



OECD Africa Investment Roundtable

In Partnership with NEPAD, World Bank and African Development Bank

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Hosted by the Government of South Africa

Opening Remarks

Richard Hecklinger
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OECD

Dear colleagues, ladies and gentlemen

On behalf of the OECD, it gives me great pleasure to welcome you today, together with Chairman Nkuhlu, to the OECD-Africa Investment Roundtable.

I would like to welcome all of our participants. The Roundtable has been organised in partnership with NEPAD, the Government of South Africa, the African Development Bank and the World Bank, and I would like to extend my thanks to all of them for their co-operation. I would also like to thank the South African Government for hosting this event here in Johannesburg.

Today's meeting will mark the **launch of an Africa Investment Initiative** which we have been developing with our African and international partners. The Initiative, we hope, will serve as one of the regional forums of our Investment for Development strategy, which I introduced at the OECD Global Forum on International Investment earlier this week.

An Advisory Board for this Initiative has already been created, comprising African and OECD government representatives and a number of other international partners. At its inaugural meeting, hosted by the Swiss government in Geneva on 8th September 2003, the Advisory Board agreed on the need to launch this Initiative and suggested a number of policy areas that could be addressed.

Investment and Development in Africa

Africa, a region with more than 800 million people on a surface three times the size of Europe and with a great wealth of natural resources offers unique economic opportunities. However, as we all know, FDI flows into Africa have been disappointing. Amounting to less than \$20 billion in 2001, and \$11 billion in 2002, if one omits investment into South Africa and the mining and minerals sectors of a few other countries, the flows are very small indeed.

Our hope is that today's discussions will bring us one step closer to a shared understanding of the challenges facing African investment policies.

There are **large unexploited opportunities to promote growth in Africa through co-operative arrangements**, such as trade agreements and enhanced cross-border infrastructure. We know from experience that creating a common market is a monumental task. But it is a fact that many African economies are not only poor – they are also comparatively small. Creating larger and more integrated markets and facilitating cross-border investment would bring economic and political benefits. We understand that this will be a high priority for NEPAD.

Across Africa, a number of well established institutional frameworks exist for regional co-operation but **better use could be made of these regional arrangements**, for example by reducing tariff and non-tariff trade barriers between countries. Liberalising intra-African trade would make the continent a more attractive locus for domestic and international business.

There is concern that **continent's image may act as a barrier in itself**. One of our African speakers this morning will address this issue. Outsiders, especially would-be investors with no prior business engagement, tend to see Africa as a single geographical and political entity. Based on the volatile investment environments in some countries, the African continent as a whole is perceived by many as a high-risk environment. A lot of work – jointly and by individual governments – still needs to go into changing these negative perceptions.

The Global Forum on International Investment on Monday and Tuesday discussed one problem area, namely the quest for **better public governance and transparency**. The discussions underscored that all countries, developing and developed alike, would be better able to attract investment and reap its full economic benefits if they were to improve the effectiveness and transparency of their public governance.

There are **encouraging signs** that African societies are becoming more determined to embrace change. Policy makers' resolve is strengthening, both in Africa and among its partners in the developed world. A new generation of leaders is willing to engage in fundamental reforms. An emerging entrepreneurial private sector feeds optimism in a number of countries. Civil society is getting organised and no longer willing to accept the vicious circle of poor governance and lack of economic development.

Perhaps the most significant new development is the New Partnership for Africa's Development (NEPAD) in which the people of Africa and their leaders are increasingly taking the reins of their broad development agenda. In fact, as African participants in the Global Forum pointed out, **NEPAD reflects the recognition by African governments that they must improve governance, transparency, and stability** to encourage international businesses, donors and others to bridge the gap between Africa and the rest of the world. However, encouraging as this development is African policy initiatives must be supported by the actions of the international community– whether in the form of debt reduction, improved market access, ODA or technical co-operation – if they are to succeed.

The role of OECD

OECD's strengths include a multi-disciplinary capacity for analysis, policy dialogue and sharing best practices, peer reviews, and developing benchmarks and international standards. The OECD currently works with more than 70 non-OECD economies around the world in a wide range of policy dialogue and capacity-building activities.

A record of OECD-Africa interaction is already well established. Regional co-operation through the Sahel and West African Club has a long history. The OECD Development Centre works with African researchers on major policy issues. In addition, a broad range of activities, focussing especially on the co-ordination and effectiveness of aid, are undertaken under the aegis of our Development Assistance Committee, which brings together the aid donor communities of our member countries.

The OECD relations with Africa have been greatly strengthened since the launching of NEPAD. At a session organised in May 2002 between OECD ministers and their colleagues on the NEPAD Steering Committee, the OECD was entrusted with a mandate to develop its co-operation with NEPAD.

We have worked out a three-part agenda for our co-operation. The OECD was asked to share its experience in peer review mechanisms with NEPAD. We are preparing to launch with the UNECA a process of “mutual reviews of development effectiveness” to strengthen co-operation between OECD donors and African recipients in a spirit of mutual trust and partnership. And we are strengthening our policy dialogue and capacity building activities with NEPAD countries, notably in the areas of improving economic governance and the climate for private sector development and investment.

A number of new initiatives are being undertaken in the last category of policy dialogue. A major conference on “Trade and Investment – Maximising the Benefits of Globalisation for Africa” was held in Dakar, Senegal, in April 2003.

The African Investment Initiative

And our latest initiative, and perhaps one of the most ambitious, is the ***Africa Investment Initiative*** that we are here to launch today. We have a rich agenda before us at this meeting: an agenda that deals with issues like how to create a favourable environment for private investment in Africa, how to overcome barriers and how to build partnerships and capacities. It promises to be a very interesting discussion, and perhaps I can suggest a few thoughts that you may wish to keep in mind.

Over the longer term, the Initiative could pursue ***a three-pronged approach***: first, helping to build a “roadmap” of key policy areas for reform; second, assisting the implementation and monitoring of such a strategy; and third contributing to building institutional and human resource capacities to ensure that reforms take root and can be sustained.

Today we are clearly at the beginning of the first phase. This means that, while the agenda also allows for a preliminary discussion of co-operative approaches, we need first and foremost to identify some of the key areas where policy action can help countries to attract and benefit from investment. The meeting of the Advisory Board in September already proposed some such areas, calling for ***a result-oriented, inclusive and comprehensive work programme in Africa*** for creating a positive investment environment.

The areas proposed include the following:

- Supporting investment peer reviews
- Improving synergies between ODA and FDI
- Enhancing public governance for investment through an improved institutional and regulatory framework
- Establishing stronger corporate governance principles
- Promoting corporate social responsibility
- Enhancing linkages between foreign-invested enterprises and SMEs
- Promoting regional integration as a way to enhance the business environment, and
- Fighting against corruption

I hope that we will be able to further sharpen our focus and prioritisation for this Initiative as a result of your feedback and deliberations.

Our long-term success should probably be measured in two ways. First, the operational criterion for success will be specific and concrete reform initiatives and results, with performance goals measurable by countries in the region on a regular basis. Second, the quality of the process of co-operation and dialogue and its contribution to building confidence and consensus among all stakeholders will also be an important consideration when judging the success of this initiative.

Thank you once again for being part of this Initiative. We hope it will make a contribution to raising standards of living for people across Africa.