



UNCTAD's WIR 2005 in the context of efforts to raise investment in Africa

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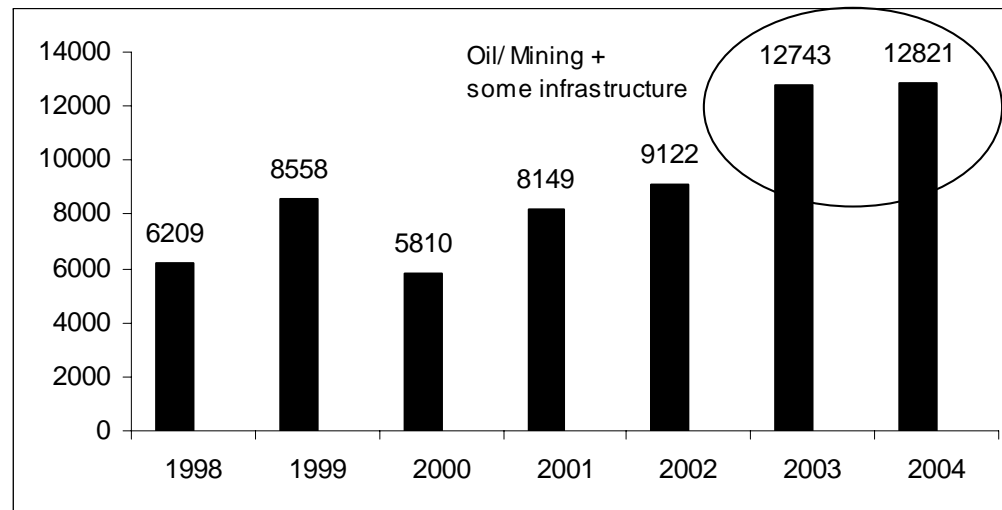
UNCTAD-ODI meeting, 30 September 2005



Introduction

- UNCTAD's World Investment Report valued for insights in policy changes and data.
- Other reports related to Investment and Africa
 - UN FfD (2002)
 - World Bank WDR 2005 and Doing Business
 - Sachs report (2005)
 - Commission for Africa Report (2005)
 - G8-communique in Gleneagles (2005)

WIR 2005: facts on FDI in Africa



- Inward FDI (US, mn) into SSA Africa (2% of world, 5.5% of developing); a sixth in total investment (more than in most other regions)
- But recent high level due to oil and mining, including M&A and intra-Africa; and concentrated: 6 countries receive 60%; few FDI in manufacturing (despite Asians for AGOA market access?)



Initiatives to boost investment in Africa

Ideas clustered around

(2004 paper)

- Trade / investment policies
- Migration policies
- Aid policies
- Fiscal policies

Commission for Africa

- Duty free access for all ACP exports; end of OECD export subsidies. Investment Climate Facility; Guarantee and Business linkages fund
- Nothing e.g. on migration or compensation of nurses
- Increase funding for infrastructure by USD 25 bn.
- Nothing on fiscal policies

UNCTAD: Enhance domestic capabilities to attract and benefit from FDI



WIR 2005 quotes and comments

- P. 47 “Africa’s ... scope for industrialization lies not just in improving its market access and the investment climate but, more significantly, in strengthening its domestic capabilities”
- P. XXV: Liberalization necessitates firms to acquire the technological and innovative capabilities to become competitive
- P XXXi: Low capabilities countries: “countries should consider how to begin a process through which economic and technological upgrading could be fostered”; such countries need to strengthen their National Innovation Systems.
- P XXX: Education, S&T, competition and investment reinforcing.



Human resources, R&D, innovation and co-ordination failures

- Education helps attracting and benefitting from FDI; however, the type and quality matters, and consistency with overall investment regime is required.
- FDI has higher impact in skill endowed countries (statistical evidence). So developing countries with low skill endowments need to **co-ordinate** human resources polices with investor needs to bring the country at a higher skill path.
- Co-ordination and market failures may keep countries in a low-skill low investment trap. This requires a consistent, strategic and **market friendly human resource policy** designed with the help of appropriate government capacities.

Source: http://www.odi.org.uk/iedg/projects/FDI_&Skill_Inequality.pdf



Upgrading of capabilities in the South African automobile industry

- From protected industry to world class producer/exporter of cars; skills development integral in this for international competitiveness;
- There are many positive linkages between companies and education and training systems
- Sectoral programmes MIDP; and Automotive Industry Development Centre (public) aligned with sector skills programmes, with private sector needs addressed
- Automotive industry was traditionally at forefront of skills development, and HRD policy nationally. Early adopters of new policies. Now, sector more reactive, but loyal supporter of HRD policies.

- Good example (unique?) of capabilities upgrading through appropriate public-private interaction.

Source: http://www.odi.org.uk/iedg/projects/Glob_edu_SA_automotive.pdf



Conclusions and challenges

- FDI to SSA mainly in oil and mining
- Lack of domestic capabilities, and (according to UNCTAD) this needs to be addressed. This is additional to what has been proposed so far (ICF, Guarantee fund, etc.).
- But what has worked in building African technological and human resource capabilities:
 - Are there any good examples of selective intervention outside Asia and in Africa? From UNCTAD's IPRs?
 - Or should we focus simply on getting the investment climate right and hope that the rest will come?