



Republic of Zambia
Ministry of Commerce, Trade and Industry

NEPAD-OECD AFRICA INVESTMENT INITIATIVE ROUNDTABLE
Lusaka, Zambia, 27-28 November 2007

Strengthening Investment Climate Assessment and Reform in NEPAD Countries

Regional Roundtable

Lusaka, Zambia
27-28 November 2007

Hosted by the Government of the Republic of Zambia

Jointly organised by the New Partnership for Africa's Development (NEPAD) and the Investment Committee of the Organisation for Economic Co-operation and Development (OECD)

The Roundtable will take place at
Mulungushi International Conference Centre
Lusaka, Zambia

Supported by
The Governments of Belgium, Germany and Japan

In partnership with



United Nations
Economic Commission for Africa



THE INVESTMENT CLIMATE FACILITY FOR AFRICA



Japan International Cooperation Agency

I. Background

Many African governments favour a robust investment climate. Within the context of the African Peer Review Mechanism (APRM), the APR Secretariat is working on improving the investment-climate content of Africa's own peer review mechanism. African countries are also looking for more comparisons of investment climate assessment, country reform agendas and their impact in specific sectors.¹

II. Objectives and expected outputs

This roundtable builds on these areas. Its overall aim is to develop policy capacity building tools that will help NEPAD countries improve the investment related content of Africa's peer review process (APRM) and to support implementation of investment climate reform policies, with a specific focus on the investment environment conditions conducive to attracting investment for development in the water and sanitation sector.

Expected outputs from the Roundtable will include:

- A set of tested guidelines on how to complete the investment climate content of the APRM Self-Assessment questionnaire that is available to NEPAD countries, in order to support and strengthen their capacity to implement investment climate reform;
- Concrete suggestions on how to improve the investment climate content of the APRM;
- The development of local capacity to develop the investment climate content of a National Programme of Action (NPoA) and to mobilise the resources needed to apply and follow up on the NPoA;
- A first draft of guidelines, taking advantage of the new *OECD Principles for Private Sector Participation in Infrastructure* for the water and sanitation sector derived from the experience of African countries, in order to foster the mobilisation of additional and beneficial private sector involvement.

¹ These were the main conclusions and outcomes from the previous *NEPAD-OECD Africa Investment Initiative* Roundtable, held in Brazzaville, Republic of Congo, in December 2006. See www.oecd.org/daf/investment/africa.

DRAFT AGENDA

NEPAD-OECD AFRICA INVESTMENT INITIATIVE REGIONAL ROUNDTABLE	
DAY 1: MAKING THE MOST OF THE APRM PROCESS FOR INVESTMENT CLIMATE REFORM	
09:00 – 09:30	Registration of participants
09:30 – 10:00	<p>Welcome remarks:</p> <ul style="list-style-type: none"> • Prof Firmino Mucavele, Executive Head of NEPAD • Bernard Kouassi, Executive Director, APR Secretariat • Mario Amano, Deputy Secretary General of the OECD
10:00 – 10:30	<p>Keynote address on the Zambia Investment Climate:</p> <ul style="list-style-type: none"> • The Honourable Felix Mutati, MP, Minister for Commerce, Trade and Industry, Republic of Zambia
10:30 – 11:00	Tea and Coffee
SESSION 1: THE APRM AND THE INVESTMENT CLIMATE: THE CHALLENGES	
<p>This session considers the investment climate content of the APRM process, both in terms of the Self-Assessment and National Programme of Action phases, as well as the follow-up period, so as to build on and learn from the early experiences of African countries. It is also intended to provide African countries in the APRM process an understanding of the principles and practices of Official Development Assistance for investment climate reform.</p>	
11:00 – 13:00	<p>Chair:</p> <ul style="list-style-type: none"> • Ambassador Bethuel Kiplagat, Member of the APR Panel of Eminent Persons
11:00 – 12:30	<p>Presentation: <i>Overview of the challenges related to the investment climate content of the APRM</i></p> <ul style="list-style-type: none"> • Kojo Busia, APRM Support Unit, UNECA <p>Respondents:</p> <ul style="list-style-type: none"> • Afeikhena Jerome, Coordinator, Economic Governance and Management, APR Secretariat • Panel discussion bringing together the African countries advanced in the APRM process to share their experience relating to the investment climate content of the APRM: Francis Appiah (Ghana), Edward Kasumba (Rwanda), Grace A Ongile (Kenya) and Fatima Karadja (Algeria). • Panel discussion bringing together representative(s) from the G8 and donor community to examine how donors can support African countries in the APRM process: Ken Kwaku (ICF), Nigel Twose (World Bank), Ronald Meyer (BMZ), Hugh Scott (DFID), Shiro Nabeya (JICA) and David Batt (APF Support Unit).
12:30 – 13:00	Open discussion
13:00 – 15:00	Lunch*

* The NEPAD-OECD Africa Investment Initiative Steering Group will hold its meeting during the lunch break.

