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STATEMENT

BY

H. E. AMBASSADOR JEAN-BAPTISTE NATAMA
CHIEF OF STAFF OF THE BUREAU OF THE CHAIRPERSON OF THE AFRICAN UNION COMMISSION

AT

THE OPENING OF THE HIGH-LEVEL THEMATIC DEBATE OF THE GENERAL ASSEMBLY ON THE PROMOTION OF INVESTMENT IN AFRICA AND ITS CATALYTIC ROLE IN ACHIEVING AFRICA'S DEVELOPMENT OBJECTIVES, INCLUDING THOSE OF NEPAD

Check Against Delivery

New York, 17 July 2014

Your Excellency, Mr. John Ashe, President of the General Assembly,
Your Excellency, Mr. Ban Ki-Moon, Secretary-General of the United Nations,
Excellencies,
Ladies and Gentlemen,
All protocols observed,

I am extremely delighted to be here in this vibrant city of New York in the midst of Your Excellences, colleagues, and participants to add Africa's voice to the High-level thematic debate on Promotion of Investments in Africa. The interest the continent has demonstrated in the drive for global economic change has been felt palpably around the world, and it is not surprising that the subject of promoting investments in Africa has in recent years attracted much attention in view of substantial innovations in policy space and environmental business conditions. Undoubtedly, Africa is now viewed as the current major investment frontier, where challenges are diminishing fast.

It is particularly noteworthy that today Africa offers some of the most attractive investment opportunities, and has in recent years boasted of some of the fastest growing economies in the world. The economic growth forecasts are showing trends averaging about 6 % annually, up from about 5.5 % in 2006. In the early years of this century, Real GDP rose by 4.9 percent a year, more than double its rate in the 1980s and 1990s. In 2008, Africa's GDP stood at US$ 1.6 trillion, and is expected to reach US$ 2.6 trillion by 2020.

These figures testify to Africa's significant expansion and growing economic momentum, the fastest rates in over three decades, hence fuelling the growth in demand for overseas capital.

Of all FDI going to developing countries, Africa was able to attract an estimated 12 per cent in 2012. Credible estimates show that Foreign Direct Investments in Africa totaled US$ 55 billion in 2010, clocked US$ 80 billion in 2013, and are expected to rise to US$ 150 billion by 2015. For example, in recent years, Zambia witnessed a substantial 93% rise in investments compared to 2011, a feature attributed to a well-managed economy and a peaceful transfer of power. Countries such as Ghana, Botswana, Tanzania, Cape Verde and Mauritius have also registered high FDI inflows.

While current spending on infrastructure is about US$ 45 billion a year, it is estimated that the amount needed is approximately US$ 100 billion annually. Such a huge funding deficit points to the existence of substantial opportunities for the private sector and governments to invest.

While intra-African investments have been low over the years, there has been a tremendous upsurge in the last five years, the drive being led by Kenya, Nigeria and South Africa.

Excellencies,
Ladies and Gentlemen,

Evidently, investments, whether public or private, are critical pre-requisites for sustained socio-economic development in Africa. (Investment in) Infrastructure in particular - is a sina qua non condition for sustainable development, job creation, and poverty reduction. Hence, it is important that appropriate policy and regulatory designs are rightly crafted, and implemented at national and regional levels, in order to engender sustainable and inclusive growth – a means to lifting citizens of Africa out of poverty.

All countries need high quality infrastructure as well as efficient transport, sanitation, energy and communications systems in order to prosper and provide a decent standard of living for their populations. Unfortunately, many developing countries such as those in Africa, possess poor quality infrastructure, which has the propensity to thwart their economic growth and undermine their ability to trade amongst themselves, and globally.

Excellencies,
Ladies and gentlemen,

While much has been done in Africa with more innovations expected in the short- and medium term, there still exists serious obstacles at the international level that require critical review of current international cooperation and partnership. It is a well-known fact that remittances from the African Diaspora offer huge potential for Africa to invest in human development, especially in the areas of education, health, agriculture, including in start-up of small-scale and micro-scale businesses. In 2013, remittance transfers to Africa were valued at US$ 32 billion, and projections to 2016 are pitched at US$ 41 billion.

However, charges on remittances represent serious challenges given that these charges on remittances to Africa are well above the global average, standing at 12 per cent of amounts transferred. While the governments of the G8 and G20 have pledged to reduce charges to 5 per cent, this has not yet been fulfilled. In effect, Africans are paying a remittance "super tax", hence depriving families of investment funds and therefore retarding Africa's development.

