

# Conference on Revitalizing Private Investment

Address by  
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20 June 1996  
Accra, Ghana

Your Excellency Flight Lieutenant Jerry John Rawlings,

Other esteemed Excellencies,

Honorable Ministers,

Distinguished leaders of African and foreign Corporations,

Ladies and Gentlemen,

This is an auspicious occasion for Africa and for those of us here. The presence of many of Africa's Heads of State, the hosting of this conference by the Government of Ghana through its Ghana Investment Promotion Centre, the sponsorship of this conference by the African Business Roundtable, the European Union, the Global Coalition for Africa, the Government of Japan, the Republic of Korea, the Swedish International Development Agency, the Overseas Development Administration of the United Kingdom, the United Nations Development Programme, the World Bank and the UN Economic Commission for Africa in cooperation with major corporate support from the Association of Ghana Industries, Asea Brown Boveri Sub-Sahara Africa, and Cable News Network. The presence of world reknowned leaders of business. The presence of so many investors who wish to deepen existing commitments in Africa or start up new commitments. This is a great occasion put together by many talented people among the sponsoring organizations. In the organization of this conference and in the participation of this audience is the evidence of new and very productive partnerships.

The timing of this conference is right. This conference would have been an impossibility 50 years ago when foreign investment was most often part of colonial plantations and natural resources exploitation. This conference could not be held 10 years ago when Africa was deep into a lost decade of development. Even five years ago the evidence of progress was too little on which to build an optimistic future.

But today there is a different story in Africa and, I dare say, a different story in the investment community. In Africa the glass is at least half full. Two thirds of Africa's countries had economic gains last year in excess of population growth. Over half of Africa's countries are well advanced in economic reforms including a great many aimed at promoting investment. Elections have been held in 30 countries in recent years. When we speak of Southern Africa we do not now speak of Apartheid; rather we speak of a major growth pole in Africa's development.

There is also a different story among foreign investors. The interest in emerging markets is far stronger than ever before. Major corporations recognize that consumer demand in the North is slowing relative to the emerging boom in demand in the South. To be competitive one must look to the new markets. Capital markets are being organized in many countries on this continent... so much so that we are launching during this conference the African Capital Markets Forum to compare experience and to expedite the process of creating capital markets. Our new capital markets are attracting portfolio investment to Africa for the first time. Corporations are far more aware of our environmental sustainability problems and are more prepared to fashion investments with this in mind. And, perhaps most fundamental of all, there is a major diversification of domestic and foreign investment going on.

In this conference we are interested in investments by all sources, African and the foreign investor. Some have felt that the foreign investor would come first and then the African investor. In fact, the African investor has come first and will probably constitute about 80 percent of all investment over time; then often comes the investor from Africa's diaspora; and only then the more typical foreign investor and those foreign investments in turn spur more African investment. Now we are in the stage when more foreign investment will be coming.

So today we are typified far less by the inept or non-existent state and the rapacious corporation. Now is an era where we see a greatly differentiated Africa more typified by the reforming state, the corporate citizen and the domestic investor. It is a time to make music together.

As we do so it is well to bear in mind how we got to this point, since a number of African societies can learn from the progress underway on this continent. As the regional arm of the United Nations and as a major promoter of African development, it is the job of the Economic Commission for Africa to help Africa recognize important lessons of development and policy options.

The general message from analytical and empirical work, from the point of view of investment, is that the stability and predictability of the incentive framework -relative prices, demand, interest rates, taxes - may be much more important than the level of the incentives themselves.

The key policy implication, from the macro economic viewpoint, is that in order to encourage the investment response to incentive changes, macro economic stability and investor confidence in the sustainability of the policy framework are essential. In Africa the wrong path is often associated with political instability and oppression. Governments are on the right path when they correct unsustainable macro economic imbalances -- such as high inflation, large public deficits and exchange rate overvaluation -- because they are a primary cause of macro economic instability and uncertainty about future policies. Institutional reforms contribute to a better investor response if they are aimed at ensuring policy predictability, effective property rights (particularly enforcement of contracts and technical standards), and stability of the basic "rules of the game."

A strong and efficient financial sector is one of the key elements in a

conducive business environment. Governments must promote enhanced quality and breadth of their financial sector, particularly by liberalizing the laws to entry into banking by new, solid and reputable operators both local and foreign. We are fostering the African Capital Markets Forum precisely because well functioning capital markets are vital for mobilizing domestic and foreign finance for productive investment. In a nutshell, the government must deliver a stable, pluralistic, enabling socio-economic environment so that African and foreign investors will want to make and operate productive commitments in Africa.

