



REALIZING THE POTENTIAL FOR PROFITABLE INVESTMENT IN AFRICA
High-Level Seminar organized by the IMF Institute and the Joint Africa Institute
TUNIS, TUNISIA, FEBRUARY 28 – MARCH 1, 2006

Improving the Investment Climate in Sub-Saharan Africa

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private sector | development

Improving the Investment Climate in Sub-Saharan Africa

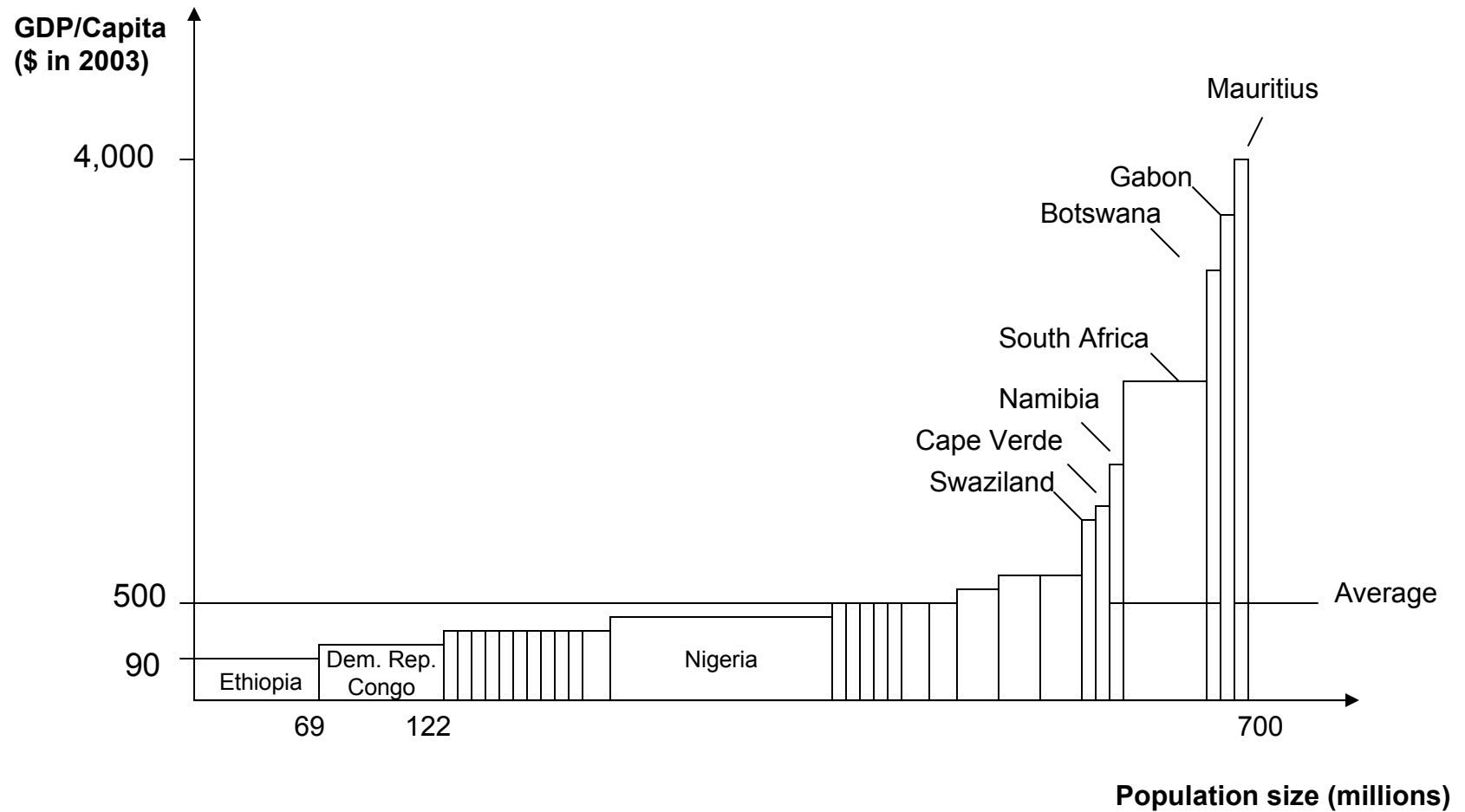
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Tunis, the 28th February, 2006

