SIPA are that it:

- is a platform developed jointly at country and regional level that focuses on investment and closely related themes, drawing on OECD policy standards and instruments and leveraging the OECD multidisciplinary knowledge to help African countries and Regional Economic Communities (RECs), the African Union Commission (AUC) and the AfCFTA Secretariat to design and implement policy tools according to their own needs and priorities;

- replicates the OECD model of policy dialogue and peer learning at the regional level, with experience from other regions and countries (OECD and non-OECD);

- supports the global and regional agenda (the G20, UN’s 2030 Agenda for Sustainable Development, and African Union’s Agenda 2063).

**Delivery and impact**

The Programme has provided policy advice to African countries and selected implementation support both at regional and national levels. Policy dialogue at regional level stimulates and accompanies reform processes by building awareness on the importance of sound investment policies and encouraging exchange of experiences. Work at the national level complements the regional work and leads to in-depth and complementary policy advice and recommendations through the conduct of *Investment Policy Reviews* (IPRs) based on the *Policy Framework for Investment* (PFI) and specific tools to help governments evaluate their investment policies in sectors of importance to development such as the *Policy Framework for Investment in Agriculture* (PFIA) and the *Policy Guidance for Investment in Clean Energy Infrastructure*.

Investment Policy Reviews have been conducted with dozens of countries worldwide, including over a dozen IPRs in Africa: Botswana, Burkina Faso, Egypt (2007, 2020), Mauritius (2014, forthcoming 2023), Morocco (2010, forthcoming 2023), Mozambique, Nigeria, Tanzania, Tunisia and Zambia. The PFIA has been used by Burkina Faso and Tanzania to improve their agricultural investment climate.

The Programme has also contributed, together with other OECD efforts, to strengthening the voice of the OECD in discussions on Africa at the highest levels, including in the G20.

**Collaborating across the OECD and with international organisations, donors and other stakeholders**

Strengthening cross-OECD collaboration has been an underlying principle of the Programme’s work, leveraging expertise and complement the activities of different OECD Committees (such as the Committee on Fiscal Affairs as well as the Trade Committee and the Public Governance Committees) and other fora. This includes the Development Centre
and its Policy Dialogue on Global Value Chains, Production Transformation and Development), and contributing to OECD-wide strategies on sustainable development and inclusive growth.

To underpin the implementation of its work programme, the Programme has also closely co-operated with donors and international organisations such as the African Development Bank, European Commission, Finland, the German development agency (GIZ), Japan, Switzerland, USAID and the World Bank. Such partnerships have been of particular value as they help promote synergies and prevent duplication of efforts. The Programme has also been active in promoting co-operation with the business sector and local research institutions and academia, particularly for work in the Southern African Development Community (SADC).

Since 2015, SIPA has worked with SADC Member States to improve the investment climate at national and regional level. This support was mainly provided through policy dialogue and related policy analysis, including measuring of progress. Co-operation with relevant stakeholders has reinforced this support.

The Programme played a central role in elaborating a leading regional roadmap – the SADC Investment Policy Framework (IPF) – to help the 15 SADC Member States meet their growth challenge by placing transparent and accountable institutions, market access and competition, inclusiveness, and economic integration at the centre of the region’s strategy for attracting sustainable private investment. Drawing explicitly upon the OECD’s Policy Framework for Investment (PFI) and a regional investment climate assessment conducted in 2014-15, the IPF has become a reference instrument for investment-related reforms among SADC Member States. As with SADC, ECOWAS has also based its Investment Policy on the OECD Policy Framework for Investment.

A further example of the growing uptake of OECD tools and standards as a result of the Programme is the recent request by Mauritius to adhere to the OECD Declaration on International Investment and Multinational Enterprises, the first country in sub-Saharan Africa to do so.

Reform efforts of SADC governments have been underpinned by policy analysis in areas of regional priority. Special attention was given to quality infrastructure investment and regional and global value chains to help advance the SADC Industrialisation Strategy and Roadmap 2015-2063.

