This statement was issued at the OECD-Africa Investment Roundtable which took place in Johannesburg, South Africa on 19 November 2003

ACTIONS FOR A POSITIVE INVESTMENT ENVIRONMENT IN AFRICA TO PROMOTE DEVELOPMENT

OECD-NEPAD STATEMENT

1. The OECD-Africa Investment Roundtable, held on 19 November 2003 in Johannesburg in partnership with the New Partnership for African Development (NEPAD), African Development Bank, World Bank and Government of South Africa, has called for the launch of **a result-oriented, inclusive and comprehensive Africa Investment Initiative** to create a positive investment environment across the continent.

2. It was suggested that the Initiative should pursue a three-pronged approach: firstly, to help build the roadmap (i.e. key policy benchmarks) for reform, secondly, to assist its implementation and monitoring, and finally to contribute to building institutional and human resource capacities. Participants emphasised that the Initiative would imply a learning process on all sides and should contribute to mutual accountability as well.

3. There was common agreement that meeting the UN Millennium Development Goals (MDGs) will require **significant efforts by African countries and considerable assistance from their development partners** in OECD countries. Without higher levels of private investment, both domestic and foreign, and effective development aid, the MDGs cannot be achieved, particularly in the least developed countries of Africa. The NEPAD estimated that Africa needed to fill an annual resource gap of 12 per cent of its GDP, or US$64 billion, to achieve the goal of reducing by half the proportion of Africans living in poverty by 2015.

4. At the United Nations Conference on Financing for Development in Monterrey, Mexico last year, 184 participating countries agreed that FDI is necessary for sustained economic growth in the long term, and recognized the need for both home and host governments to create the necessary domestic and international conditions to facilitate FDI flows to developing countries. The Africa Investment Initiative presents a concrete opportunity for OECD, African and other international partners to work together to create such conditions.

5. Participants recognised that the **greatest responsibility for Africa's growth** lies in its own hands. The NEPAD sets forth the strategy for African countries to take charge of their own destiny and undertake a sustained and cooperative effort to implement the policy measures necessary to promote investment, good governance, economic growth and alleviation of poverty. If African governments are able to take such measures, there is a great deal that international partners including the OECD can, and should, do to help create a better climate for investment and development.

Proposed Areas of Action

6. Building upon the conclusions from the meeting of the OECD-Africa Investment Advisory Board (8 September 2003, Geneva), participants invited the OECD, the NEPAD, key African and international partners to turn the following proposals into concrete actions for implementation over the next three years. The OECD stands ready to support these activities, together with NEPAD and other international, regional organisations, and to act as a catalyst for ongoing efforts at policy reform. The following are a broad list, based on participants' inputs:

1. Supporting investment peer review process

- The African Peer Review Mechanism is about self-monitoring, peer learning, and promoting the adoption of the principles and standards of good governance and international best practice. The review mechanism could explore various dimensions of the domestic policy framework for FDI in Africa including general laws and regulations, public services, macro-economic policies, customs procedures, the regulation of FDI, incentives, trade-related investment measures.

- OECD's investment policy review methodology and experience could be shared with NEPAD in support of its efforts to develop a set of relevant "best practices" for African governments seeking to increase FDI.

- One idea to pursue in this context may be organising an OECD-NEPAD Working Session of Government Officials on "Investment capacity building: how and what for" in the first half of 2004. This working session could discuss the experiences of OECD and others with investment peer reviews[1] and help identify priority areas for peer review in light of African countries' needs. It was agreed to send a preparatory NEPAD team to the OECD in early 2004 for discussions.

2. Improving synergies between ODA and FDI

- There has been some progress in raising ODA levels since Monterrey. However, given the declining levels of private investment to date globally and particularly in Africa, there is a need to increase ODA levels and effectiveness, enhance mutual accountability, and improve the synergies between ODA and private investment.

- This applies to targeted approaches such as public-private partnerships as well as more broadly-based efforts at improving the enabling environment and building the necessary governance and human capacities.

1. Peer review is an integral part of capacity building; it provides an opportunity to transfer knowledge and experience; contributes to institution building; promotes convergence of approaches; fosters dialogue and best practices; helps develop "best practices"; and assists compliance with rules and commitments.

- OECD's ongoing project, aimed at exploring ways to improve FDI-ODA synergies, could take up several African countries as illustrative cases of how ODA can be used to leverage private investment.

3. Discussing key elements of the Investment for Development Strategy.

7. This OECD Initiative, which non-OECD partners are invited to actively participate in, would be done on a regional and sub-regional basis. This discussion would include: public governance, corporate governance, corporate social responsibility and the linkage between FDI and local business development:

3.1. Enhancing public governance for investment through an improved institutional and regulatory framework

- Poor public governance and lack of adequate transparency have been for a long time a chief bottleneck to investment, both domestic and international, in African countries. The resulting poor economic development and increasing poverty has in turn further deteriorated public governance in many African countries. Breaking out of this circle is therefore a precondition to using private sector investment to recover regional economies.

- A number of OECD recommendations and principles in the area of public governance, used as reference points on a global level, can serve as a general benchmark for Africa, i.e. Policy Recommendations on Regulatory Reform, Principles for Managing Ethics in the Public Service, Guidelines for Managing Conflict of Interest in the Public Sector, and Guiding Principles for Successful E-Government.