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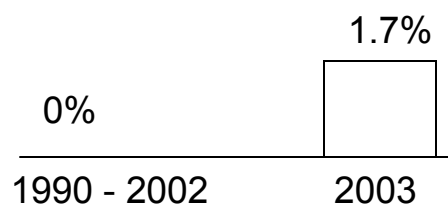
A LONG AND LOW PLATEAU ENDED BY A STEEP CLIFF



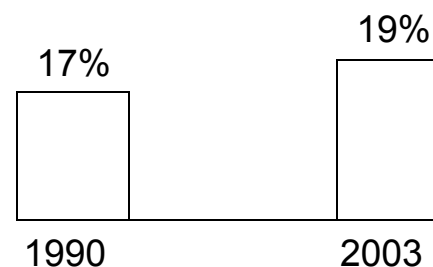
Source: World Bank; Little data book 2005

SUB SAHARA AFRICA IS FINALLY TURNING THE CORNER BUT...

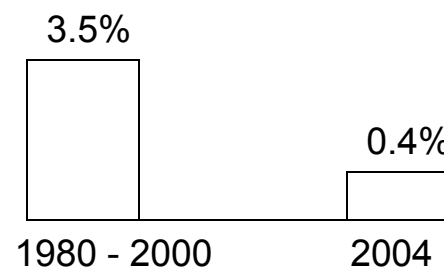
GDP per capita growth



Gross capital formation as a percentage of GDP



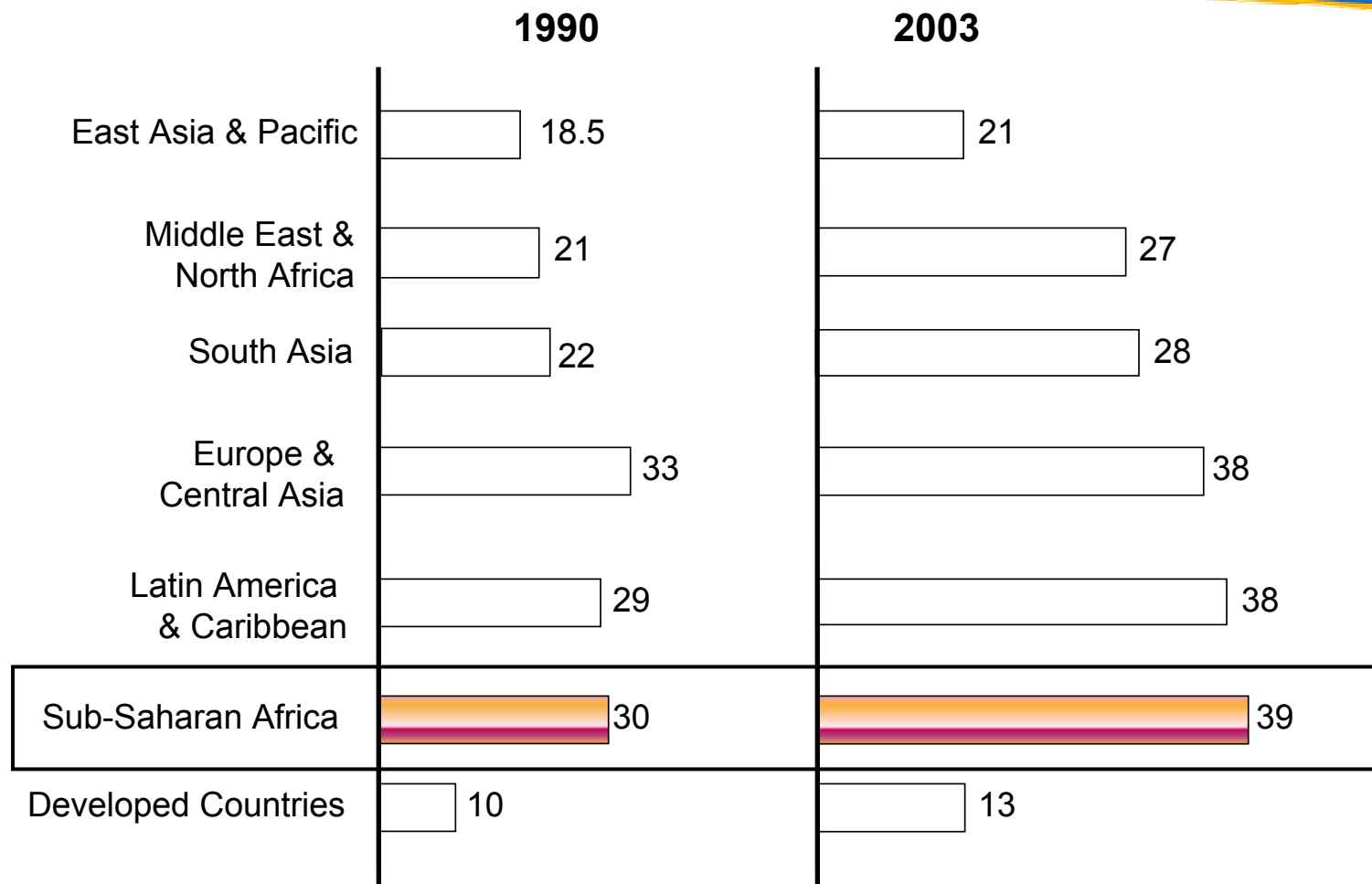
Annual increase in the number of people living in poverty



