The Investment Climate Facility for Africa

ICF
Investment Climate Summit

Summit Summary

3-4 May 2010

Dar es Salaam, Tanzania

Government and Business Leaders Discuss a Focused Agenda

The Investment Climate Facility for Africa (ICF) hosted a Summit on the investment climate in Africa on May 3rd and 4th 2010 in Dar es Salaam, Tanzania.

The Summit brought together African Heads of States and Governments, high-ranking government officials, and a notably strong presence of senior business executives from across the continent.

The Summit's objectives included:

(i) Reaffirm the importance of improving Africa's investment climate as a clear strategy for job creation, income growth and poverty reduction across the continent

(ii) Underline the critical role of small and medium enterprises (SMEs) in this regard

(iii) Demonstrate the value of sharing knowledge and lessons from ICF's projects being implemented

(iv) Catalyse a deeper engagement from Africa's private sector to make the continent an even better place to do business.

The Summit focused on four themes:

- Business registration and licensing
- Customs and taxation
- Commercial justice
- Anti-counterfeiting and piracy.

The ICF Approach: Powerful Impact Generates Growing Demand

The ICF Chief Executive Officer thanked African governments and businesses, who are ICF's primary stakeholders and beneficiaries, for their continued collaboration in identifying the priority areas that need to be addressed to improve Africa's investment climate. The increasing demand from governments for ICF support was testament to the achievements that had been made by the facility in just three years. This proved that focused commitment and collaboration between Africa's governments and its private sector can remove many barriers to doing business in Africa.

Delegates continuously expressed their excitement about what they were learning from experiences shared by those countries and projects that had benefited from ICF's support. They commended the choice of the four themes as being very relevant and acknowledged the value of the Summit's focus on detailing the practical interventions in each area, and the specific positive impacts these were having on individual countries' and regions' business climates.

Delegates were especially appreciative of the ICF approach of being a demand-driven, hands-on, results-oriented catalyst of government and private sector commitment to improving the business climate. A key message from the delegates was that, given its record of producing good results, this approach should be replicated across the continent. Africa's business community has a crucial role to play in continuing to identify priority areas for action and securing their government's commitment to addressing them.

Key Recommendations from the Thematic Discussions

Theme I: Business Registration and Licensing

The panel was chaired by Dipak Patel, ICF Trustee and a former Minister of Commerce, Trade and Industry in Zambia. It included two former African presidents, contributors from Coca-Cola, Irish Aid, International Finance Corporation (IFC) and project directors from Burkina Faso, Cape Verde, Liberia, Mozambique and Rwanda. The key recommendations were:

1. Implement the one-stop shop approach to business registration and licensing

A business owner must be able to register his/her business by going to no more than one physical location – a one-stop shop. The business owner should deal with only one user interface, either a person or a computer. The one-stop shop model should be available on a wide scale. Mobile one-stop shops should be used to (i) reach remote areas and (ii) to create awareness among informal businesses of the benefits of business registration.

2. Take deliberate measures to help the informal sector to formalise their businesses

The resistance to business formalisation should be addressed by (i) conducting a sustained awareness campaign that showcases the benefits of registering a business and joining the formal private sector, and (ii) making it administratively easier to register business through streamlined procedures and improved access to business registration locations.

3. Adapt new technology and train those who will use it to reduce procedures, time and cost of registration

Implementing new, more efficient ways to register and license businesses requires the use of state-of-the-art technology. This technology must be adapted to the local environment, and its intended users (businesses and implementing agencies) must be trained on its functions. However, regardless of whether the technology is electronic or manual, it remains imperative to reduce the number of business registration procedures and the amount of time it takes to follow them.

4. Maintain strong political will to reform the registration process

The highest level of government must buy into and "own" the business registration reform project. Political support is required during the entire project life-cycle to guarantee smooth implementation and sustainability. Political will must drive the engagement with other government agencies involved in business registration to harmonise their processes and to ensure that legal and regulatory frameworks are in place or will be adjusted swiftly.

