

# Africa Investor Report 2013

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## Executive Summary



# The Africa Investor Report 2013

The Africa Investor Report 2013, the second publication pertaining to the current status of investment promotion in Africa, brings to policy makers in Africa, national and regional investment promotion stakeholders, potential investors and development partners a clear message from the investor communities, foreign and domestic, operating in the manufacturing, agricultural, services including tourism and the trading sectors in Africa.

The voice of the African private sector comes from an interpretation of the data available on the Investment Monitoring Platform, the web-based interactive tool in which the data from the survey is consolidated to facilitate easy access and analysis of the information.

While the Africa Investor Report 2011 presented econometric analysis on company data collected in Africa, this report focuses more on hands-on practical issues of investment promotion and is intended to serve as a practitioner's guide. The findings provide insights into the opportunities, emerging challenges faced by investors operating in the various sectors of the economy. It not only captures feedback from investors, but also allows governments, national stakeholders and the private sector to compare the profile of their countries as investment locations with those of other countries in their immediate vicinity and the Africa region and supports them to devise appropriate strategies to take advantage of the emerging trends. The report is based on an analysis from 6 out of 16 countries covered by the survey, namely Kenya, Lesotho, Madagascar, Rwanda, Uganda and Zambia. 1119 companies were included in the sample.

## Principal Findings of the survey

The findings of the survey as emanating from the private sector respondents give an indication of the issues beyond the known barriers in the investment climate in Africa. Principal among the findings are that;

- (1) Intra-Africa FDI is now prevalent in all African countries
- (2) Intra-African FDI is becoming relatively more prominent in the garments, rubber and plastics subsectors of the economies as well as in transport, ICT, financial institutions and other services
- (3) Incentives received tend to be highest in FDI that originates outside Africa and which are global market seeking investments
- (4) The main mode of FDI is through establishing joint venture partnerships
- (5) Training expenditures are highest in local market seeking FDI and are very prominent in financial institutions

## Issues of critical importance highlighted in the Report

In line with its basic objectives and thrust, the Report also continues to highlight emerging issues of critical importance in the investment promotion process in Africa for the attention of policy makers, IPAs and all other investment promotion stakeholders.

In this particular edition of the report, the following issues are highlighted as critical issues in the hope of generating further discussions and conducting further investigations into the issues raised and where practicable to address them. The said issues in the present report are:

### (a) Investment Promotion Agencies in Sub Saharan Africa : Opportunities and Challenges, the new and emerging developmental role of the investment promotion agencies.

The recognition of the new role of IPAs is a reality that is necessary if IPAs have to be relevant and if they have to reposition and refocus their mandates from welcoming agents of government to development stakeholders who have to organize and devise strategies to address the gaps in the economy and to support economic growth and development. The emerging challenge for IPAs is to change emphasis from quantity of investment as a measure of the impact of foreign and domestic investments on local economies to the developmental effect of such investments, in particular in terms of generating inclusive and sustainable industrial development.

### (b) The role of the legislative frameworks or enabling legislations of IPAs and their capacity to drive the promotion mandates of IPAs.

The objective is to take a critical look at IPA enabling legislations and to ensure that they do not follow existing templates which were relevant during a particular historical timeframe. If IPAs have to change, then the change has to start with their enabling legislations. The latter should be compasses to give the necessary direction to the IPAs as institutions.

### (c) Organizational structure of IPAs and institutional governance within IPAs

The reality and impact of the institutional governance systems within IPAs and the need for functional institutions to deliver on the promotion mandate and to partner governments in the development process needs to be recognized.

The legislative and policy frameworks per se do not ensure the best practices and the needed changes in the implementation of the IPA functions. A good legislative and policy framework may be undermined by the weaknesses in the organizational structure and institutional

governance system within the IPA. If these weaknesses are not addressed then they would impact negatively on the operations of the IPA and its performance.

They also constitute constraints that limit the realization of the objectives of programmes and projects of the development partners. These hidden challenges have to be investigated and addressed to enhance IPA performance and to promote the attainment of set developmental goals.

#### (d)Sub Saharan Africa's IPA's internet presence

There is a need to recognize the emerging role of ICT in investment promotion as signified by the investment monitoring platform (IMP).

The due recognition and the need to employ the ever growing power of ICT as a tool not only for the dissemination of information on websites but for the provision of advisory and support services to potential and existing investors to support decision making within enterprises as well as policy making by government institutions, and to drive the implementation of the mandates of regional organizations.. This issue is highlighted to policy makers and IPAs in order to increase internet presence within IPAs.

#### (e)Investor enquiry handling

This is an attempt to bring to the fore the central role of IPAs namely provision of information to investors to facilitate their decision making and to sway location decisions in favor of their countries and, more importantly, in the case of existing investors to facilitate expansion programmes and further engagements with the country of their location. This role is growing in importance and IPAs need to recognize this and use the IMP to provide information beyond what is provided on IPA and government websites to improve the quality and speed of delivery of business support services and information that IPAs provide to potential investors.