Source : Africa Action Plan – World Bank 2005

...INFORMALITY IS GETTING WORSE AND...

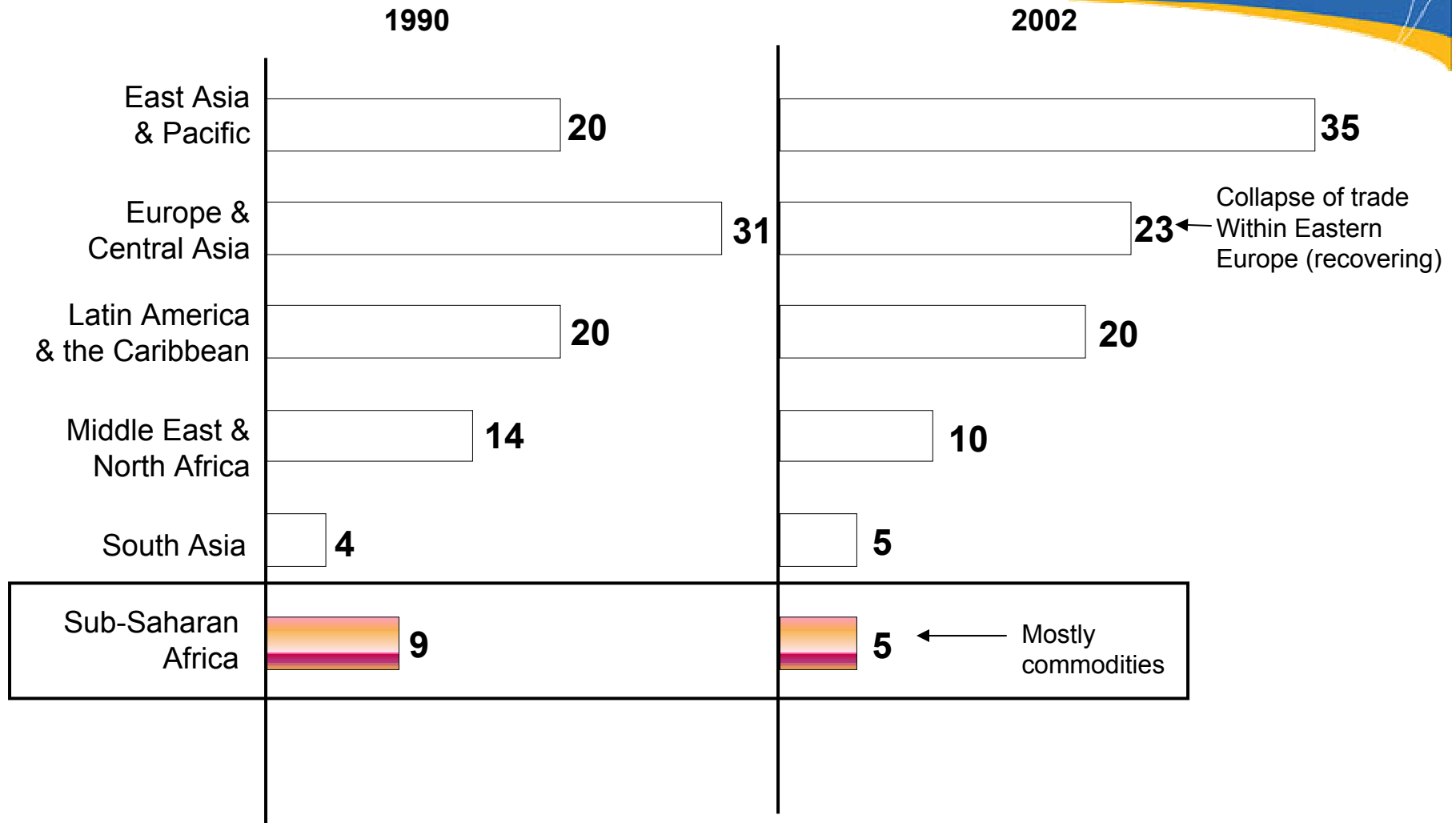
Informal output as a percentage of total economic output



