



# **Expanding the Frontiers for Investment in Africa: An OECD Perspective**

Dr. Rainer Geiger

Deputy Director, OECD Fiscal, Financial and  
Enterprise Affairs

# Foreign Direct Investment : an Expanding Horizon

FDI: a powerful engine for growth

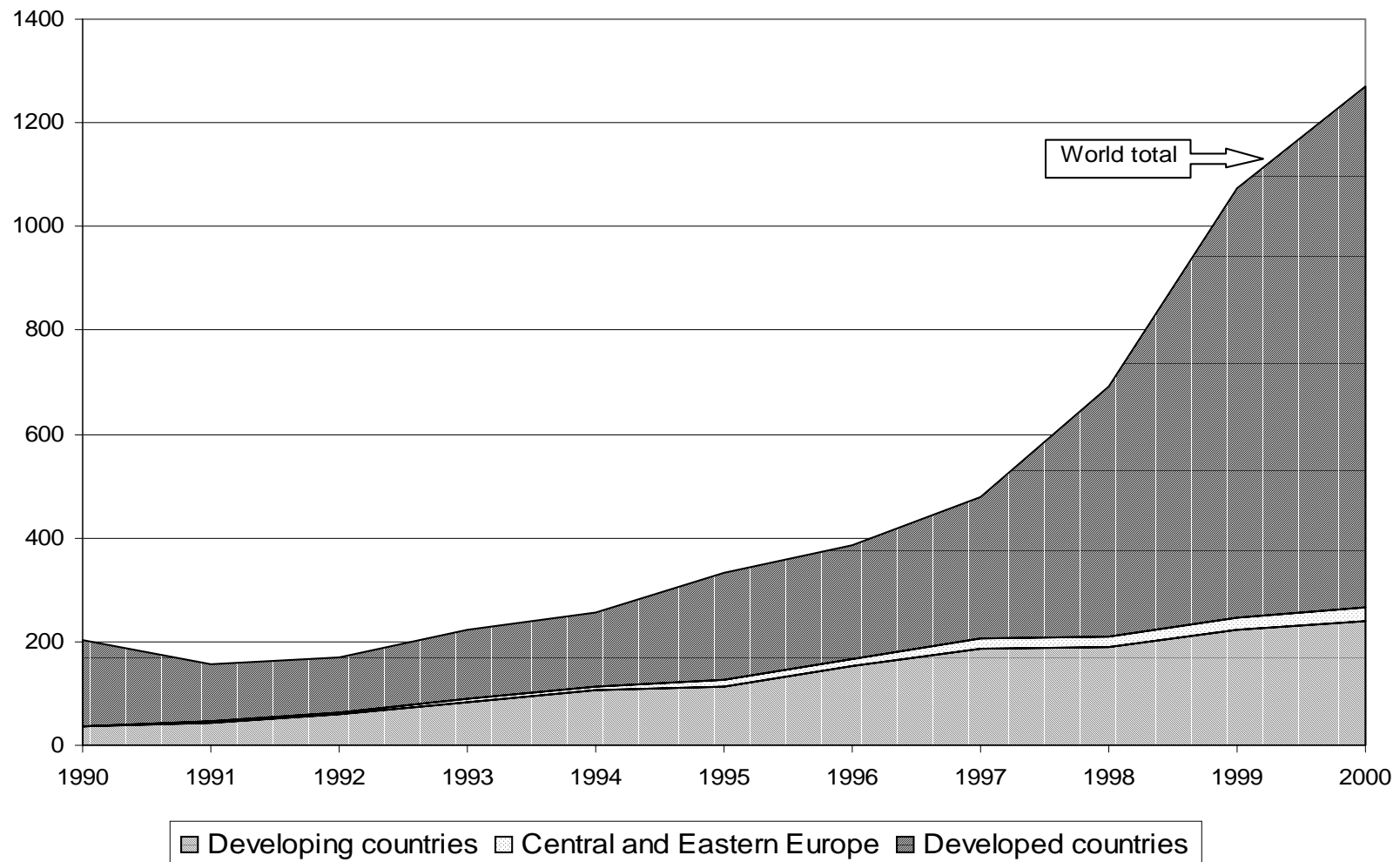
Decline in 2001 - 2002

Competition for FDI to intensify

