



THE INVESTMENT CLIMATE CONTENT OF THE AFRICAN PEER REVIEW MECHANISM: PERSPECTIVES FROM THE SECRETARIAT

Afeikhena Jerome
APRM SECRETARIAT

NEPAD-OECD Africa Investment Initiative Roundtable

Lusaka, Zambia

27 November 2007



Outline of presentation

- Introduction
- Overview of the APRM
- Investment Content of the APRM
- The OECD PFI
- Conclusion/ Emerging Challenges

Introduction

- The investment deficit in Africa is quite huge. According to World Investment Report 2007, Africa accounted for \$36 billion of FDI Inflows, a new record high, which was a mere 2.7 of Global FDI inflows.
- The Continent has so far failed to unleash its investment potential despite considerable efforts over the past decade to improve the investment climate.
- The NEPAD-OECD Initiative which aims to foster sustainable growth, employment creation and poverty reduction by advancing private investment in African countries is quite timely.

Overview of the APRM

Overview

Africa entered the new millennium with optimism and a commonly derived and broadly supported roadmap of how to overcome the development challenges of the last decades.

These were exacerbated by a range of factors including **conflict, institutional decay, leadership and managerial deficit, endemic corruption and economic mismanagement.**

The Africa's agenda for renewal and overcoming these development deficits includes advancing the basic values of democratization and good governance, which together constitute the key requirements for sustainable development.

Overview of the APRM

Overview

The APRM which is turning out to be the most innovative aspect of NEPAD is a self-monitoring instrument voluntarily agreed to by member states of the African Union.

It is unprecedented in scope, compared to even the OECD that invented modern Peer Review. It covers four broad areas, namely; **Democracy and Political Governance; Economic Governance and Management; Corporate Governance; and Socio-Economic Development.**

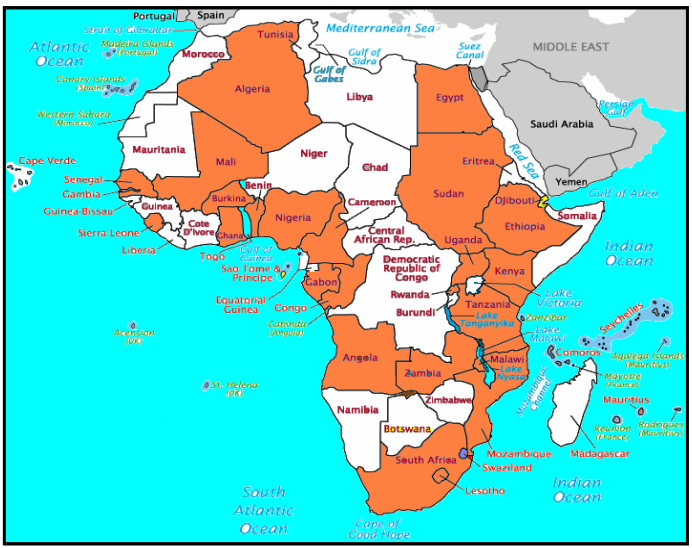
The core guiding principles are **transparency, accountability, technical competence, credibility** and it should be **free from manipulation. It is African-owned and African driven.**

Status of Implementation of the APRM thus far

Djibouti's accession in July 2007 brings to **27 the total number of AU member countries** that have so far acceded. Mauritania has indicated intention to accede.

This represents about 74 per cent of the African population.

We look forward to other countries joining the fold.



Status of Implementation

- So far, 15 out of the 27 member countries have launched the process.
- Five countries have been peer reviewed by the APR Forum. (Ghana, Rwanda, Kenya, South Africa and Algeria).
- Other countries that have began the process are Burkina Faso, Lesotho, Mauritius, Mozambique, Mali, Nigeria, Tanzania .
- Benin received a review mission in July 2007 and it is expected to be peer reviewed in January 2008.
- Uganda and Nigeria review missions are planned for February 2008.

Overview

Overview

Key Lessons

The APRM is making it possible for countries to benchmark good governance in Africa on shared African and international norms and standards as well as for citizens to participate in the evaluation of how they are governed.

It is show-casing African innovative thinking in governance.

The German President during his opening address at the recently concluded African Partnership Forum 2008 in Algiers indicated that “**is this not an area where the rest of the world including Europe can learn useful lessons from Africa?**”.

Investment Content of the APRM

Investment Content of the APRM

The primary purpose of the APRM is:

“To foster the adoption of policies, standards and practices that lead to political stability, high economic growth, sustainable development and accelerated sub-regional and continental economic integration through sharing of experiences and reinforcement of successful and best practice, including identifying deficiencies and assessing the needs of capacity building.”

