



Republic of Zambia
Ministry of Commerce, Trade and Industry

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

Co-Chairs' Summary

I- Introduction:

This roundtable followed-up on the outcomes of last year's roundtable held in Brazzaville. The focus of the meeting was on the investment climate-content of the APRM process, the role of capacity building tools to support the implementation of investment climate reform policies, and private sector participation in the water and sanitation sector.

The meeting was attended by the Minister of Trade, Commerce and Industry of Zambia, H.E Minister Mutati and H.E Prof. Kiwanuka, Minister of State for Finance, Planning and Economic Development of Uganda. It was also attended by a large number of senior officials from both the water and sanitation sector, as well as the investment community. Private sector and civil society also participated.

II- Issues:

A- The Investment Climate-Content of the APRM:

Country experiences were given on challenges relating to the investment climate-content of the APRM. The following issues were raised in this regard:

- The role that the APRM process can play in addressing investment climate bottlenecks was emphasized. There have been already positive follow-up measures taken, as a result of the review process, to carry out specific reforms of the investment climate in countries like Kenya, Ghana and Rwanda.
- The strengthening of the investment-related component in the APRM can create a culture of competition that has proven to be a very useful in encouraging reforms.
- Tackling the negative perceptions around investment in Africa is an issue that needs further examining. The APRM can play an important role in this regard.

- The decision to review the self-assessment country questionnaire has been taken by the APRM process. This would include deepening the questions on corporate and economic governance, which will bring out issues around investment climate reform. The Roundtable advanced the reflection on how this review could be usefully informed by elements in the Policy Framework for Investment (PFI) framework.
- Support to the APRM process and its outcomes should always be consistent with ownership by the countries involved.

B- The Policy Framework for Investment (PFI):

The discussion on the PFI centered on the development of a PFI Users' Toolkit and its application in Zambia, as a tool to support the completion of the investment climate-content of the APRM questionnaire. The following points were raised:

- The PFI was welcomed, as a useful resource to support countries keen to improve their policies for investment. The '*PFI toolkit project*' was also welcomed as a way of providing practical and user-friendly policy guidance to support the effective application of the PFI.
- In the development of the PFI toolkit a number of considerations were made:
 - It should include guidance that assists in enhancing public-private dialogue.
 - Take into account specific cultural and regional factors when being used in African countries.
 - In particular the position of the informal sector needs to be adequately addressed in the PFI toolkit.
- The need to have a sharper focus on regional mechanisms and how they can be supported in order to play an active role in the sharing of experiences and peer-learning (such as OHADA in West Africa).
- There is a need to have a stronger political momentum in Africa around the question of investment climate reform. Setting an ambitious milestone or target would give a strong signal. For example, setting the goal of 'Africa being the most or the best reforming continent by a certain agreed date' could be considered in this regard.

C- Private Sector Participation in the Water and Sanitation Sector:

The discussion on private sector participation in the water and sanitation sector revolved around investment environment conditions and governance conducive to beneficial private sector involvement. The following points were made:

- Infrastructure remains one of the key impediments to improving the investment climate in Africa. More attention should be given to building capacity in policy design and implementation to involve the private sector in infrastructure.

- Water is a basic human need and has to be seen as a major industrial resource. Its limited access is a major human challenge as well as an impediment to business development.
- The gap between investment in infrastructure, especially in the water and sanitation sector, and actual needs is still large. Private sector involvement is one of the options that countries have at their disposal to overcome this resource gap. However, countries will need to have adequate tools to properly assess and manage the implications of this involvement such as the *OECD water and sanitation guidelines for private sector participation in infrastructure*. This is based on a review of specific experiences supported by an information base - also presented at the meeting- on the extent of international and local private sector participation in the water and sanitation sector.
- There have been important changes recently in the nature of private involvement in the water and sanitation sector towards shorter, less risky contracts that involve limited or no investment obligations. In parallel, the sector has seen the emergence of new actors, such as the local and regional actors, and a growing recognition of small-scale private providers.
- Beneficial relationships between all the stakeholders in the sector imply a right allocation and understanding of roles and responsibilities. It is a precondition for a respectful cooperation. The partners face a constantly changing environment. Their relationship should allow for the flexibility of adapting to these changing conditions. In this type of environment, negotiations are necessary and healthy.
- Promoting transparency is a critical element in the relationship between the partners and in tackling corruption.
- Monitoring and addressing regulatory questions at the appropriate level is an issue that requires more attention. In this regard, regional sharing of regulatory experiences and benchmarking is particularly useful in the water and sanitation sector.
- Financing of infrastructure extension remains a key issue. There are notably big challenges in terms of serving the poor. However the participants shared an optimistic assessment. The opportunities exist and some promising avenues lie in Output Based Aid (OBA) schemes, blending financing sources (hybrid schemes bringing together public and private finance) and tapping into domestic sources of funding like social security funds (ex. The recently established Pan-African Infrastructure Fund)
- Assistance is still needed to overcome the challenge of preparing bankable projects to be able to access finance needs to be addressed.

D- The Inaugural Meeting of the Steering Group (SG) of the Initiative:

The Inaugural meeting of the SG was chaired by Prof. Firmino Mucavele (CEO of NEPAD Secretariat) with Mr. Takeshi Yagi-Japan, as Vice-chair. The SG emphasized the importance of the *Initiative* working in partnership with other relevant organizations and initiatives while:

- focusing only on areas which result in policy impact on the investment climate;
- building capacity within the African region, and
- utilizing NEPAD and OECD experience, expertise and work methods in order to focus on areas where the Initiative has a comparative advantage.

Against this background, a number of ideas were expressed for future work, including private sector participation in infrastructure sectors that have a direct impact on regional integration and challenges facing implementation of investment climate reforms in African countries.

III- Way Forward:

As a way forward, the following actions will be taken by the organizers of the roundtable:

- A full report of the discussions will be prepared and sent to participants and posted on the NEPAD and OECD websites.
- In addition, synthesis briefs will be prepared capturing the key messages from the background papers, as well as the discussions in the roundtable.
- The Steering Group will continue to guide the priorities and activities of the Initiative. Further guidance will be sought from SG members through the designated Electronic Discussion Group.
- The focus for next year will be on private sector participation in infrastructure sectors impacting on regional integration.
- In this regard, a regional roundtable will be held in Uganda in 2008, to build on the outcomes of the Lusaka Roundtable on Private Sector Participation in Infrastructure.
- African countries' interest in using the PFI for: self-evaluation, public-private dialogue, and measuring progress will be followed-up and the results peer-reviewed and reported.