5. Involve the private sector throughout the entire registration reform process

The private sector must be involved in the development of new streamlined business registration and licensing procedures. Public private sector dialogue is crucial at all stages of project design, implementation and roll-out.

Theme II: Customs and Taxation

This panel was chaired by Nkosana Moyo, ICF Trustee and Vice-President and Chief Operations Officer, African Development Bank Group. Panellists included the former President of Botswana, Festus Mogai, representatives from KfW, Shell, the World Bank, Coca-Cola and project directors from Lesotho, Liberia, Rwanda and Senegal. The key recommendations were:

1. Revenue authorities must strike a balance between facilitating business activity and collecting tax revenues

Revenue authorities should simplify the tax code, reward compliance and educate taxpayers as priority activities in order to improve compliance and to make it easier for informal businesses to formalise.

2. Lead by example, publish defaulters, improve transparency

Political leaders can lead by example and make it easier for revenue authorities to enforce compliance within the general public. Publishing the list of defaulters, including high profile businesses and individuals, is one practical way of encouraging compliance. Governments must also be transparent about how tax revenues are used.

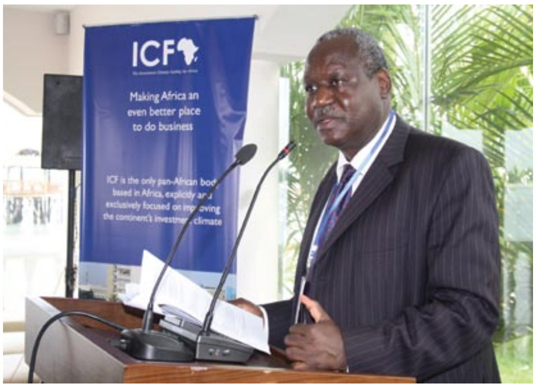
3. Secure high-level endorsement for tax reform initiatives

Tax reform activities must secure the support and cooperation of the highest levels of government authority including the President's Office, the Prime Minister's Office and the Ministry of Finance.

4. ICF should assist fragile states

ICF should start working with fragile states where the ability to demonstrate functioning and effective government is a crucial component of state-building.

Theme III: Commercial Justice



William Kalema, ICF Trustee and former Chairman of the Uganda Investment Authority, chaired the discussion on commercial justice, which involved 35 participants including three sitting Chief Justices, the Registrar-General of the International Criminal Tribunal for Rwanda (ICTR), contributors from the African Development Bank, the German development bank, KfW, and project directors from Burkina Faso, Mauritius, Rwanda, Sierra Leone, Tanzania and Zambia. The discussion arrived at the following key recommendations:

1. Use computerised systems to streamline and automate judicial processes

Deploy computerised and online systems spanning the entire judicial infrastructure to increase the productivity and reliability of the judicial administration processes. New systems can reduce the backlog of pending cases resulting from archaic manual filing systems and minimise the likelihood of changing judge's rulings after they have been pronounced.

2. Train users of the new judicial administration systems, and listen to them

Users of the new judicial administration systems must be thoroughly trained on them, in order to take full advantage of their productivity enhancing effects. Feedback from the new systems' users must be incorporated to inform its sustainability and improvements.

3. Implement broad-based judicial reforms to enhance business confidence

The confidence of the private sector is shaped by the efficiency of the judicial system in dealing with civil and criminal cases, therefore comprehensive judicial reforms, encompassing other processes and legislation beyond those related to commercial justice, must be implemented.

4. Harmonise business legislation across Africa

Given the growing commitment and progress toward regional economic integration, business laws in Africa should be harmonised to establish a judicial system and legal environment that facilitates doing business across Africa.

