United Nations TD/438

United Nations Conference on Trade and Development

Distr.: General
21 April 2008

Original: English

Twelfth session
Accra, Ghana
20–25 April 2008

World Investment Forum – Session III

"A New Emerging Market for FDI"

20 April 2008, 10 a.m. –1 p.m.

1. Moderated by Mr. Dan O'Brien of the Economist Intelligence Unit, the third panel of the World Investment Forum addressed the issue of Africa as an emerging market for foreign direct investment (FDI). Private sector representatives included Rainer Koch, Managing Director of HP Africa; Razia Khan, Chief Africa Economist of Standard Chartered Bank; V. Jayatheerthan, Senior Vice-President and Operational Head of Africa for 3i Infotech; and Jim Geisel, Director of Advisory Services for KPMG. Participants from Government, international organizations, and academia were Deping Hu, President of the China–Africa Business Council and Vice-President of the China Federation of Industry and Commerce; Omari Issa, Chief Executive Officer of the Investment Climate Facility for Africa; Louis Kasekende, Chief Economist of the African Development Bank; and Karl Sauvant, United Nations Co-Director of the Millennium Cities Initiative.

2. The overarching conclusion of the panel was that Africa's prospects for increased foreign investment and more rapid economic growth were broadly positive, notwithstanding significant risks. Reasons for optimism included increased inward investment from emerging economies of the South and gradual improvements in investment climates, policymaking and market opportunities. High commodity prices were seen as a double-edged sword – boosting FDI into the primary sector but pushing up food prices.

3. However, certain persistent shortcomings continued to limit Africa's growth. Identified as crucial impediments were incomplete microeconomic reform programmes, poor infrastructure and inadequate labour skills. Recently, low productive capacity and high commodity prices had combined to increase food prices, threatening to exacerbate poverty.

4. Recommendations for overcoming those obstacles to growth were summarized by a panellist as "the three I's": institutions, infrastructure and integration. The idea of institutions included predictable policy, simplified bureaucratic procedures, stronger legal protection and enhanced dispute resolution. Foreign investment into Africa had been concentrated in the primary and, more recently, the tertiary sector,

with investment in the manufacturing sector lagging behind. Better infrastructure, especially in the form of a steady power supply and advanced information and communications technology (ICT), was seen as crucial to a remedy. Moreover, regional integration, such as that envisioned in the East African Community, was key to attracting foreign investment with greater market opportunities.

5. Additionally, the African Diaspora was repeatedly identified as a growing source of investment, know-how and business connections. Africa’s recent streak of steady growth was creating business opportunities that were allowing more Africans to return, slowing certain forms of brain drain that had long impeded development.

6. Once attracted, foreign investment had to be embedded into the local economy. Both government policies and long-term corporate plans that, in the view of some panellists, were increasingly strategic rather than opportunistic, would promote linkages between transnational corporations and local entrepreneurs.

7. Panellists engaged in a lively discussion with wide-ranging questions from participants and the moderator. Points covered included wariness of certain forms of foreign investment, priority changes for investment climates, the critical role of ICTs, the effectiveness of corporate social responsibility, and the challenges of landlocked countries. The recent trend of suspicion towards foreign investment was likely to produce greater friction between host and source companies in the near term, making investment less predictable. Strengthening the international investment framework was recommended as a long-term solution to that feature of the investment landscape.

8. At the microeconomic level, it was recommended by another panellist that special attention be given to the education of workers, particularly in the ICT sector, which would be instrumental in developing a sound operating environment for international and domestic enterprises alike. As ICT developed, Africa could also become an alternative location for outsourcing as prices rose in centres such as India.

9. The issue of corporate social responsibility was also highlighted as deserving particular attention. Public attention as well as business sense would make that an important element of business development, especially in Africa. One private sector representative illustrated his company’s policies and practices in the training of local employees.

10. The particular difficulty of resource-scarce, landlocked countries in attracting foreign investment was addressed by another panellist, who noted that countries such as Ethiopia, Mali and Uganda had nonetheless enjoyed success. The point was made, however, that Uganda owed much of its success to regulatory liberalization. It was emphasized that foreign investment flows and their benefits were more sustainable when based on sound policy rather than fluctuating commodity prices.