The OECD also undertook an analysis of FDI-SME linkages in regional and global value chains (RGVCs) in the SADC region in 2018, providing firm-level insights to help SADC governments identify opportunities to attract investments into supply chains that can help advance the industrialisation process of the region and promote sustainable development.

SIPA also helped channel OECD work on due diligence in mineral supply chains to various African countries, such as Côte d’Ivoire, and regions, such as Africa’s Great Lakes Region. In particular, the OECD conducted workshops with the governments of the DRC and Rwanda to train local agents, companies and civil society on implementing the Recommendation of the Council on Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.
Areas of action 2022-27

These activities demonstrate the increasing efforts of African governments and regional organisations to create a stimulating environment for investment through a dynamic policy-making process. This encouraging trend is still often fragile and not yet inclusive or sustainable enough to offer prospects for better lives for a large share of the population. The amount and the quality of investment needed by Africa to meet its development challenges remain tremendous.

Future work of SIPA will be on policies to support both the post-pandemic recovery through sustainable investment which contributes to greater inclusiveness and the process of regional integration through the AfCFTA. In this respect, SIPA will build on the successful experience of the OECD Investment Division in other regions such as Southeast Asia where the country-level and regional application of OECD tools has contributed to fostering greater regional integration.

Regional work under SIPA takes a two-track approach combining country-level Investment Policy Reviews (IPRs) and capacity-building with regional dialogue and benchmarking. This has been the approach in SADC for over a decade and it is now being applied with ECOWAS – two of the most important regional economic communities (RECs) in Africa, along with EAC and the Common Market for Eastern and Southern Africa (COMESA).

Country-level IPRs serve as inputs for discussions at regional level, while regional dialogue helps RECs to develop investment policy frameworks for the region as a whole – often building on the OECD Policy Framework for Investment – which can then be implemented at country-level through IPRs. In this way, the two tracks are mutually reinforcing.

Under the Programme, the OECD is currently engaging in two regional benchmarking exercises in SADC and ECOWAS which will be published as regional Investment Policy Perspectives in 2022-23.

Since 2021, the Programme has been focused on some of the following activities, depending on country and donor interest. Further actions presented below are part of the Programme and could be implemented with additional resources.

1.- Conducting Investment Policy Reviews in interested countries to support investment for post-pandemic recovery

In Africa, as elsewhere, the main challenge for a post-pandemic recovery has been not only to ensure that countries are able to attract more investment, but also to maximise the sustainable development impacts of FDI. Building on previous OECD Investment Policy Reviews (IPRs) conducted in Africa, this could support interested African governments to create a favourable business environment and improve the effectiveness of their policies for sustainable and inclusive investment through IPRs based on the OECD Policy Framework for Investment.

Such reviews would allow countries to implement policies to facilitate market entry and operations for companies while fostering responsible business conduct and sustainability outcomes. Some IPRs could also be followed by applications from willing and able countries to formally adhere to the OECD Declaration on International Investment and Multinational Enterprises and related instruments. Mauritius is the first African country
to request adherence to the Declaration, while several African countries have already benefited from an IPR, while Rwanda and Zambia have requested their first and second IPRs respectively.

Country-level Investment Policy Reviews have also been used in other regions to help prepare countries for greater regional integration such as in Southeast Asia where many IPRs were conducted under the aegis of the ASEAN-Australia-New Zealand FTA. The IPRs also helped to shed greater light on existing investment policy frameworks, thereby providing greater transparency on policy settings which assisted in the negotiations with respect to the investment chapter. An external assessment of the impact of these reviews in the region points to several strong impacts both through the process and from the reviews’ recommendations.

2.- Increasing the impact of investment in achieving the SDGs

The OECD FDI Qualities Initiative provides governments with the policies, data and expertise they need to encourage sustainable investment that is greener, promotes quality jobs & upskilling, improves gender equality, and contributes to a more productive and innovative economy.