While there is progress on these fronts in Africa, certainly enough to justify a strong investor response, Africa is not receiving much of a share of resurgent private capital flows. With 10 per cent of the world's population, Africa falls short of 2 per cent of foreign direct investment. One deterrent is that the opportunities here need to be better known. Another is our onerous debt situation which drains investible resources and dampens confidence in the credibility of reforms. I suggest that Africa and the foreign investment community have a shared interest in achieving a substantial reduction in the debt overhang, the difference being that some of us have more influence on sometimes reluctant Western ministries of finance than others of us.

Despite such constraints as debt, gradually domestic and foreign investment will replace aid as the main capital source of growth. Africa is not at the point, now seen in parts of Asia, where private investment is replacing the finance of development projects formally served by aid, but we are at the point where there can be far more diversification in the sources of our investment capital.

The United Nations Economic Commission for Africa is proud to have played a significant part in organizing this conference. Some may be surprised that ECA is helping to do business when it is rumored that the United Nations is going out of business! Our being here and having organized this meeting in strategic alliance with other great institutions is proof that you cannot operate by rumors; you have to come to Africa and see for yourself.

We at ECA are in business, but it is not business as usual. Just like many states in Africa and most corporations around the world, we are deeply into reengineering our operations. We are not the organization we were even a year ago and not the organization we will be next year. It is a new time at ECA and this conference is a hallmark in our renewal.

ECA's reforms are based upon focus and excellence in our programmes and by networking in our mode of operations. In networking we recognize two new truths: first, there are so many sources of expertise on the continent now that the quality of work on Africa's core issues will increase by fostering that expertise, and second that we have a rather formidable power of convening to bring parties together in order to help stimulate progress in Africa. In this conference a major highlight will be the Round table of leaders of governments and business... which we hope will be pace-setting precedent for future discussions between the public and private sector. The concept of networking applies not only to bringing together sectors, but to bringing together governments to explore options for harmonization and integration.

ECA's interests in this conference are illustrated by our five areas of programme focus:

Focus 1 is Strengthening Development Management: helping the state to manage its public functions and to create an enabling environment for the for-profit sector and for civil society at large. We have a substantial amount of experience in this area. For example, we are actively fostering chambers of commerce and professional associations of African business interests, including women entrepreneurs.

Focus 2 is Facilitating Economic and Social Policy Analysis. This is not only a classic function of analysis, it is also the promotion of new ideas with policy makers. An important area of interest is in broadening the sources of domestic and international finance for Africa's development. The counterpart of our work on foreign investment is, in tandem with others, strong interest in promoting higher domestic savings.

Focus 3 is Harnessing Information for Development. Here we have been charged by all of Africa's governments to coordinate its new policy framework for promoting the information revolution in Africa. In addition, ECA provides policy advice, development information on Africa through Internet, and we have responsibilities in the new multi-billion dollar UN System-wide Special Initiative on Africa not only to co-chair the whole effort, but to be a leading force in helping Africa develop connectivity. I need not tell this audience how fundamental to national and international commerce is the development of informatics systems and capabilities. We are in common cause with those looking for open and widely accessible information systems serving the widest possible development interests.

Focus 4 is Ensuring Food Security and Sustainable Development. Here we focus on the nexus of food security, population and environmental sustainability. It is in all our interest not only to address but to get a firm grip on these problems. Countries with food security will be able to spend their foreign exchange on a wide variety of goods and services and they will be able to foster widespread growth. We have a common interest in finding innovative solutions to sustainable food production, to stabilizing and enhancing the environment and in providing the employment and social services which will permit a sustainable population growth. Investment opportunities in these areas are beginning to open up. We must widen the opportunities and heighten the urgency on these matters.

Focus 5 is Promoting Regional Co-operation and Integration. ECA led to the creation of the African Development Bank and we are fostering a number of key sub regional organizations. We are working with OAU and ADB on integration of trade and monetary regimes and, in lead roles, with all African states on regional cooperation in transport and communications. Much more active trading across borders by private enterprises will make integration an important reality. Integration of policies enabling the financial services sector to easily operate across borders needs attention. Since much more needs to be done in these areas, ideas of inter-state cooperation ripe for action will be listened to carefully.

I also want to mention our key cross-cutting issue of Gender. In this, my

home country, we are in a part of the world where the women have major often dominant roles in distribution be it at the village or in the national market. To neglect women then they produce 70 percent of Africa's food supply and account for a large proportion of other economic activity in Africa, is to neglect at least half of the economic potential of the continent. Governments need to assure that their economic services reach women, that women have full access to credit, and that women have full rights to own land and to contract. Wise enterprises will fully incorporate women at all levels of their organization and will recognize the importance of women in their marketing.

The glass half full; a time to look for the positive examples; a time to listen to new perspectives; a time for countries to further improve the environment for investment; a time to find new ways of cooperation; a time to recommend the doable, a time to do the do able; indeed: this is a time to do business in Africa. This is the time we are in and this is why we are together.

Welcome to a renewing Africa, welcome to the possibilities of building a new future in relationships, and welcome to a conference which has the makings of history.

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