

Quarter 3, 2007

## Welcome to:

**EDBM, Economic Development Board of  
Mauritius**

**CEPSE, La Congolaise d'Etudes, de  
Prospections et des Sondages**

**PROMOS, Invest in Milan**

**WAIPA currently gathers**

**154 countries worldwide**

**with 220 members.**



**Second MENA-OECD  
Investment Ministerial  
Meeting and Business  
Forum**

The MENA-OECD Investment Programme, which entered into operation early 2005, is a regional effort initiated and led by countries in the Middle East and North Africa. It promotes national reforms to enhance private sector development and competitiveness. It facilitates policy dialogue and sharing of experience among governments from MENA countries and their OECD counterparts. It has a strong private sector component and seeks to mobilise both national, intra-regional and international investment.

At the first Ministerial meeting held in February 2006 in Jordan, MENA countries expressed support for a Declaration on Policy Principles and Good Practices for Attracting Investment. The key theme of the second Ministerial Meeting is Making Reforms Succeed-Moving Forward with the Investment Agenda. It will be held on 28 November 2007 in Cairo under the patronage of the Prime Minister of Egypt, H.E. Dr. Ahmet Nazif and preceded on 27 November by a Business Forum.

The meeting will bring together Ministers of Economy, Finance,

Planning or Industry from 18 Middle East and North Africa countries with their counterparts from OECD countries. Heads of international and regional organisations will attend and there will be significant private sector participation. Participants will take stock of the achievements of the programme and provide orientations on how to meet the challenges of the future. The meeting will be opened by the Prime Minister of Egypt, the Minister for Investment H.E. Dr. Mahmoud Mohieldin, a Minister representing the UK co-chair of the Programme and Mr. Angel Gurría, Secretary General of the OECD. The debates will be structured in four panels addressing key issues for the investment environment, i.e. tax policy, investment policy, corporate governance and finance. The Meeting will conclude with a MENA Ministerial Declaration on principles and actions for implementation of investment policy reforms.

The first part of the Business day will be a Women Business Leaders Forum organised under the patronage of H.E. Mrs. Susanne Mubarak, first lady of Egypt with the participation of H.E. Mrs. Emma Bonino, Minister of Trade for Italy. The event is organised in cooperation with Women Business Associations from Egypt, Arab and African countries and will highlight key issues for enhancing women participation in the economy. Its objectives will be to establish a dialogue and an action plan among regional bodies for improving the economic role of women as a mechanism of reducing unemployment and increasing economic performance. A Declaration will be adopted for presentation to Ministers.

A panel on Strengthening the Role of the Private Sector for Economic Growth and Sustainable Development will address issues on how to effectively communicate the achievement and benefits of reform to stakeholders and the population. The Forum will end with the launching of a new flagship publication MENA 500

Companies, providing the profiles of significant companies in MENA countries. During the Business Forum, match-making opportunities will be organised by UNIDO to bring together companies from the region and outside, to identify business opportunities and facilitate private sector linkages. Based on current preparations, the number of attendees of the Business Day and the Ministerial may exceed 500 participants which will provide an excellent facility for networking and interaction. Representatives of Investment Promotion Agencies and interested private sector participants are invited to attend. Registrations can be submitted to Mr. Patrice Dubus ([patrice.dubus@oecd.org](mailto:patrice.dubus@oecd.org)).



**Reliance on Domestic  
Financial Resources will  
enable Africa to determine  
its own Development  
Priorities, UNCTAD Report**

**"Developmental states" are the key to boosting domestic savings and productive investments in Africa, contends Economic Development in Africa 2007**

Making greater use of domestic resources can help African countries achieve sustained and higher economic growth and over the long term will reduce overdependence on donor funding and on the rules that apply to it, a new UNCTAD report says. The report argues that increased use of domestic financial resources and more productive investments would provide African leaders the "policy space" to define development programmes that reflect their countries' genuine priorities, giving true meaning to the rhetoric of "ownership" of economic policies. "Developmental states," in which governments actively manage economic policy to encourage greater economic diversification, are in a better position to implement this agenda, says **Economic Development in Africa 2007:**

## **Reclaiming Policy Space: Domestic Resource Mobilization and Developmental States (1).**

The report contends that the "developmental state" has been a crucial element in the phenomenal economic growth of several Asian economies. Such economies also have focused much greater attention on increasing and retaining domestic financial resources and using them to fuel rapid and sustained economic growth as well as job creation -- an approach African countries should emulate. The strategy is different from the recent African experience, in which the philosophy has been to reduce government participation in the economy to conform with the prevailing ideology in favour of market opening. The report, however, warns that state involvement in development should not be seen as repeating past mistakes, such as overprotection and interventionism. It argues that what African countries need is better state, and not less state.