Source : Schneider

...COMPETITIVENESS IS DECLINING

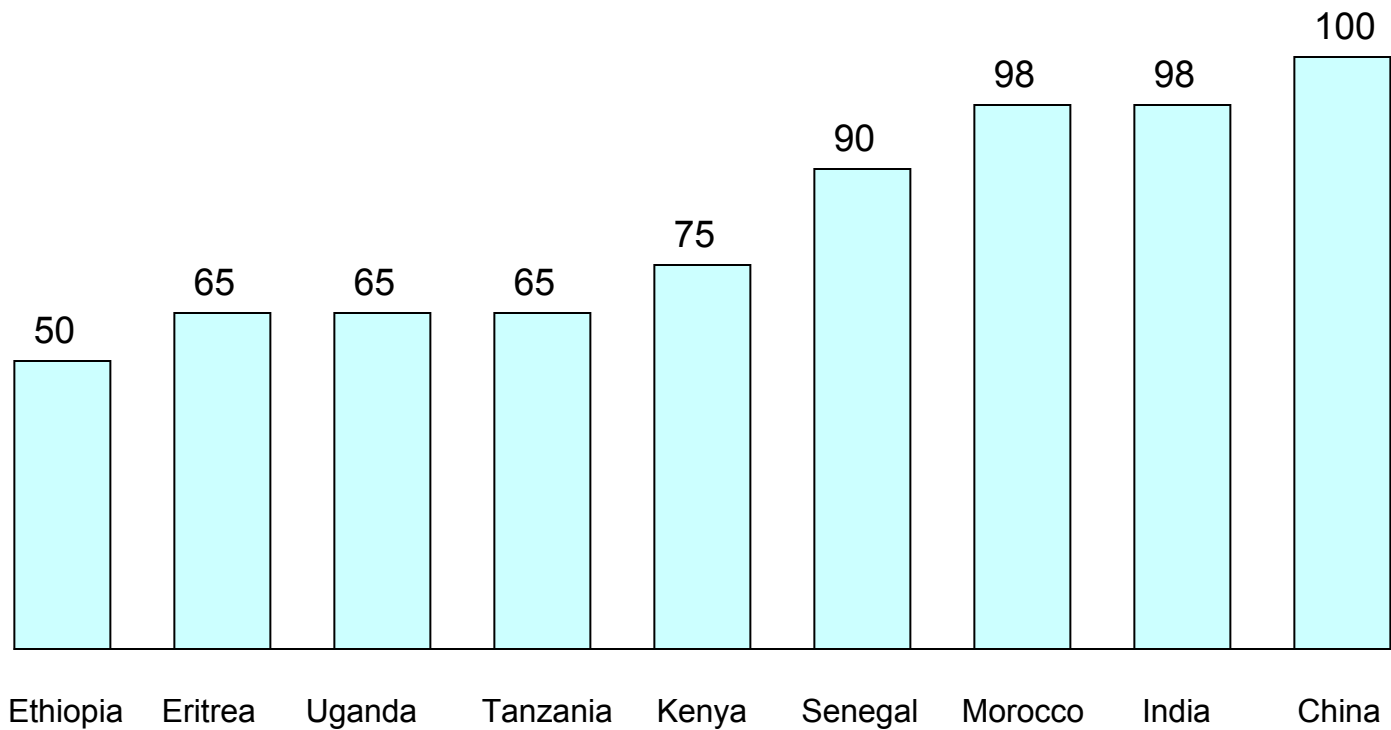
Percentage of total exports in trade and services from developing countries