Theme IV: Anti-Counterfeiting and Piracy

The discussion on anti-counterfeiting and piracy was chaired by Lynda Chalker, ICF Trustee and former Minister in the British Government. Participants included representatives from EAA/BCA, the East Africa Business Council, the East Africa Community, ECOWAS BA and UEMOA. Key recommendations included:

1. Allocate more funding to combat counterfeits and piracy

Lack of adequate funding emerged as the binding constraint to regional efforts to combat counterfeits and piracy. Participants urged the international community and private sector to provide the human and financial resources to the enforcement agents.

2. Harmonise anti-counterfeit laws across countries and pool resources to fight it

EAC states should harmonise laws relating to counterfeit goods, agree on standardisation of products and pool resources to combat counterfeits and piracy.

3. Business should commit to procuring genuine goods and to providing information about counterfeits

The private sector should commit not to use public funds to finance counterfeit products such as cement, electrical equipment and others. The private sector should also support these efforts through consultation and by providing intelligence to enforcement agencies about counterfeit trade and goods.

4. Educate the consumers about the dangers of fake products

A robust communication strategy needs to be created about the adverse effects of counterfeit goods and to counter political lobbying by businesses involved in the counterfeit trade. The public should be aware that counterfeits are dangerous and life threatening.

5. Build the skills and facilities to enforce the anti-counterfeit legislation

Develop specialist training and mechanisms as well as a knowledge-sharing platform with information on counterfeit goods, enforcements mechanisms, technologies and protocols, and educational resources on anti-counterfeit and anti-piracy. Investigate the possibility of developing a regional facility for the proper destruction and disposal of dangerous counterfeit products.

Key Recommendations from the Summit Plenary

The plenary discussion on the Summit's second day underlined the following key observations:

1. Improving the business climate is an integral part of any African government's domestic agenda to eradicate poverty and should not be seen as an external imposition.

2. Helping Africa's domestic investors to increase their activity is at least as important to economic growth as attracting foreign direct investment.

3. The quality of the partnership between business and government determines the success of any business climate reform initiative. Africa's private sector must engage even more intensely in the reform process.

4. Host government ownership and commitment from the very top is key to project success.

5. ICF's approach is producing real results. More governments and firms must take full advantage of ICF's catalytic effect to tackle their business climate challenges.

6. As new technologies are introduced to make government's administrative processes more business-friendly, public and private sector users must be trained on them to realise the full advantage of the improvements.

7. The valuable knowledge exchange that occurred at the ICF Summit should be repeated more frequently with similar gatherings organised at a regional level.

Closing Remarks – 'Africa is a Great Place to do Business'

Attached is the full text of the closing remarks by Niall FitzGerald, KBE, Co-Chair of the ICF Board of Trustees and Deputy Chairman of Thomson Reuters.

Closing remarks by Niall FitzGerald, Co-Chair Board of Trustees

My thanks to our most distinguished panel, my fellow Trustees, you the participants and particularly, ICF CEO, Omari Issa and his team for making this Summit such an outstanding success.

My own history with Africa goes back to 1976. I almost died in an accident on the Nairobi – Mombasa road and was saved by a transfusion of large amounts of blood. So I can truly say that Africa is in my blood.

I have visited over 30 of the 54 countries on the continent – I lived and worked in South Africa for five years where one of my children was born. I was greatly privileged to Chair the Nelson Mandela Legacy Trust UK and to serve on Thabo Mbeki's International Advisory Council. Africa is not a hobby for me, but a deep and profound passion.

Some historical context for ICF. It arose from a recommendation of the Commission for Africa to the G8 Summit at Gleneagles in 2005, on which my fellow Trustees Ben Mkapa and William Kalema served. The central theme of the Commission's Report was that Africa could only reduce poverty and spread prosperity if it was helped to increase economic growth. This would require the removal of barriers to business and investment and ICF would assist in this respect by:

- Working in partnership with African governments to kick start the removal of these barriers.
- Having a limited life (seven years) so it would not simply become another permanent institution.
- Operating in a businesslike and practical way, rapidly responsive, quick decisions, focused on action.
- Providing a catalyst for projects which governments and other agencies would find it difficult to start but could sustain.
- Being an Africa initiative, owned in Africa, accountable to Africa.