### **Mobilizing "hidden" African domestic financial resources**

Facts suggest that there are potential sources of domestic finance that could, if properly mobilized and efficiently invested, over time reduce significantly African aid dependence by providing alternative development resources, the report claims.

Public finance reforms, mainly the introduction of Value Added Taxes (VAT) have been successful in raising government revenue only to a limited extent without compensating for the revenue losses due from a reduction in trade taxes. Nevertheless, there still is great potential for further revenue increases. According to African tax experts, improving collection alone could double tax revenues in some countries. Large variations in the ratios of tax revenues to GDP -- from 38% in Algeria and Angola to less than 10% in Chad, Niger and Sudan -- suggest that countries with very low ratios have the potential to increase revenues dramatically.

The informal sector has become an increasingly important segment of economic activity in many African countries due to economic liberalization and state roll-back, policies pursued over the last 25 years. It accounts for 58% of the gross national products (GNP) of Tanzania and Nigeria and for 28% of

the GNP of South Africa. If appropriate measures could be taken to formalize economic activities, a larger tax base would potentially increase the continent's development resource base. This would increase the capacity of the formal sector to finance the productive investments needed to sustain higher rates of economic growth.

For a number of African countries, workers' remittances are an important source of development finance. Officially recorded remittances peaked at about US\$ 16 billion in 2004, with around two-thirds of the amount accruing to North Africa. It is widely understood that unrecorded flows are significant. When these are added to official amounts, it is largely acknowledged that remittances are the main source of foreign currency for several countries. In such countries, they provide not only more financial resources than official development assistance (ODA) and foreign direct investment (FDI), but are far more stable sources of income. Moreover, remittances are non-debt-generating, are free of conditionalities, and suffer from fewer "leakages" in the form of transfer inefficiencies and corruption. Channelling more remittances through African countries' formal banking systems would increase their developmental impact considerably, the report says. Most remittances now spur consumption, but governments could encourage their greater use for investment.

Capital flight continues to deny African economies large amounts of the continent's resources for investment. If these funds were used for productive investments at home, they could create jobs and provide or boost the incomes of large segments of the population now unemployed or underemployed. It has been estimated that the stock of capital flight from Africa is higher than the stock of the continent's debt, prompting some analysts to conclude that Africa is a "net creditor" vis-à-vis the rest of the world. Stopping this financial haemorrhage while putting in place appropriate measures to repatriate resources held abroad would reduce the current shortfall in financial resources needed for Africa's development, the report argues.

With these possibilities in mind -- and with appropriate reforms, especially in the financial and fiscal sectors -- Africa should be able to mobilize considerably more domestic resources to finance development programmes, the report contends.

### **Internal integration is vital for high savings, better investment, and sustained growth**

"External integration" into the world economy as opposed to "internal integration" has recently been the policy advice of choice to African countries. The limits of this approach have become increasingly clear as the relatively high rates of growth experienced in Africa in recent years have not resulted in significant gains in living standards. This growth has been underpinned by the current boom in the commodity sector, particularly minerals, produced in "enclave industries" with little or no linkages to the rest of the economy. As a result, very few jobs have been created, leading to the phenomenon of jobless growth. To benefit a large proportion of a country's population, economic growth must be generated by internally integrated economies, the report says. This requires strengthening linkages between rural and urban business activities, and between different economic sectors. Sectoral integration, in turn, spurs product diversification and economic transformation. That can mean greater output growth and more savings, leading to increased investment which sustains the process of economic growth. The report says that one step towards internal integration is to address some of the market failures plaguing African economies, particularly those relating to poor infrastructure.

The report argues that a strategic allocation of investment to sectors with the strongest linkages to the rest of the economy can create more jobs and generate growth that benefits larger proportions of African populations. Even if it is unlikely that additional domestic savings alone will immediately close the resource shortfall -- evaluated at 10% to 20% of GDP -- to allow achievement of the Millennium Development Goals (MDGs), including halving extreme poverty by 2015, they will give African countries the policy space to craft the most appropriate development strategies.

## Developmental states are best able to carry out Africa's development agenda

The development challenges facing Africa are such that the private sector is unlikely to play the lead role in addressing them, the report contends. Consensus is now building around the idea that African countries need better rather than less state. The "developmental state" has been instrumental in the successful economic transformation of high-growing Asian economies. It also underpinned the immediate post-colonial development of several African countries. Such developmental states can re-emerge in Africa, the report contends, particularly if current improvements in governance are deepened to ensure the efficient and strategic allocation of resources to produce the maximum impact on development.