Source : World Bank

THE POTENTIAL IS THERE

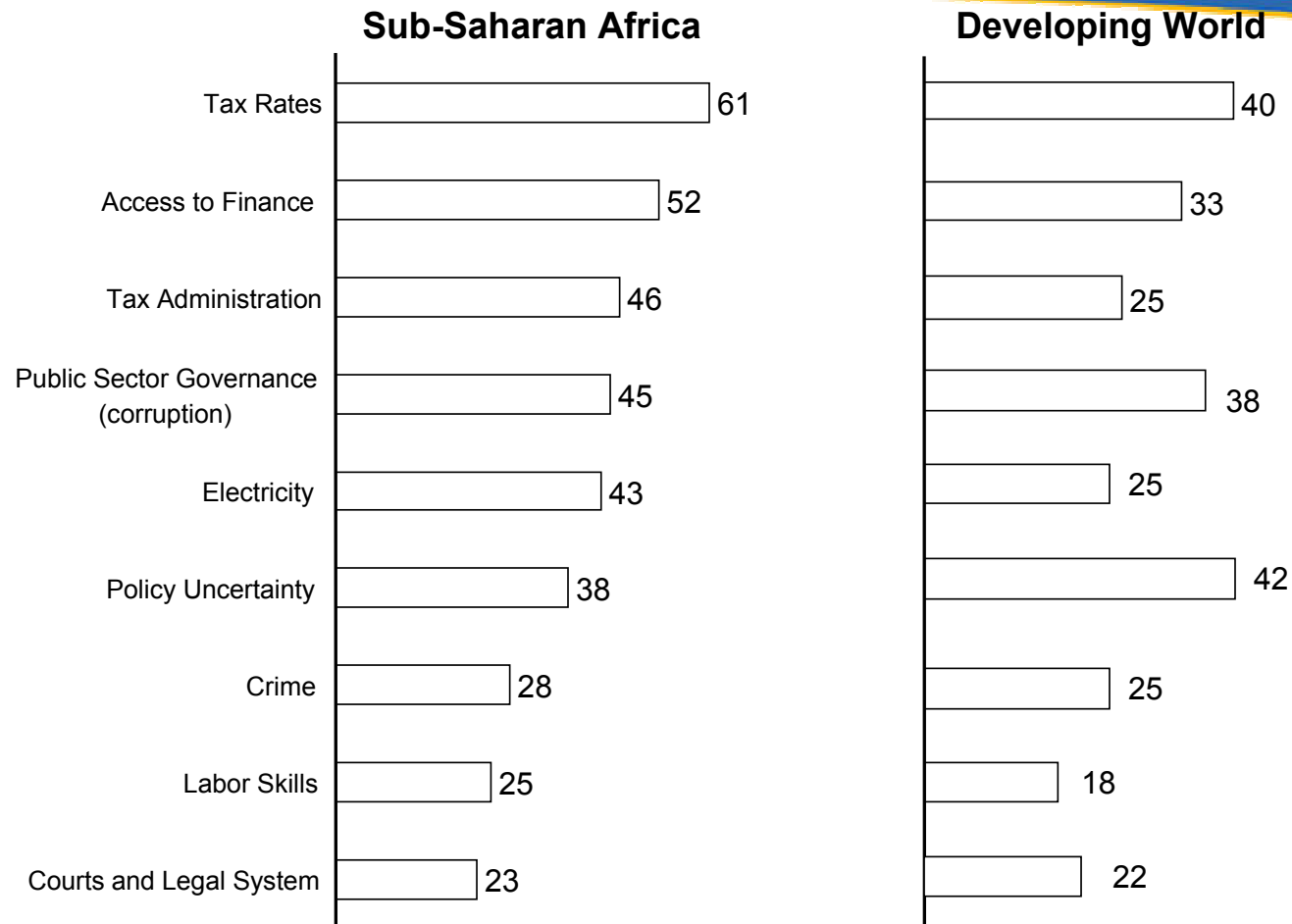
Productivity levels at the factory floor



