

Agenda for Promoting Investment in Africa
Recommendations from the Tokyo International Conference on Investment to Africa

*This document is issued under Chair's responsibility.

The Tokyo International Conference on Investment to Africa held on 26 February 2003 has gathered key participants from African countries representing governments, business and civil society, international organizations, enterprises which have engaged in investment projects in Africa and academics specializing in investment. The participants have exchanged their views about measures to promote investment in Africa from a wide perspective and produced recommendations including points mentioned below.

Sustainable economic growth is essential to ensure development and poverty reduction in Africa. In order to achieve the economic growth in Africa in the context of increased economic globalization, African countries themselves need to strengthen relations with global economy and take advantage of it. Economic growth need to be pursued building upon efficient utilization of domestic resources, foreign aid, trade and investment, and above all invigorating investment is a key for independent and sustainable development of Africa. In this context, African private sector's development through adequate enterprise development policies and providing appropriate business environment, is leading engine for their economic growth which is essential to foster investment from foreign investor. Africa's economic development will happen on a significant scale and on a sustainable basis only when an indigenous private sector takes root and blossoms. The importance of investment is shared perception of both African countries and the international community as is stated in the New Partnership for Africa's Development (NEPAD), "TOKYO AGENDA FOR ACTION" in TICAD (Tokyo International Conference on African Development) process and G8 AFRICA ACTION PLAN.

In order to stimulate investment, it is vitally important that African countries act with political resolution, in order to prepare environment conducive for investment, and fully recognizing the severe reality of global competition, as is indicated in NEPAD. At the same time, the international community must support their efforts bearing in mind the discussion of G8 and TICAD process.

Agenda for Promoting Investment in Africa are as follows:

1. Investment potential in African countries

African countries have comparative advantages and concrete business opportunities for attracting investment. They should maximize these comparative advantages and increase their competitive advantage. In addition, they should also make more use of existing investors for marketing domestic investment opportunities.

1.1 Many African countries abound in natural resources (for example mineral and oil, agricultural lands, forests and biodiversity) and have great competitiveness in the international market. Stable and transparent policy is vitally important in order to utilize them effectively for sustainable economic development.

1.2 In African countries, comparatively abundant and competitive labor forces can be utilized.

1.3 Developed countries such as Europe, US and Japan are offering preferential market access to African countries, and business opportunities will be enhanced when effectively utilized.

1.4 Population of African countries accounts for 10 % of world population, and therefore, they basically have potential to become a big and attractive market for investment.

2. Improving investment environment in host countries

Efforts of host countries are vital in creating an attractive investment environment. For this purpose, African countries can refer to the experience of other regions such as Asia.

2.1 African countries should clearly commit themselves to enhance good governance in order to maintain peace and political/social stability. Fostering good relations with neighboring countries is also important. In addition, ownership of African countries is also indispensable for ensuring predictability of investment environment by introducing transparent and fair legal framework and strengthening administrative and judicial system supporting the effectiveness of such legal framework.

2.2 It is necessary to improve fundamentals of investment such as capacity building and economic infrastructure (electricity, communications, transport, etc.) in African countries. Improvement of social and basic infrastructure such as health care, water supply and maintenance of public order is important for accepting foreign business people, which is presupposition of investment. It is also important to simplify the procedure for entry of foreign business people into African countries and to enhance movement of business people by improving transportation facilities with a view to facilitating investment.

2.3 African countries should endeavor to make macro economic environment stable and strengthen financial systems (including the responsible handling of external public debt, appropriate exchange policies, and fostering financial institutions, etc.). Moreover, for its objective evaluation, development and disclosure of economic policies and economic statistical indicators are also important.

2.4 African countries should make an effort to implement policies which realize effective functioning of market economy, encouragement of medium and small enterprises and improvement

of saving rate so that domestic investment will be promoted. Preparing good environment for domestic investment corresponds also to necessary conditions for attracting foreign direct investment.

2.5 African countries should encourage active investment promotion policies well-coordinated with national development plans and poverty reduction strategies, which can lead to improvement of production capacity, development of export industry and substantial economic growth in host countries. Simplification and clarification of procedure by establishing organizations for implementing investment promotion such as One-Stop-Shop is useful as well as policy measures such as tax privileges, introducing Special Economic Zone and deregulation.

2.6 It is essential that African countries themselves take the necessary steps for implementing means to improve their investment environment and that they take ownership of their reform agenda.

3. Promoting communication between African countries and countries outside the regions

Sharing information is essential to efficiently connect supply and demand of investment in African countries.

3.1 Communication between investment promotion organizations in African countries and investment and trade promotion agencies in investing countries should be further strengthened and also access to investment information and effective contact points should be facilitated.

3.2 In order to realize smooth and fast mutual provision of information, ICT such as web site should be utilized to the maximum.

3.3 Investment related information provided through international review process should be supplied to wider circles of potential investors.

3.4 Each African country should endeavor to make a successful case, as a first step, of existing investment and to use the case for attracting further investors.

4. Strengthening economic partnership between African countries and outside the region and among African countries

In order to promote investment in Africa, African countries need to expand their economic scale and make its market more attractive. Regional cooperation is essential in this regard.

4.1 From the point of promoting investment in Africa, African countries should strengthen cooperation in mutual tariff reduction, harmonization of customs procedure at each border, effective use of their own resources for investment promotion and creating Free Trade Areas, including

establishing regional investment frameworks, or examining options for the proposed Multi-Facility Economic Zones. Regional ties should also be enhanced by strengthening air transportation network.

4.2 Each region in Africa should endeavor to implement and promote policies to attract investment collectively as the whole region through measures of each regional organization. Cooperation with other developing countries and regions should be strengthened.

4.3 Cooperation among local companies in African countries should be promoted (i.e. promoting investment by external foreign company to other African countries utilizing know-how in companies in South Africa).

4.4 In conjunction with African countries' commitment to the effort for sustainable development, home and host countries should cooperate to promote investment conducive to sustainable development and to encourage companies to be guided by standards of internationally recognized corporate social responsibility.

5. Effective use of international cooperation to support the efforts made by African countries for promoting investment

In order for African countries to implement measures mentioned above, it is valuable for them to effectively benefit from international cooperation listed below. Support by the international community in capacity building with which African countries could implement their own policy is of significant importance.

5.1 Each country in the international community should provide duty-free & quota-free treatment like that under Japan's GSP scheme toward LDCs, AGOA by the US, or EBA by EU. African countries should endeavor to fully utilize these preferential measures.

5.2 Home and host countries should publicize their own schemes of investment insurance and financial institutions which contribute to investment in African countries and promote their utilization by private companies, and thereby continuously promote public/private partnership. In the meantime, African countries should pursue and secure the possibility that these schemes can be applied to investment in their own countries by realizing stable investment environment.

5.3 International community should provide assistance for capacity building, human development and exchange of people of Africa so that Africa could utilize economic opportunity of globalization in an effective manner.

5.4 International community should provide assistance for institution and capacity building so that African countries could realize such prerequisite conditions as good governance and political, economical and social stability.

5.5 International community should provide assistance for the improvement of economic infrastructure contributing to improve investment environment and regional cooperation.

5.6 International community should share experiences and promote cooperation between the regions. Especially the Asia Africa Business Forum and Asia-Africa cooperation through Hippalos Center are effective.

5.7 International community should take note of cooperation through international financial institutions and coordinate among the institutions.

5.8 International community should cooperate with African countries in organizing such international framework as Investment Agreement (including WTO rules) and Double-tax agreement which contribute promote investment environment and investment promotion.

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