The OECD FDI Qualities Indicators provide governments with the data to measure FDI’s sustainability impacts, while the OECD FDI qualities Policy Toolkit is designed to help governments identify priorities for reforms to attract and retain sustainable investment. The recently adopted Recommendation on FDI Qualities represents the first multilateral instrument on using FDI to achieve the SDGs.

The FDI Qualities Indicators and Policy Toolkit could be used as part of a country-level Investment Policy Review, as stand-alone FDI Qualities Reviews, or at a regional level supporting the negotiations of the investment protocol of the AfCFTA to foster greater understanding and dialogue on the potential role of FDI in achieving the SDGs among members of regional groupings in Africa. The Policy Toolkit provides recommendations for aligning investment strategies with the SDGs and can therefore contribute to the AfCFTA in areas such as gender and “green” mainstreaming.

3.- Making better use of investment incentives

A recently developed database of investment tax incentives allows for a benchmarking of how incentives in a country or region compare with other developing countries in terms of their impact on average effective tax rates and also the extent to which they are targeted towards specific outcomes: training, supplier development, R&D, etc. This analysis could provide the basis for further assessing the impact of incentives on specific investment activities and policy objectives and will offer tailored guidance on how to improve the effectiveness of incentives and promote their more selective use, building on the extensive work of the OECD Centre for Tax Policy in the region and with a clear focus on investment.

4.- Benchmarking investment regimes

The OECD FDI Regulatory Restrictiveness Index measures statutory discrimination against foreign investors in almost all sectors of the economy. It will soon cover 100 countries once an OECD-World Bank to include all 16 SADC members in the Index is completed by
the end of 2022. Other regions could also use this tool for benchmarking. While a good score in the Index is not by itself proof of an open economy, as implementation aspects are not taken into account, it has been demonstrated that more restrictive countries under the Index tend to receive less investment.

This work can contribute directly to the negotiations on the Investment Protocol and Services Protocol of the AfCFTA by benchmarking policy settings concerning discrimination against foreign investors across the continent. Similar efforts in Southeast Asia have proven useful when negotiating schedules of exceptions to national treatment.

5.- Building capacity of IPAs to target sustainable investment

The OECD can apply recently developed tools to better understand the way individual investment promotion agencies (IPAs) in Africa are governed and conduct their activities. Almost all countries have dedicated IPAs, but one size does not fit all and different activities, approaches and strategies are suitable for different countries, depending on their economic contexts and different target enterprises. Large differences exist among IPAs in terms of strategic priorities, investment promotion activities and tools, institutional settings and governance policy.

The OECD has been conducting a mapping of over 70 IPAs, including from OECD countries, as well as from Latin America, the Middle East and North Africa, the Eurasian region and several countries in Southeast Asia, based on a detailed survey jointly designed with the Inter-American Development Bank (IDB). The questionnaire provides detailed data that reflect rich and comparable information on the work of IPAs in different countries and regions. It provides an inventory and comprehensive benchmarking of IPAs and covers their institutional environments and internal organisations; their core functions and activities; their prioritisation strategies; their evaluation tools and methodologies; and their institutional co-ordination and collaboration mechanisms.

Benchmarking African IPAs against peers in the same or other regions could provide evidence and analysis to practitioners and policymakers. It would lay out different profiles of IPAs and explain existing trends and practices to help investment promotion practitioners better grasp the similarities and differences across agencies. This mapping exercise would also allow peer learning among agencies and provide an opportunity to discuss good practices. The benchmarking would allow IPAs to improve their efficiency and effectiveness in promoting investment as well as in catering to the needs of foreign investors already on the ground.

It would also serve to address the evolving demands facing IPAs concerning promoting digitalisation, including within the agency itself, and their role in building post-Covid recovery and long-term resilience.

