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**Research Report**

## Facilitating investment for sustainable development: it matters for Africa

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## Columbia FDI Perspectives

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### **Facilitating investment for sustainable development: it matters for Africa**\*

by

Makane Moïse Mbengue\*\*

With Africa's population expected to double by 2050 to 2.2 billion, and with 60% under 25, the continent stands at a critical juncture. How can Africa generate the resources needed to improve its investment determinants and business climate, generate employment opportunities and finance the US\$2.5 trillion needed to achieve the Sustainable Development Goals (SDGs)?

The answer lies in strengthening international and regional cooperation to facilitate sustainable FDI for sustainable development<sup>1</sup> within Africa and help mobilize international support for technical assistance and capacity building. The current political climate in Africa shows that, even amongst the skeptics, there is growing recognition that individual countries can benefit by taking certain steps collectively.

There is no consensus on a definition of investment facilitation. However, there is no doubt that investment facilitation focuses on measures aimed at bringing about a more transparent, efficient and predictable investment-friendly business climate by reducing the ground-level obstacles, inefficiencies and unnecessary red tape faced both by domestic and foreign investors.

Even though the inclusion of investment-facilitation provisions is a relatively new feature in the existing 3,326 international investment agreements, provisions facilitating the entry and sojourn of personnel and furthering the transparency of laws and regulations have often been prominent in domestic investment legislation and in the activities of national investment promotion agencies throughout Africa. More recently, some African countries have adopted national investment legislation and policies that focus quasi-exclusively on investment facilitation (e.g., Algeria, Egypt, Kenya, Namibia, Tunisia).

Specific investment-facilitation measures include publication and notification of investment-related actions; streamlining and speeding up of administrative procedures, e.g. improving the processing, screening and approval of applications; and reducing formalities and documentation requirements through the creation of online information portals and single windows. They might also include substantive facilitation such as tax incentives.

Africa as a continent is already envisioning investment-facilitation measures for sustainable development on a bilateral, regional and, most recently, continental level:

- The Pan African Investment Code developed in 2015 to “promote, facilitate and protect investments that foster sustainable development”<sup>2</sup> is Africa's first continent-wide model investment agreement.
- Negotiations on the first phase of the African Continental Free Trade Area (AfCFTA) will be concluded in March 2018 among the 55 member states of the African Union. The draft agreement includes several provisions on investment facilitation for sustainable development. The Phase II Negotiations—which will focus on AfCFTA’s investment chapter—will surely incorporate investment-facilitation provisions.

A group of WTO members, in partnership with Nigeria and the Economic Community of West African States Commission, organized the High-Level Forum on Facilitating Trade and Investment for Development in Abuja, Nigeria, in November 2017. Bringing together capital-based trade and investment officials from over 30 African countries and representatives of the private sector, it showed that African countries want to engage in discussions on investment facilitation. It highlighted the importance of investment-facilitation reforms and the potential value-added of multilateral rule-making in this area—provided it is compatible with sustainable development. The “Abuja Statement”<sup>3</sup> was unanimously endorsed. Investment facilitation is also part of the G20 Compact with Africa, although this initiative needs to stress better its relation to the achievement of the SDGs.

At the WTO's Eleventh Ministerial Conference in December 2017, 70 members (including five African members) called to begin “structured discussions with the aim of developing a multilateral framework on investment facilitation”<sup>4</sup> in early 2018, making it essential for all African members to participate in the ongoing debate.

While this is not the first attempt to bring investment rule-making into the multilateral trading system, this latest initiative marks a departure from the previous trend in two important respects. Whereas in the past, it was largely developed countries pushing to multi-lateralize investment rules, and developing countries resisting, now the main proponents—Argentina, Brazil, China, Nigeria, Pakistan, and others—are developing countries. Second, historically, the focus was largely on protecting investment (on the assumption that expanding investment was simply a matter of minimizing investor risk); it now is on facilitating investment.

To emerge as the next global growth frontier, African countries must be involved fully to bring an African perspective to the debate on investment facilitation for sustainable development at the WTO. African countries must insist on the need for this debate to focus on sustainable development, an objective explicitly enshrined in the Agreement establishing the WTO. It is also essential to craft the debate in a systemic perspective. For instance, investment-facilitation measures cannot be clinically isolated from the duty of countries to conduct environmental impact assessments. Streamlining and speeding up administrative procedures in the context of investment facilitation needs to account for the reality of what SDGs require from countries.

African countries must stress that investment facilitation is first and foremost about attracting quality investment, i.e., sustainable FDI—not just *more* investment. With the draft AfCFTA already including provisions on investment facilitation, Africa can no longer ignore the ongoing discussions on investment facilitation in the WTO—it must make it a priority to shape an African voice and strategy.

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<sup>1</sup> Karl P. Sauvart and Howard Mann, “Sustainable FDI for sustainable development,” *Columbia FDI Perspectives*, No. 221, March 12, 2018.

<sup>2</sup> <https://repository.uneca.org/handle/10855/23009>.

<sup>3</sup> [https://au.int/sites/default/files/speeches/33334-sp-abuja\\_statement\\_en-final-clean-03-november-2017.pdf](https://au.int/sites/default/files/speeches/33334-sp-abuja_statement_en-final-clean-03-november-2017.pdf).

<sup>4</sup> WT/MIN(17)/59.

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