SESSION 2: BUILDING CAPACITY FOR THE APRM SELF-ASSESSMENT PHASE IN THE INVESTMENT CLIMATE AREA

The Self-Assessment phase of the APRM is based on a questionnaire covering 25 objectives, with 58 questions and 183 indicators. The purpose of this session is to build and improve African country capacity in the Self-Assessment phase of the APRM by providing and testing guidance on how to complete the investment related questions through the development and use of the PFI, an investment climate diagnostic tool.

15:00 – 18:00	<p>Chair:</p> <ul style="list-style-type: none"> • Nambi Chilemo, Associate Director, African Investment Advisory
15:00 – 16:00	<p>Presentation: <i>Overview of draft PFI Users' Toolkit</i></p> <ul style="list-style-type: none"> • Jonathan Coppel, Investment Division, OECD <p>Respondent:</p> <ul style="list-style-type: none"> • Chungu Mwila, COMESA, Director for Investment Promotion and Private Sector Development
16:00 – 16:30	Tea and Coffee
16:30 – 17:30	<p>Presentation: <i>Testing the draft PFI Users' Toolkit guidance to Zambia for the Self Assessment phase of the APRM process</i></p> <ul style="list-style-type: none"> • Francis Chigunta, Academic and consultant, Zambia and Anne Chime Zulu, CUTS, Zambia <p>Respondent:</p> <ul style="list-style-type: none"> • Likolo Ndalamei, Deputy Cabinet Secretary in charge of Economics and Finance, Cabinet Office, Zambia
17:30 – 18:00	Open discussion

* At the end of Day 1 of the Roundtable, a cocktail with Zambian cultural entertainment followed by a dinner will be offered. It will take place in the Mulungushi venue.

DAY 2: WHAT REGULATORY ENVIRONMENT FOR BENEFICIAL PRIVATE SECTOR PARTICIPATION IN THE WATER AND SANITATION SECTOR

Sub-Saharan Africa has the lowest drinking water and sanitation coverage in the world, and estimates of the level of investment needed to improve coverage, equivalent to US \$ 20 billion per annum over the next two decades are more than double current levels of investment spending. While a range of financial sources can be tapped to fund higher capital spending (e.g. public revenues, ODA and private finance), these have not proved forthcoming, with water and sanitation the infrastructure sector least attractive to private investors.

This day of the roundtable aims to identify the factors that are holding back investment in African country's water and sanitation sector. Drawing on the *OECD Principles for Private Sector Participation in Infrastructure*² - a new policy tool to encourage private investment flows into major projects - it seeks to establish how guidelines can be used in an African country context and tailored to the specificities of the water and sanitation sector, in order to foster the mobilisation of additional investment for the benefit of society.

SESSION 1: THE PRIVATE PROVISION OF WATER AND SANITATION INFRASTRUCTURE SERVICES IN AFRICA: WHERE DO WE STAND?

The purpose of this session is to share best practices on addressing investment bottlenecks learned from past experiences and to take stock of the specific investment environment conditions conducive to private sector involvement, both domestic and foreign in the water and sanitation sector in African countries.

The session will address the following questions:

- What have been the strengths and weaknesses of past experiences of private sector involvement in water and sanitation infrastructure development?
- What have been the key developments in the nature of the co-operation between the private and the public sector in developing water and sanitation infrastructure?
- What guidance can be given on the respective roles of the private sector and government agencies, and on the mechanisms to ensure successful partnerships for the benefit of all?

08:30 – 09:30

Chair:

- Pierre Poret, Head of the OECD Investment Division

08:30 – 09:10

Presentation: *African country experiences and lessons with private sector involvement in water and sanitation infrastructure.*

- Céline Kauffmann, Investment Division, OECD and Edouard Perard, consultant

09:10 – 09:30

Open discussion

SESSION 2: APPLYING THE *PRINCIPLES* TO THE WATER AND SANITATION SECTOR

High capital intensity, large initial outlays, long pay-back periods, immobility of assets and low rates of return, which characterise water infrastructure investments generate high risks, especially when in a context of poor initial information and a weak investment environment. These features limit the scale of private investment in water and sanitation infrastructure.

The two panel discussions will build on the *OECD Principles for Private Sector Participation in Infrastructure* to identify the specific investment environment conditions and governance arrangements conducive to beneficial private sector involvement in the water and sanitation sector.

² The text of the *Principles* is available at: www.oecd.org/daf/investment/instruments.