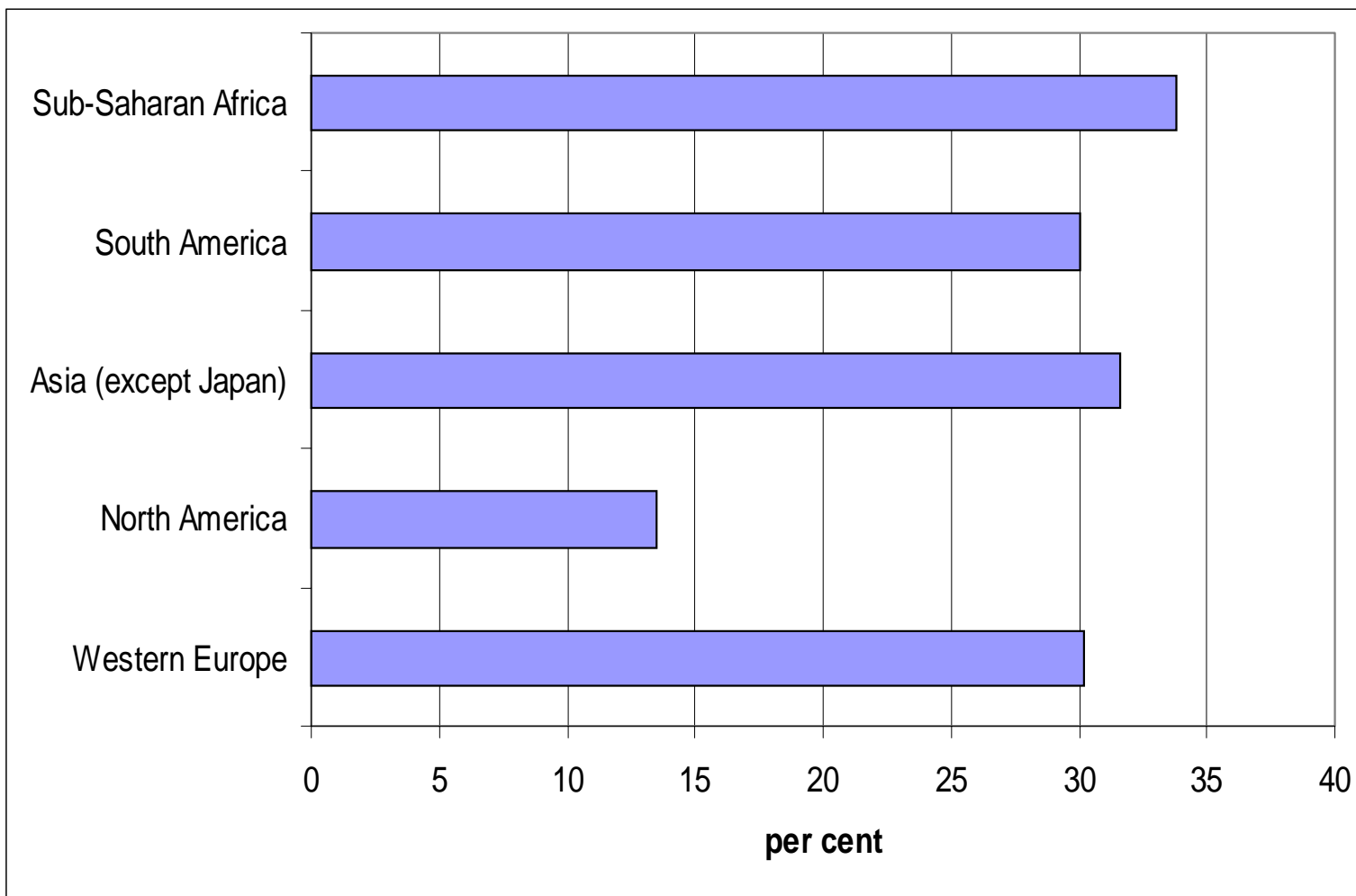
A few numbers:

- 1993: \$ 200 billion in FDI inflows  
**2000: \$ 1.5 trillion, 2001: \$735 billion, and  
further decline in 2002**
- **More than 90%** of world FDI outflows originates in OECD Member countries, and, in recent years, these countries have received approximately 75% of FDI inflows