Source: *Investment Climate Surveys of the World Bank*

THE PROBLEM IS WHAT HAPPENS OUTSIDE THE FACTORY

% of firms reporting external factor as major constraint



Note: Weighted average based on the number of firms surveyed in Eritrea, Ethiopia, Kenya, Senegal, Tanzania, Uganda, Zambia. Average for courts and legal system based on only three countries.

Source: Investment Climate Surveys (WDR 2005)

KEY TRENDS IN THE SUB-SAHARAN INVESTMENT CLIMATE

Significant progress

- Political leadership/stability
- Macroeconomic stability
- Capital market regulations

Slow progress

- Infrastructure
- Privatization
- Openness to trade
- Labor skills

No Progress

- Tax burden on formal firms
- Land market regulations
- Labor market regulations
- Judiciary systems
- Administrative red tape

And last but not least:

- Regulations and governance of key industries (e.g. mining)

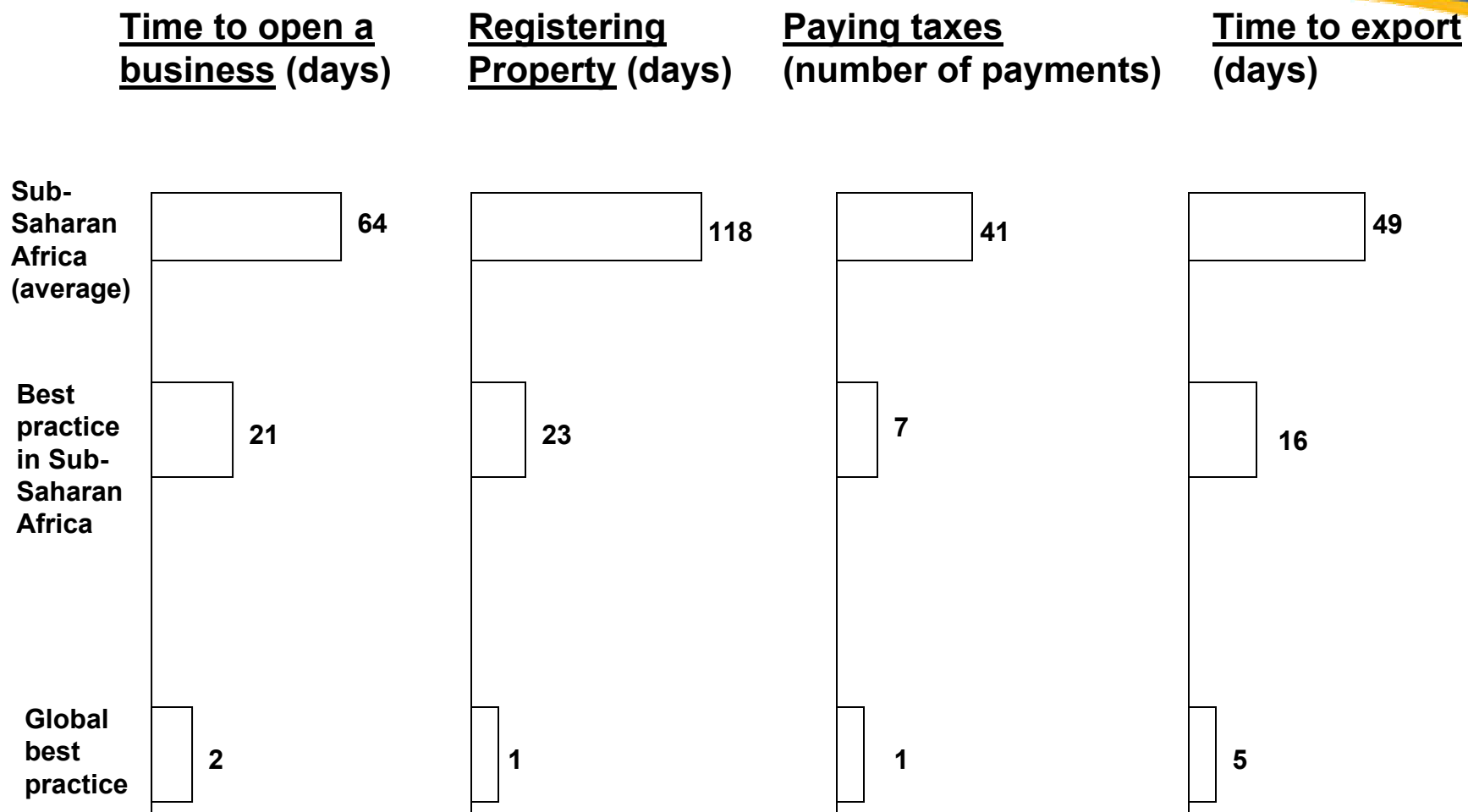
NOT ENOUGH PROGRESS TO CLOSE THE GAP WITH COMPETITORS

Doing Business rankings - 2005

1-	40- Botswana	82- Ghana	123- Sao Tome
			126- Zimbabwe 127- Mauritania
			129- Benin 130- Cameroon 131- Madagascar 132- Senegal
		94- Nigeria	
		96- Malawi 97- Lesotho	135- Angola 136- Sierra Leone 137- Eritrea
23- Mauritius		101- Ethiopia	139- Rwanda 140- Tanzania
			143- Burundi 144- Guinea 145- Cote d'Ivoire 146- Mali
28- South Africa	67- Zambia 68- Kenya		148- Congo, Rep 149- Togo 150- Niger 151- Sudan 152- Chad 153- Central African Republic 154- Burkina Faso 155- Congo, Dem. Rep.
33- Namibia	72- Uganda	110- Mozambique	
39-	78-	117-	