PANEL DISCUSSION A: SETTING THE INSTITUTIONAL AND REGULATORY FRAMEWORK TO MAKE CO-OPERATION WORK

This panel discussion aims to translate in detail the three sets of challenges defined by the *Principles* as I) ensuring an enabling environment, II) developing the capacities and consensus, and III) establishing a conducive working relationship into operational guidance for use by the relevant stakeholders in the water and sanitation sector.

The discussion will address the following questions:

- What is required to enhance the enabling institutional environment in order to facilitate the participation of the private sector in the water and sanitation sector?
- How to build capacity and consensus at all levels to achieve common objectives?
- What does good and effective co-operation between the public and private sector involve?

09:30 – 11:30	Facilitator:
	<ul style="list-style-type: none"> • Céline Kauffmann, OECD Investment Division
09:30 – 11:00	Panel discussion bringing together experts from the water and sanitation sector, including Winfred Kalebu (Chairperson, Association of Private Water Operators of Uganda), Jack Moss (Senior Water Advisor, AquaFed and chair of the BIAC Water group), El Iza Mohammedou (African Forum for Utility Regulators), Kelvin Chitumbo (NWASCO), Ahmed Ould Mohamed Ould Moctar (ARE, Mauritania), Cheikh Fall (Director of Patrimony and Development Control, SONES, Senegal), Urooj Amjad (Building Partnership for Development) and Warren Nyamugasira (Chairman of the Uganda Water and Sanitation Dialogues and of the Uganda NGO Forum).
11:00 – 11:30	Open discussion
11:30 – 11:45	Tea and Coffee

PANEL DISCUSSION B: ENCOURAGING RESPONSIBLE BUSINESS CONDUCT

Access to safe drinking water is a basic human need and a source of significant positive externalities, notably for public health. In the face of tremendous infrastructure needs, the partnership between the State and the private sector should involve setting the right environment, but also good faith and committed participation from private operators. This break-out session aims to identify the key elements of responsible business conduct in the water and sanitation sector.

The break-out session will address the following questions:

- What are the key elements of responsible business conduct in the water and sanitation sector?
- How can private sector participants better align their actions with public authority poverty reduction objectives?
- How can the private sector better interact with the general public, notably consumers and communities, to promote mutual understanding and better outcomes?

11:45 – 13:30	Facilitator:
	<ul style="list-style-type: none"> • Pierre Poret, Head of the OECD Investment Division
11:45 – 13:00	Panel discussion bringing together experts the water and sanitation sector (see above).
13:00 – 13:30	Open discussion
13:30 – 15:00	Lunch

SESSION 3: DEVELOPING THE UPTAKE OF FINANCIAL RISK MITIGATION INNOVATIONS: WHAT ROLE FOR DONORS?

Strengthening the overall investment environment takes time. However, innovations, notably in the finance area, can help to mitigate risks in the context of an imperfect investment climate. For instance, new developments in investment guarantees and risk mitigation mechanisms make sub-sovereign financing a viable option, and are helping to attract investment and mobilise private sector resources in the water and sanitation sector.

The session will address the following questions:

- What can be drawn from past experiences with the use of these instruments in African country contexts?
- How can they be further developed, notably drawing on other developing regions experiences?
- What can donors do to support the development and adoption of risk management practices suited to the specificities of the sector in African countries?
- How to mobilise the appropriate development and use of investment guarantee and risk mitigation mechanisms to attract investment in the water and sanitation sector?

15:00 – 16:30	<p>Chair:</p> <ul style="list-style-type: none"> • Amani Abou-Zeid, Lead Expert, Office of the Vice President: Infrastructure, Private Sector & Regional Integration, African Development Bank
15:00 – 16:00	<p>Presentation: <i>What role do investment guarantees and risk mitigation mechanisms play in an imperfect investment climate?</i></p> <ul style="list-style-type: none"> • Jim Winpenny, author of the Camdessus Panel report and of the OECD study on <i>Guaranteeing Development? The Impact of Financial Guarantees</i>. <p>Respondents:</p> <ul style="list-style-type: none"> • Attie Van Zyl, Chief Executive Officer, INCA • Joel Kolker, Regional Programme Leader, PPIAF • Barbara Kazimbaya-Senkwe, Country Representative for Zambia, WSP
16:00 – 16:30	<p>Open discussion</p>

CONCLUDING SESSION: SUMMARY, NEXT STEPS AND CLOSING REMARKS

16:30 – 17:30	<ul style="list-style-type: none"> • A representative from NEPAD and OECD to synthesise the roundtable's conclusions from the 2 days discussions, put forward options on how to implement the conclusions and recommendations and outline the next stage of the <i>NEPAD-OECD Africa Investment Initiative</i> • Closing remarks by the host country
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