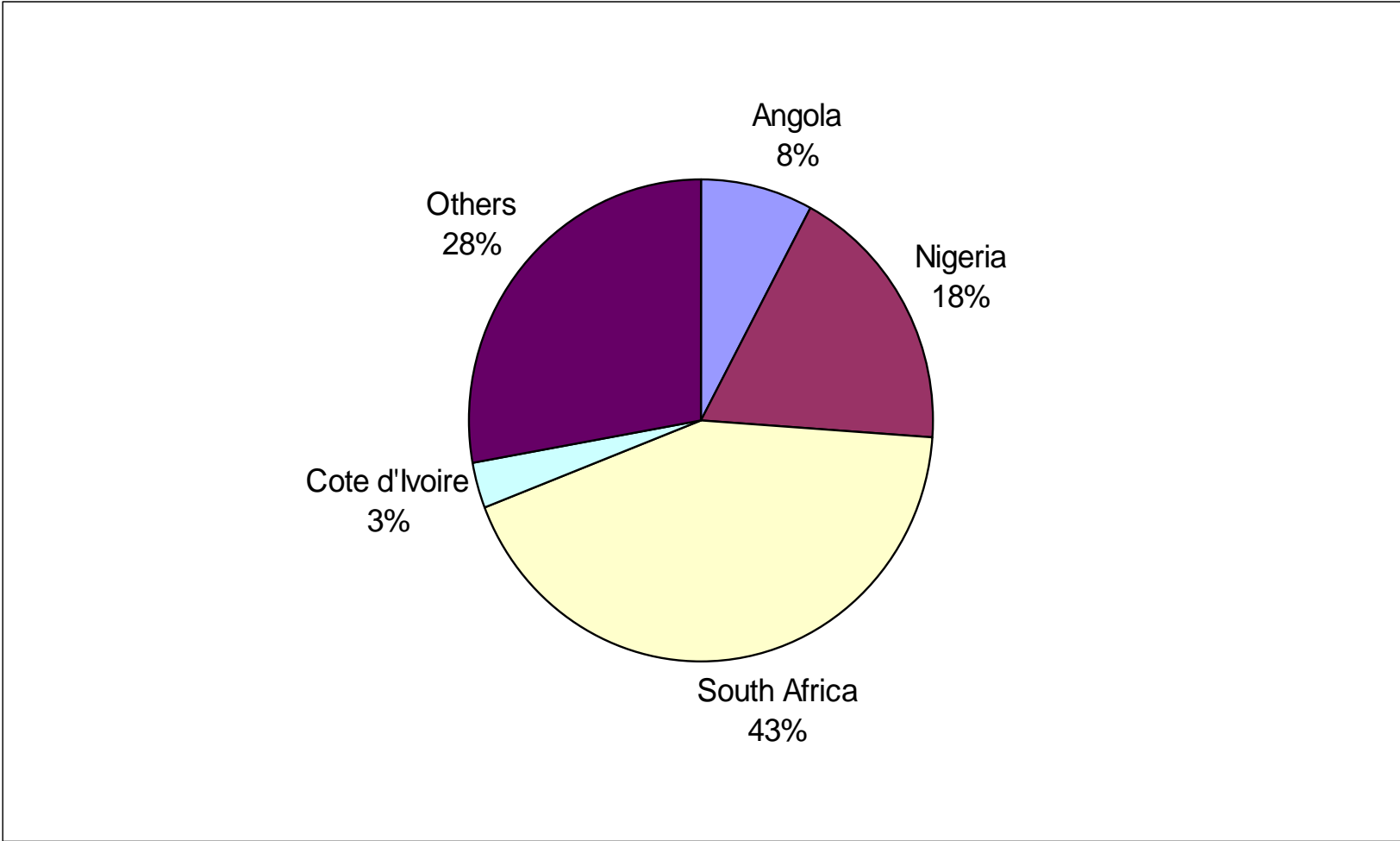
- FDI is highly concentrated on developed countries
- Share of developing countries remains relatively small



