Ensuring investment for the future of SADC and its citizens

“In Africa today, we recognise that trade and investment, and not aid, are pillars of development” Paul Kagame, President of Rwanda, told a Conference of African Union Ministers of Trade on 27 May 2004. Nine years later, President of the African Development Bank Donald Kaberuka began his Foreword to their Annual Development Effectiveness Review 2013 by declaring that “With around one-third of its countries growing by more than 6%, Africa has become the world’s fastest-growing continent”.

Sadly, lack of investment has traditionally been a major barrier to progress in Africa. “Access to capital is one of biggest challenges for businesses in Africa” Oscar Onyema, CEO of the Nigerian Stock Exchange told the World Economic Forum in Davos, on 21 January 2015.

Political and security issues that have made outside investors nervous, so limiting “Foreign Direct Investment” (FDI) into the region; domestically, financial services institutions have not been fully inclusive in their approach to savings and investments, so the potential of “the ordinary investor” has not been as fully realised as elsewhere in the world. This has to change if Africa wants to realize its full potential. Sustainable development requires investment in the industries and services that create wealth and the infrastructure that is required to supply them. Even eco-tourism, a major growth sector, in Southern Africa in particular, requires investment in airports, roads to take tourists to Game Parks, and so on.

SADC puts Investment high on the agenda

What is true for Africa generally is even truer for the Southern African Development Community (SADC) region specifically. According to the International Monetary Fund (IMF), Sub-Saharan Africa has become the second fastest growing region in the world. To sustain this growth and optimise the potential benefit to all from it, increased investment is needed – and investors need to focus more on the SADC region: financial information website MarketWatch’s 24 December 2014 headline was “You aren’t investing in Africa — you’re missing out”.

Attracting investment has therefore been placed at the heart of the SADC development integration agenda. The SADC member states recognise that this is central to the wider SADC
plans for regional integration: economic diversification, development of infrastructure, the creation of new labour skills, all leading to greater, more active participation in regional and global markets and economic growth.

This is formally acknowledged in the 2006 “Protocol on Finance and Investment”, which outlines SADC policy on investment and requires member states to implement strategies to attract investment and to encourage and facilitate entrepreneurship among their citizens. Member states are also encouraged to structure and implement legislation that creates a favourable environment for investment, such as transparent and investor friendly procedures and policies inclusive of tax incentives that ease financial burdens for private firms seeking to invest in the region.

Region-wide investment promotion crosses many sectoral boundaries and requires work in areas such as: appropriate governance mechanisms; infrastructural investments; coordination of taxation (in particular tax incentives); specific regimes to encourage greater FDI flows, domestic and intra-SADC investment; closer coordination of Investment Promotion Agencies; and so on. The SADC Secretariat is undertaking work in all these fields, within the scope of the SADC Investment Policy Framework development.

With a little help from our friends …

Where investment promotion is concerned, the European Union is uniquely placed to work with SADC in this area. The EU (European Commission and EU Member States collectively) is the region’s biggest development partner; it is also SADC’s most important trade and investment partner. No surprise, then, that the EU is supporting the SADC investment promotion drive through the four-year “Regional Economic Integration Support Programme” (REIS), with €20 million funding from the 10th European Development Fund (EDF). REIS’s end goal is to promote sustainable and equitable economic growth and poverty reduction in SADC.

The REIS Programme promotes investment in SADC by supporting those measures already outlined above that aim at improving the investment climate and business environment in the region, in order to attract and boost both regional investment and FDI. Key REIS activities to improve the investment climate include:

- Supporting elements of the SADC Regional Action Programme for Investment, which include the development and implementation of the SADC Investment Policy Framework, so that member states can carry out regulatory reforms and benchmark themselves against best practices;
- Providing a platform through the Investment Promotion Agencies forum to facilitate peer-to-peer learning among the SADC IPAs in areas of excellence;
• Facilitating the development and maintenance of the SADC Investment Regime Database as a transparent regional investment information platform for potential investors; and

• The SADC Model Bilateral Investment Treaty Template, which provides Member States with guidelines for their negotiation of bilateral investment treaties and review of the current content of their investment treaties, in the light of regional development goals for sustainable development as well as global investment trends.

Besides specific work in the area of investment promotion, the REIS Programme also intervenes in SADC work on cross-border payments; tax coordination; technical barriers to trade (TBTs) and Sanitary and Phytosanitary (SPS) measures; trade in services and the EU – SADC Economic Partnership Agreement (EPA) – all of which have bearing, directly or indirectly, on the investment climate in the region.

Has this work borne fruit? Clearly a number of factors are always involved in any change of investment climate and no single entity or cause can ever claim all the credit; but certainly investment is beginning to flow into the SADC region in much greater volume. According to the OECD, FDI has increased by nearly 14% annually over the past decade, a reflection of the improved economic competitiveness and growing attractiveness of the region.

SADC has made a good start towards improving its investment and business climate – with a little help from our EU friends. In line with the development of the SADC Investment Policy Framework, Member States have since revitalized their efforts in improving their investment climate.