Since remittances are viewed as investment funds for human development, it is vital that the pledges are followed through, and the dominance of two companies, namely Western Union and Money Gram, should give way so that the more than 100 African companies are permitted to do the transfer. We are aware of the stringent anti-money laundering requirements by western banks and governments, but measures should be devised to adjust the international remittance transfer system away from the prevailing duopolistic domination.

Excellencies
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Investments in Africa, particularly in the area of agriculture, would have grown significantly if protectionist agricultural policies in many industrialized countries were dismantled in the name of fair trade. African farmers are losing out because of tariff and non-tariff barriers, and the subsidies to the agricultural regimes imposed by our development partners are hampering the growth of agricultural investments in Africa.

It is important to make a distinction between mercurial and immutable investments in the discourse on development. The former refers to flows of resources into stocks, bonds, and related assets, ones that can be injected as fast as they can be retrieved. These are good for resource mobilization and expansion of productive investments, as long as they are directed to branches of the economy that yield high value for the domestic economy. On the other hand, immutable investments are those that are symbolized by hardware such as plants, equipment, and related tangibles. Such investments have a high employment potential especially if agreements between overseas suppliers and local institutions allow for the fostering of forward and backward linkages.

A cursory glance of major investments undertaken over the decades have shown that the majority are characterized by very low local content ratios. Even where opportunities exist for the local economy to participate more meaningfully in the value chains, the agreements tend to marginalize the utilization of local technological capabilities. In the case of energy investments, for example, there is evidence that, even where local capabilities exist in some African countries, flows of foreign investments through grants have tended to exclude substantial domestic capacities in substation design and laying out of transmission lines. The effectiveness of these foreign investments can be measured by the extent to which they harness the local capacities to the greatest extent possible.

Excellencies,
Ladies and gentlemen,

Investment in infrastructure can also contribute to the achievement of the Millennium Development Goals (MDGs), as it tend to influence improved access to social services such as education and primary health, and also enhances a country's ability to trade while reducing the costs of goods and services. Good infrastructure also makes it easier for economic actors such as SMEs, and the disadvantaged (Women, and Youth, etc.) to do business and helps to improve environmental conditions.

As we seek to adapt to the vagaries of climate change, it is essential that investments being promoted in Africa are climate-resilient and therefore not subject to easy degradation and vulnerability. They should be able to withstand the shocks of disasters to allow for swift regeneration and dynamic restitution. Housing schemes, transport systems, and industrial complexes should integrate environmentally-friendly technological dimensions and in-built disaster risk reduction mechanisms. Africa cannot afford to invest in infrastructure prone to falling apart at the slightest shock of hazards.

As a matter of principle, the African Union Commission organizes annually the African Private Sector Forum that brings African businesswomen and men to discuss matters pertaining to the promotion of investments in Africa. The Union also partners with the European Union, India, and Turkey, among others, in platforms referred to as Business Councils, to deliberate on investment opportunities and related imperatives. The EU-Africa Business Forum, for instance, seeks to influence improvements in the business and investment climate through enhanced governance, capacity-building, and policy coherence; and making Africa more attractive to the European private sector by providing a more accurate and positive image of the continent as a place for business and investments.

In addition, the African Union has undertaken a study on a number of existing investment codes across the region, and in effect, has drafted a Model Pan African Investment Code to attract investment flows into Africa.

In line with the aspirations of the African people to advance infrastructural investments in Africa through Programme for Infrastructure Development in Africa (PIDA) and other programmes, the NEPAD Agency has embarked on a number of activities such as the Presidential Infrastructure Champion Initiative (PICI), the Trans-Sahara Optic Fibre Project, the Trans-Sahara Gas Pipeline Project, and the East Africa Community Regional ICT project which places ICT at the heart of national socio-economic development agenda of Member States.

Excellencies,
Ladies and gentlemen,

In conclusion, many of the above issues have, in many respects, been accommodated by the provisions of the AU Agenda 2063. The success of our continental transformative development programme in the context of Agenda 2063, will depend to a large extent on our efforts together, to scale up domestic resource mobilization, and promote increased private investment flows in our continent. We will continue therefore to advocate for friendly investment policies; at the level of the AU Commission - to achieve the requisite and sustainable economic growth – that supports the continent's prescribed long term Agenda 2063 development strategy.

I wish you a fruitful intellectual and practical debate, and look forward to the outcomes and recommendations of this very important meeting.

I thank you for your kind attention.

2014

Statement by H. E. Ambassador Jean-Baptiste Natama Chief of Staff of the Bureau of the Chairperson of the African Union Commission At the opening of the high-level thematic debate of the General Assembly on the promotion of investment in Africa and its catalytic role in achieving Africa's development objectives, including those of NEPAD

Natama, Jean-Baptiste

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