6.- Promoting connectivity and regional integration through quality infrastructure investments

Currently, investments of USD 130-170 billion annually are required to improve infrastructure in Africa. Strategic investments in cross-border transport infrastructure (roads, railways, airports and ports) will also be essential to enhance the flow of goods and services between African economies so that they reap the benefits of the AfCFTA.
Recent policy discussions are bringing attention not just to the challenges of closing the infrastructure gap, but also to enhancing the quality of infrastructure in order to maximise the socio-economic benefits from such investments. Yet, while there is an increased awareness of the vital need for quality infrastructure investment on the continent, identifying concrete steps and actions towards the promotion of quality infrastructure investment remains a challenge.

Bringing together representatives of African RECs, as well as of the African Union, AfCFTA Secretariat and AUDA-NEPAD, this activity could promote consensus building on the importance of quality infrastructure investments in Africa. The activity could build on the *Compendium of Policy Good Practices for Quality Infrastructure Investment* and the *Implementation Handbook for Quality Infrastructure Investment* being developed under the OECD’s Horizontal Project on Strategic Policies for Sustainable Infrastructure. The activity would contribute to the African Union’s Programme for Infrastructure Development in Africa (PIDA) 2021-30, which identifies connectivity and infrastructure as key for the successful implementation of the AfCFTA.

7.- Defining modern approaches to international investment treaties and to protecting essential security interests

The OECD Investment Committee has long been a leading platform for discussing the future of investment treaties, including both the development of state-of-the-art treaties and revising the stock of often older generation treaties. Approaches to investor protection are included in the OECD *Policy Framework for Investment* and included in all *Investment Policy Reviews*. These insights can be brought to bear at a country, regional or continental level through SIPA.

Another workstream of the OECD Investment Committee concerns the protection of essential security interests in the case of foreign investment projects. The Committee developed a *Guidelines for Recipient Country Investment Policies relating to National Security*. These *Guidelines* together with recent surveys of essential security measures in dozens of countries worldwide can be applied through SIPA to assist African governments in designing measures such as screening of foreign investment which preserve essential security interests with the least possible deterrent impact on overall FDI inflows.

8.- Responsible business conduct

Building on the OECD *Guidelines for Multinational Enterprises* and Due Diligence Guidance, the *Programme* also helps policymakers to promote and enable responsible business conduct and, as such, pave the way to attract and retain quality investment and to ensure that business activity contributes to broader value creation and sustainable development. RBC principles and standards set out an expectation that all businesses avoid and address negative impacts of their operations, while contributing to sustainable development where they operate. Policy action has focused particularly on promoting the integration of RBC in core business operations, including also in how companies manage and deal with their supply chain. Any company that wishes to integrate in the global economy and participate in trade and investment must be aware of the fact that their buyers, clients, and partners may have increasingly stringent obligations when it comes to RBC. Broadly speaking, RBC is also an entry point for any company that wishes to
contribute to the Sustainable Development Goals or to achieve specific economic and sustainability outcomes.

9.- Enhancing investment policy reforms through public-private dialogues and inter-regional experience sharing

African governments will have to work in a business-as-unusual environment where multinational enterprises (MNEs) could change their business strategies by divesting from some locations and expanding in others. It is therefore important that governments have regular interactions with the business community to learn about their evolving investment strategies and adapt the investment attraction policies accordingly. In this context, public private dialogues can play an important role in improving the investment climate to promote new investments across the African continent and also to support a stronger engagement of the private sector in the implementation process of the AfCFTA.

Building on on-going work on investment in the Middle East and North Africa and other initiatives such as the MENA-OECD Business Advisory Board, this activity could assist African economies to create structured platforms for national and regional public-private dialogues (PPDs) to improve the business and investment climate in areas relevant for the post-pandemic recovery. This could include, for example, energy and infrastructure, agriculture, SMEs, and the digital economy and would be achieved through consultations with the domestic and foreign private sector (e.g. business associations and chambers of commerce) and the drafting of position papers with roadmaps for reforms. These position papers would subsequently be discussed in PPDs with high-level policy makers from African governments to incentivise investment climate reforms. This activity could contribute to other PPD initiatives of NEPAD Business Foundation and SADC Business Council (the umbrella body for the private sector of each of the 16 SADC Member States), as well as the AfroChampions Initiative to enhance the participation of the private sector in the AfCFTA.