- The 88-Page questionnaire constitute the basis of conducting the self-assessment.
- However, Countries are free to adapt the questionnaire to suit their peculiarities

APRM Master Questionnaire

Democracy and Good Political Governance (9 Objectives)	Economic Governance and Management (5 Objectives)	Corporate Governance (5 Objectives)	Socio-Economic Governance (6 Objectives)
30 International instruments and Standards/ 16 Regional instruments and Standards	15 Standards and codes	9 Standards and codes	10 Standards and codes
1. Prevent and reduce intra- and inter-country conflicts.	1. Promote macroeconomic policies that support sustainable development	1. Promote an enabling environment and effective regulatory framework for economic activities	1. Promote self-reliance in development and build capacity for self-sustaining development
2. Constitutional democracy, including periodic political competition and opportunity for choice, the rule of law, a Bill of Rights and supremacy of the Constitution.	2. Implement sound, transparent and predictable government economic policies	2. Ensure that corporations act as good corporate citizens with regards to human rights, social responsibility and environmental sustainability	2. Accelerate socio-economic development to achieve sustainable development and poverty eradication
3. Promotion and protection of economic, social and cultural rights, civil and political rights as enshrined in African and international human rights instruments	3. Promote sound public finance management	3. Promote adoption of codes of good business ethics in achieving the objectives of the corporation	3. Strengthen policies, delivery mechanisms and outcomes in key social areas including education and combating HIV/AIDS and other communicable diseases
4. Uphold the separation of powers, including the protection of the independence of the judiciary and of an effective parliament	4. Fight corruption and money laundering	4. Ensure that corporations treat all their stakeholders (Shareholders, employees, communities, suppliers and customers) in a fair and just manner	4. Ensuring affordable access to water, sanitation, energy, finance (including micro-finance), markets, ICT, shelter and land to all citizens, especially the rural poor
5. Ensure accountable, efficient and effective public office holders and civil servants	5. Accelerate regional integration by participating in the harmonization of monetary, trade and investment policies	5. Provide for accountability of corporations, directors and officers	5. Progress towards gender equality in all critical areas of concern, including equal access to education for girls at all levels

APRM Master Questionnaire

Democracy and Good Political Governance	Economic Governance and Management	Corporate Governance	Socio-Economic Governance
6. Fighting corruption in the political sphere			6. Encourage broad-based participation in development by all stakeholders at all levels
7. Promotion and protection of the rights of women			
8. Promotion and protection of the rights of children and young persons			
9. Promotion and protection of the rights of vulnerable groups including internally displaced persons and refugees			

Investment Content of the APRM

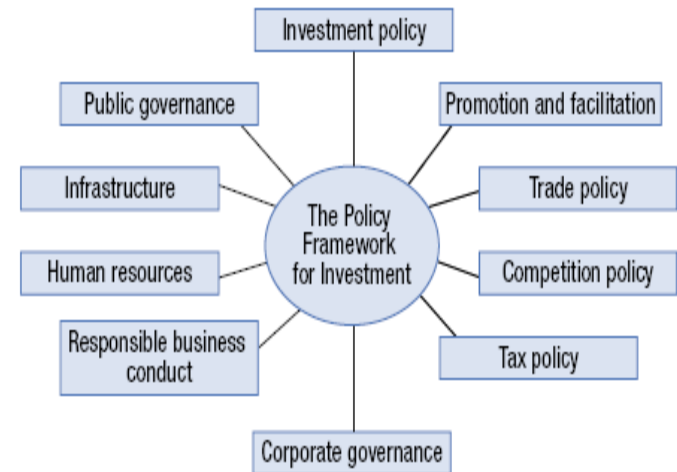
- There have been several comparisons of the Investment Content of APRM Questionnaire and the OECD Policy Framework for Investment (Ross 2006; Busia 2007; Copel 2007; and Chigunta 2007).
- Mindful of the objectives of the two initiatives, this is a need to strengthen the investment component of the APRM.
- The Algiers 2007 APRM Workshop has proposed **a new Objective 4 in Economic Governance and Management on Trade Policy and Investment**. Hopefully, this will also accommodate the relevant Standards and codes on Investment.

The OECD PFI

- The Policy Framework for Investment (PFI) was developed to help governments overcome “private investment deficit”. It represents the most comprehensive multilaterally-backed approach to date for improving investment conditions.
- Founded on the 2002 United Nations Monterrey Consensus on Financing for Development which ascribes to governments the responsibility for creating the right conditions for private investment to flourish, the PFI aims to support development and the fight against poverty amongst others.
- It addresses some 82 questions to governments in 10 policy areas to help them design and implement good policy practices for attracting and maximizing the benefits of investment.

The OECD PFI

- This is a laudable initiative that can easily be implemented by African Countries .
- The OECD has mainstreamed peer review into most aspects of its work including investment policy



Conclusion

Additional Investment Challenges in Africa for both the OECD and APRM

- Most of the FDI inflows in is still targeted at Extractive industries? How can Africa attract efficiency seeking FDI to complement domestic investment?
- Concern has risen in several mineral rich countries on impact of real exchange rate appreciation on other export oriented activities. Zambia, for example, witnessed a 10-fold increase in copper exports from 2000 to 2007. Attractiveness for FDI suffered in export oriented clothing and horticulture.
- Top FDI recipients are not exactly the best reformer? (Top 10 in 2006 – Egypt, Nigeria, Sudan, Tunisia, Morocco, Algeria, Libya, Equatorial Guinea, Chad, and Ghana). How can we ensure pay-off for good reformers?



African Peer Review
Mechanism



Thank you for your attention