Source: Doing Business

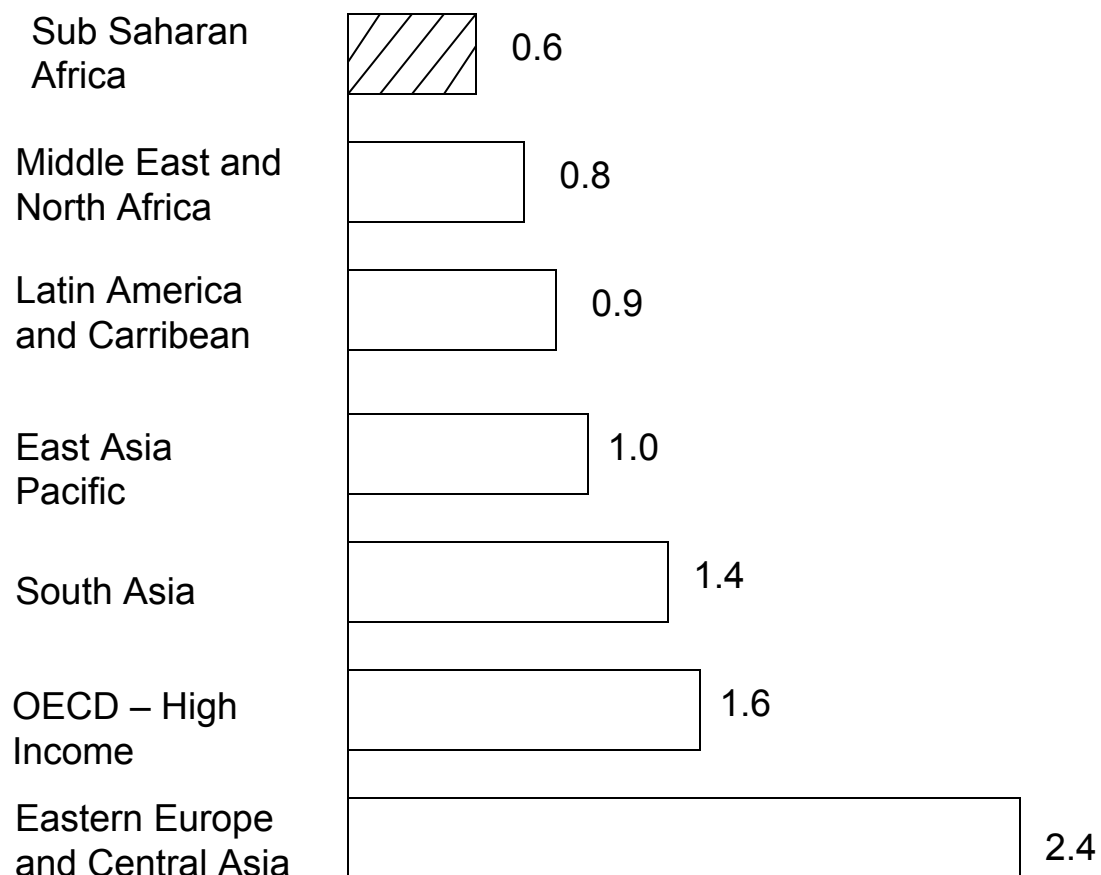
IT COULD BE DONE...



Source: *Doing Business in 2006*

...BUT IT IS NOT BEING DONE

Average number of reforms per country in 2004



Source: *Doing Business database*

FIRST STEP = IDENTIFICATION OF REFORM PRIORITIES

Results from Benin

	Cotton	Agro-processing/ light manufacturing	Banking	Telecom	Power	Port	Retail	Housing construction
• Macro conditions	X	X	○	X	X	X	X	X
⑤ • Judiciary system	○	○	●	X	X	X	X	○
④ • Tax system	X	●	○	X	X	X	●	○
③ • Government control	●	X	X	●	●	○	X	X
• Capital market	X	X	X	X	X	X	X	X
• Labor market	X	X	X	X	X	○	X	X
② • Land market	X	○	●	X	X	X	●	●
① • Industry Specific regulations	●	●	○	●	●	X	○	○
• Infrastructure	X	○	X	X	X	X	X	○
• Education	X	X	X	X	X	X	X	X
• Administrative red tape	X	○	○	X	○	○	○	○

● Very important ○ Important X Secondary

HOW OTHER COUNTRIES DID IT?

- Small World class team leading the reform process at the outset
 - Botswana
 - Malaysia
 - Singapore
 - Chile
 - Indonesia
- Special Economic Zones as reform pilots
 - Mauritius
 - China
 - Jordan
- Regulatory reform units
 - Mexico
 - Hungary
 - Korea
 - Slovakia
- Focused reform efforts along key export industries
 - Chile
 - Singapore
 - Taiwan
 - Mauritius
 - Botswana

REFORM PROCESS MANAGEMENT CHECKLIST

1. Do you have a dedicated world class team leading the reform process?
2. Have you identified cross-cutting as well as industry specific reform priorities?
3. Has the top level leadership of the country committed publicly to the reforms?
4. Are the reforms being designed leveraging relevant international good practices?
5. Are there clear strategies in place to mobilize supporters and neutralize opponents for each key reform?
6. Have you considered doing reform pilots to tackle the most difficult issues?
7. Have you designated accountable leaders for implementation?
8. Have you provided them with realistic targets and the means by which to achieve them?
9. Are you maximizing and coordinating donor support on the reform priorities?
10. Have you put monitoring systems in place?