So where is it now after almost three years? There are 35 projects in 13 countries. The existing pipeline could bring us to almost 50 projects in maybe 20 countries within 12 months.

Examples are:

Business Registration and Licensing

		Start	Now
Rwanda	Procedures	8	2
	Time	14 days	3 days
	Cost	59% PC GDP	7% PC GDP

Now ranks No. 11 in the world under this heading in the World Bank's Doing Business Report.

Taxation and Customs

		Start	Now
Senegal	Corporate tax reimbursement	175 days	15 days
	VAT credit refunds	175 days	30 days
	Declaration & payment process	2 days	15 minutes

Commercial Justice

		Start	Now
Burkina Faso	Filing until judgement	446 days	100 days
	Reversal on appeal	35%	18%

Counterfeits

We have agreed an action plan within the EAC to tackle a problem which costs EAC countries US$500 million in tax revenue and in Kenya alone, costs manufacturers over US$400 million and a tax loss of US$80 million.

It is important to understand that these and many others are real, material and connected building blocks towards creating a climate where it is easy to start and sustain a profitable business. And this is as much benefit – maybe even more so – to domestic SMEs, as it is to international investors.

The concept is now proven. The theory is now in practice.

The next challenge is to:

- Communicate this success far and wide – tell the story.
- Stimulate competition between countries so they pick up previous practice and improve upon it.
- Leverage success within and across regions.
- Identify new projects in large countries such as Angola, Kenya, Nigeria.
- Work more with local business associations and in particular SMEs.

We can now be confident and credible advocates of the case for improving the climate for business and investment across Africa based on a track record of measurable and meaningful success.

We can (must) now be more proactive with:

Governments	On the need for policy priority to improving the business climate through public / private projects.
Sovereign Donors	To confirm and extend support for the catalytic action which ICF delivers.
Corporates	To continue and widen engagement with resource, expertise and experience relevant to ICF focus areas. This is not CSR but hardnosed enlightened self interest. When the economic tide rises it carries all boats.

The most effective advocates for investment climate improvement, and the work of ICF, are those governments who are now seeing the significant and remarkable benefits in their economies. Get out there and promote please!

People sometimes ask me if after 35 years of working in and with Africa I sometimes become despondent. The answer is a resounding no! Here is a continent with 850 million consumers with markets growing at 5% plus per annum despite all the difficulties. Imagine what happens when barriers to doing business are removed?!

Sometimes I am annoyed, frustrated and impatient because in the challenges I see such huge opportunities for building infrastructure and improving the climate for business.

We now have instruments to tackle these through ICF, which:

- Are African owned and demonstrate the impact of self help
- Allow donors to see what works without great risk or lead time and then build on this
- Gives corporates the route through to partnerships which grow markets, extend consumer demand and unlock new opportunities.

We stand at a moment when slower economic growth combined with large fiscal deficits in Western countries will inevitably put pressure on development budgets.

It could not be more timely that we now have, through ICF, an effective, efficient and proven way of leveraging modest resource in partnership with governments to deliver a true multiplier effect.

Do I have concerns? Yes. It is possible that envy of success, or limitation of vision, will hold us back.

I would commend to you the words of a very wise man:

"There is no limit to what a man can achieve as long as he does not care who gets the credit".

Success has many parents – failure is an orphan.

Let us not lose this singular, once in a lifetime opportunity. Let us not worry who gets the credit – there will be lots to share around.

Let us not hesitate as we now push on, and in partnership with African governments and across regions show that Africa is open for business and is a great place to do business.

The aspiration as set out in the Commission for Africa will then become the sustained reality.

Niall FitzGerald, KBE, Co-Chair ICF Board of Trustees

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