Developmental states would not only enable African governments to mobilize domestic resources but allow them to encourage long-term productive investment, the report says. Governments could design credit allocation policies, public investment and expenditure policies, and incentives for the private sector to invest in priority areas. The report says that strategic integration into the world economy may require different doses of protectionism and openness, depending on timing and circumstance.

A successful developmental state is one that creates institutions that genuinely address development challenges, the report notes. There is, however, no magic formula. Building such institutions is a learning-by-doing process, adjustable and flexible enough to allow even for the possibility of failure. True "ownership" means allowing sufficient policy space to undertake such a learning process, leading to the robust institutions required to push development forward, the report concludes.

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For comments and submissions to  
WAIPA Newsletter please contact  
Mrs. Beatrice Abel at:  
[isa-beatrice.abel@waipa.org](mailto:isa-beatrice.abel@waipa.org)

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## What is WAIPA ?

The World Association of Investment Promotion Agencies (WAIPA) was established in 1995 and is registered as a non-governmental organization (NGO) in Geneva, Switzerland. The Association currently has more than 200 member agencies from all over the world. WAIPA acts as a forum for investment promotion agencies (IPAs) to provide networking opportunities and facilitate the exchange of best practices in capacity-building and investment promotion. Membership is open to all agencies whose prime function is to promote any country or territory for investment.

### What are the goals of WAIPA?

WAIPA aims to improve co-operation amongst IPAs on a regional and global scale and facilitate the exchange of experiences in attracting FDI. The objectives of WAIPA, as reflected in its statutes, are to:

- Promote and develop understanding and co-operation amongst IPAs;
- Strengthen information gathering systems and information exchange amongst IPAs;
- Share country and regional experiences in attracting investment;
- Help IPAs gain access to technical assistance and training through referrals to relevant agencies;
- Assist IPAs in advising their respective governments on the formulation of appropriate investment promotion policies and strategies.

### Who are the partners of WAIPA?

WAIPA's Consultative Committee comprises the following international and multilateral organizations:

- Foreign Investment Advisory Services (FIAS) of the World Bank Group,
- International Economic Development Council (IEDC),
- Organization for Economic Co-operation and Development (OECD),
- PROINVEST,

- United Nations Conference on Trade and Development (UNCTAD),
- United Nations Industrial Development Organization (UNIDO).

WAIPA's Consultative Advisory Group members are the following:

- Buck Consultants International,
- Ernst & Young,
- IBM-PLI Global Location Strategies,
- OCO Consulting

WAIPA shall establish working relations with organizations which have relevance to WAIPA's objectives.

### Where do WAIPA members come from?

Afghanistan, Albania, Algeria, Angola, Anguilla, Antigua and Barbuda, Argentina, Armenia, Aruba, Australia, Austria, Azerbaijan, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Benin, Bolivia, Bosnia-Herzegovina, Botswana, Brazil, Bulgaria, Cameroon, Canada, Cape Verde, Cayman Islands, Chile, China, Colombia, Congo (Democratic Republic or the), Costa Rica, Côte d'Ivoire, Croatia, Cuba, Curacao (Netherlands Antilles), Cyprus, Czech Republic, Denmark, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, Ethiopia, Fiji, Finland, France, Gabon, Gambia, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guinea, Guyana, Haiti, Honduras, Hungary, Iceland, India, Indonesia, Iraq, Iran (Islamic Republic of), Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kiribati, Korea (Republic of), Kuwait, Kyrgyzstan, Latvia, Lebanon, Lesotho, Libya, Lithuania, Macedonia, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Mauritania, Mauritius, Mexico, Moldova (Republic of), Mongolia, Montenegro, Morocco, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Oman, Pakistan, Palestinian National Authority, Papua New Guinea, Paraguay, Peru, Poland, Portugal, Qatar (State of), Romania, Russian Federation, Rwanda, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Saudi Arabia, Senegal, Serbia, Seychelles, Sierra Leone, Slovakia, Slovenia, Solomon Islands, South Africa, Spain, Sri Lanka, Sudan, Swaziland, Sweden, Switzerland, Tajikistan, Tanzania (United Republic of), Thailand, Tunisia, Turkey, Turks and Caicos Islands, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States of America, Uzbekistan, Vanuatu, Venezuela, Yemen (Republic of), Zambia and Zimbabwe.