Beyond the important role of dialogue with the private sector, this platform could also serve to promote dialogue with other regions such as Southeast Asia where the OECD Secretariat has been active for many years. ASEAN is one of the oldest regional groupings in the world and has over the past decade ramped up its integration agenda through the ASEAN Economic Community Blueprint. The impact on regional integration and the challenges faced in the process could provide useful experience sharing for African countries as they implement the AfCFTA. This dialogue could also involve other regions where the OECD has been active such as Latin America, South East Europe and Eurasia.

Approach to support effective policies and stronger impact

Delivering on the above mentioned agenda will require further leveraging horizontal collaboration, capitalising on the expertise of different OECD networks and Committees to provide hands-on and data-based policy advice and analysis, on targeted subjects that are relevant to investment for responsible and sustainable development. There is a range of regional thematic networks, initiatives and programmes in which the OECD plays an active role. Many of them are relevant to sustainable investment policies, including the MENA-OECD Initiative on Governance and Competitiveness, the EU-OECD Programme on Promoting Investment in the Southern Mediterranean, as well as bilateral work with Key
Partner South Africa and with Morocco, Egypt, and several African member countries of the Development Centre and Sahel and West Africa Club. Work performed at the OECD on infrastructure and on regulatory and structural reforms such as the assessments done in the context of the Africa’s Development Dynamics is also suited. The Programme will capitalise on the insights of these activities to facilitate knowledge sharing on issues such as regulatory impact assessment, infrastructure, SMEs development, and RGVCs.

Turning SIPA’s objectives into actions, the Programme is building on existing efforts within the OECD, increased dialogue and strengthened co-operation on investment and related areas at continental level with the African Union, notably the AUC and the AfCFTA Secretariat, as well as on regional level with regional organisations and development banks, using all existing co-operation frameworks. More generally, the Programme will intend to strengthen its co-operation with other relevant international bodies, in particular G20 bodies dealing with issues relevant to its mandate, such as the G20 Africa Advisory Group and the Joint Task Force on Institutional Investors and Long-Term Financing. Cementing multi-stakeholder involvement through increased dialogue with local business, trade unions, civil society, think-tanks and foundations will also be critical to raising awareness about SIPA, promoting a people-centred Programme and strengthening accountability mechanisms.

Given the diversity of country contexts and capacities, future dialogues will be further tailored to regional and country needs and priorities, through enhanced engagement with RECs. SIPA is seeking to reinforce its broader regional scope in addition to continuing to support SADC Member States in implementing investment policy reforms. The NEPAD Business Foundation has also expressed interest in continuing the policy discussion on investments in quality infrastructure and other trade-supporting services, as well as on public-private dialogues.

Building on the experience with SADC, the Programme is currently developing a work programme with the Economic Organisation of West African States (ECOWAS). Co-operation between the OECD and West African countries has been growing in recent years and many of them have expressed interest in stepping up the pace of reforms with the OECD’s support. Several West African countries and institutions are members or closely collaborating with the OECD-hosted Sahel and West Africa Club and the OECD Development Centre. Several West African countries are also participating in the G20 Compact with Africa initiative. Approaches have also been made recently to the Common Market for Eastern and Southern Africa (COMESA) and soon also to the East African Community (EAC), Africa’s fastest growing regional economic bloc.

**Building synergies across the OECD and with other international organisations**

Many actors both within the OECD and elsewhere are engaging with Africa to improve sustainable development outcomes from Africa’s integration with the global economy. The Programme builds on synergies established in other regions and contexts to work with the OECD Responsible Business Centre on sustainable investment and RBC, with the OECD Development Centre on a proposal with the AU Commission for an African Investment Observatory and with the World Bank on expanding the OECD FDI Regulatory Restrictiveness Index to more countries in Africa. Other potential collaborations will be developed as opportunities arise.