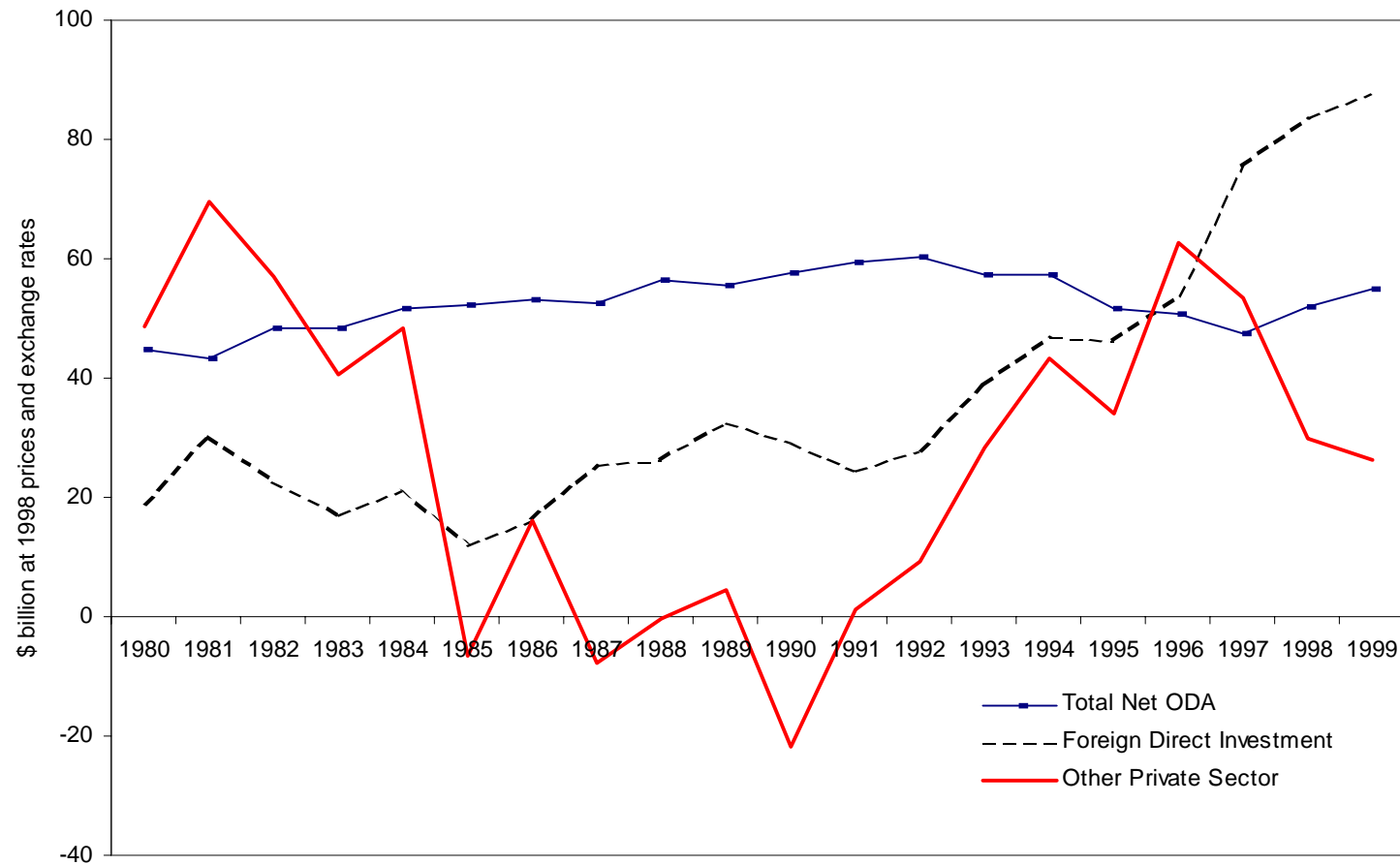
## FDI Inward Stock, 2000 (relative to GDP)



# Distribution of FDI Inward Stock in Sub-Saharan Africa, 2000



# ODA versus or in support of FDI?



## OECD's development role

- OECD countries provide 95 percent of ODA, two-thirds of global FDI flows and the bulk of trade and technology exchanges.
- With growing interdependence, OECD countries have a strong self-interest and a responsibility in promoting growth and prosperity in DCs.
- ODA effectiveness
- Governance
- Private sector development

# Reaping the full benefits of FDI: Policy Challenges

## *In host countries*

- non-discriminatory regulatory regime for FDI
- macroeconomic stability
- adequate corporate governance and competition policy frameworks
- transparency, rule of law, fighting corruption
- strengthening the financial sector
- human resources development
- facilitating structural adjustment and labour mobility



# Reaping the full benefits of FDI: Policy Challenges (cont'd...)

## *In home countries and multinational enterprises*

- policy coherence in support of development
- supporting capacity building and less developed countries' participation in international fora
- promoting public/private partnerships
- encouraging government and private initiatives for corporate responsibility

## OECD Policy Instruments

- Declaration on International Investment and Multinational Enterprises -1976
  - National Treatment
  - Guidelines for Multinational Enterprises
- Corporate Governance Principles
- Anti-Bribery Convention and recommendations

# OECD's Investment Promotion Best Practices

- OECD's best practice guidelines for investment promotion: policies, strategies, institutional structures and marketing activities
- Understanding and responding to the investor's requirements is fundamental to a successful FDI policy/promotion
- Move from investment screening and approval to proactive targeting and image building
- Co-operation with UNCTAD, World Bank and WAIPA

# Linkage with Local Enterprise Development: Strategic Objective

Promote FDI's linkages with sustainable enterprise development, and foster job creation through:

- Supply and sub-contracting arrangements
- Incentives for SME development
- Institution-building/human resources
- Networks at the national, regional and local levels
- Improving access to business finance
- Promoting corporate responsibility through the supply chain

# **Capacity building for private sector development: how to deliver results**

- Business environment assessment
- Time-bound commitments for reform
- Private-public sector dialogue
- Strategic partnerships
- Monitoring and peer review

# Co-operation Programmes

## *Regional programmes*

- Istanbul Centre for Private Sector Development
- South-Eastern Europe Investment Compact
- Black Sea Investment Initiative
- Asia Investment Programme
- Latin America investment Programme
- Caribbean Rim Investment Initiative

*Country programmes:* China and Russia

# **An Investment Compact for Africa?**