- Actions will be identified together with NEPAD and other African partners.

3.2. Improving corporate governance practices

- Good corporate governance is part of a broader investment framework supportive of sustainable growth and development in Africa. Indeed, NEPAD's July 2002 "Declaration on Democracy, Political, Economic and Corporate Governance" suggested that all African countries should strive to comply with a set of eight standardized codes and practices related to economic and corporate governance, including the OECD Principles of Corporate Governance. NEPAD has also called upon the African Development Bank to develop a framework for reviewing corporate governance practices in Africa, drawing upon the OECD Principles and other sources.

- A range of Africa-specific corporate governance-related initiatives are already under way. Recognising the importance of African ownership in corporate governance reform efforts and of building upon existing initiatives, OECD will continue to play a supporting role to the Pan African Forum as a member of its Steering Committee, and by making available best practices and expertise gained in adapting the OECD Principles to a range of economic and political circumstances through its Roundtable experience in other regions.

3.3. Promoting corporate social responsibility

- The OECD Guidelines for Multinational Enterprises (MNEs) and its work on promoting corporate responsibility initiatives can be used to enhance further the positive contribution of MNEs to African host societies. This would also build on more recent OECD work on corporate responsibility in extractive industries.

- An important contribution can be made in this regard by TUAC[2] and BIAC.[3] TUAC organised meetings in Zambia and Morocco aimed at raising awareness, sharing experiences and benchmarks with regard to the implementation of the OECD Guidelines. BIAC is considering a capacity building project in Africa in partnership with local business association.

3.4. Enhancing linkages between foreign-invested enterprises and SMEs

- Small and medium-sized enterprises (SMEs) are viewed as a critical sector for growth, employment, and poverty alleviation in Africa. Building stronger SME-FDI linkages is an issue of great interest to most African partners. The lack of adequate domestic investment and markets remain a major deterrent to FDI inflows.

- OECD Africa work could focus on how to make SMEs better local partners for foreign investors – to make African economies more attractive to FDI and to strengthen the benefits of foreign investment to the local economy. Another equally important area could be expanding the ways and means of ensuring that African SMEs benefit from expanding regional and international trade opportunities and identify the roles of the international community and stakeholders to facilitate this process.

- Several African countries have been invited to the OECD Conference of Ministers responsible for SMEs in Promoting Entrepreneurship and Innovative SMEs in a Global Economy, scheduled for 3-5 June 2004 in Istanbul. The recommendations that will result from this meeting could be followed up in the African context.

4. Promoting regional integration as a way to enhance the business environment

- Regional integration in Africa is seen as critical to creating a larger economic space, with more opportunities for investors and entrepreneurs. There are considerable unexploited opportunities in Africa to promote growth through regional cooperation. Creating larger and more integrated markets, facilitating cross-border investment and allowing the free movement of people and exchange of ideas, carries economic, as well as political benefits.

- Existing initiatives[4] are all designed, *inter alia*, to gain from economies of scale and attract investment. It is of foremost importance for African development to strengthen regional co-operation (through initiatives such as the Zambia-Malawi-Mozambique Growth Triangle).[5]

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2. Trade Union Advisory Committee to the OECD.

3. Business and Industry Advisory Committee to the OECD.

4. ECOWAS (Economic Community of West African States), COMESA (Common Market for Eastern and Southern Africa), CAEC (Community of the States of Central Africa), SADC (Southern African Development Community), CEMAC (Central African Economic Community) and WAEMU (The West African Economic and Monetary Union).

5. The World Bank is supporting regional efforts to create integrated markets and initiatives aimed at increasing co-operation to address common issues in a regional context, such as the Nile Basin Initiative and the WAEMU payments systems. Initiatives such as the EU-South Africa Free Trade Area (already in existence) and the US-SACU Free Trade Area (still under negotiation) promote regional integration and help expand intra-regional trade.

- Current OECD research on FDI-related issues in preferential trade agreements and economic partnership agreements involving developing countries is focusing on Southern Africa. The role of cross-border infrastructure in regional integration could also be explored, and institutions such as the World Bank and the African Development Bank could be invited to contribute. An OECD Development Center study on "Regional Integration, FDI and Competitiveness: The Case of SADC"[6] is being completed and could be used by African and other partners to support regional integration efforts.

5. Fighting against corruption

8. The Initiative could explore possibilities for establishing regional and sub-regional networks to fight corruption. Broad co-operation with international organisations, private sector and civil society would be sought.

6. Strengthening Investment Promotion Agencies (IPAs)

9. A framework could be developed to share best practices in investment promotion, the various experiences of OECD member countries with NEPAD and African IPA partners, in close co-operation with UNCTAD, WAIPA, UNIDO and World Bank, in order to help enhance the promotion, policy advocacy and transparency functions of the IPAs in the continent.

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6. Effective regional co-operation and integration in Africa is constrained by many factors such as lack of infrastructure (for example, a cross-border transportation network is key in many African countries to achieving a regional market that is sufficient to attract investors, both foreign or domestic), tariff and non-tariff barriers, lack of political commitment, weak harmonization of policies, overlapping and multiplicity of organisations.