# UNIDO's Regional Programme for Investment Promotion in Africa

UNIDO's Africa Investment Promotion Programme originated from UNIDO association with African investment promotion agencies (IPAs) through its various support programmes. This led to a decision by the IPA's in 2001 to unite to form the AfrIPANet, a continental network of African IPAs, currently comprising 43 members with the basic goal of providing support and assistance to participating countries and playing a policy advocacy role in changing the culture of investment promotion. The basic objectives are to:

- i) Bring about a transformational change in the culture of investment promotion in Africa, especially in the design and implementation of investment promotion policies;
- ii) Reposition IPAs as partners with other with other private sector stakeholders and with government to address emerging development challenges for the attainment of national inclusive and sustainable development goals;
- iii) Mainstream investment promotion into private sector development in particular small and medium enterprise support programmes with emphasis on the role of domestic investment promotion poverty reduction and broad based wealth creation;
- iv) Emphasize the role of domestic investment promotion.

The components of the Africa Investment Promotion Programme are:

- a) Data collection through surveys of enterprises in programme countries,
- b) Analysis of data to gain insights into the motivations, perceptions, performance, strategies and plans of different types of investors and assess the impact of their operations on the socio-economic development objectives of host countries,
- c) Establishment of an online Investment Monitoring Platform (IMP), through which the data can be easily accessed and which also serves as a platform to directly engage IPAs and investors,
- d) Capacity building of the IPAs to strengthen their organizational structures and implementation procedures and effective utilization of the IMP for policy advocacy, strategy design, investor targeting and tracking, investor servicing and aftercare, as well as for operational self-assessment, and
- e) Establishment of subcontracting and partnership exchange (SPX) units within IPAs and private sector organizations to promote supplier-buyer linkages between local firms and foreign investors in support of local content policies.

In partnership with the AfrIPANet network of IPAs, enterprise surveys have been and are being conducted in twenty two African countries, to collect data and support IPAs in devising strategies and designing investor support activities based on empirical evidence. Enterprise surveys in Africa are usually conducted in two ways. Surveys may either be conducted by the national institutions of the country, or by consulting companies with the requisite experience and proven track record in undertaking such activities. In its enterprise surveys, UNIDO followed an approach aimed at engaging national institutions with the aim of promoting partnerships with national stakeholders. In line with this approach, UNIDO has accordingly established a network of national implementation committees (NIC) which comprise both private sector and public sector organizations in order to facilitate cooperation for the conduct and supervision of the survey process as well as for data analysis, dissemination of survey information and capacity building of relevant institutions. The cooperation of the National Statistical Offices (NSOs) has been sought wherever possible in conducting surveys in some cases. In a number of countries, i.e., Niger and Senegal, this cooperation has been very close with the NSOs as the implementing agents for the survey. In other countries, i.e., in Uganda, Rwanda, Kenya, the contribution of the NSOs was in the form of assistance and provision of quality control. In most of the countries, the Central Banks have shown interest in cooperating with the programme as they deem it as contributing realistically to determining investment inflows into their countries.

## Investment Promotion Agencies in Sub-Saharan Africa: Opportunities and Challenges

In Africa, IPAs have been in existence since the 1960s, when some of the early IPAs were established in Ghana and Egypt.

The study was designed to provide deeper insights into the realities of IPAs as institutions and how they implement their mandates. Desk research gathered basic information about national IPAs and the policy, institutional and legal frameworks for investment in each country. This was complemented by studies carried out by other international development agencies such as UNCTAD, FIAS, IFC and the World Bank, as well as by formal and informal face-to-face discussions.

In the effort to support IPAs in the performance of their mandates earlier surveys have devoted time and effort to identifying perceived constraints occasioned by government policies and actions that need to be addressed or improved. Among the barriers that have come to the fore are policy instability, corruption, burdensome regulatory regimes and procedures, lack of infrastructure and skills, delays in the judicial systems, bureaucracy, lack of transparency as well as policy and political instability.

These challenges are well known and have formed the basis for the design of donor assistance programmes for African countries by the developing partners. Many countries have addressed the identified challenges within the context of the economic liberalization processes as well as the reforms in the institutional and legal frameworks for investment promotion and there is commitment to do more. The changes do not however seem to have had the expected impact on reversing the traditional patterns of investment in African economies where investments in the extractive sectors predominate with limited or no value addition to generate activities in the manufacturing sector. This impacts negatively on the effort to create jobs and to reduce poverty.

The UNIDO Investor Survey seeks to complement the findings of some of these surveys by searching within private sector firms operating in Africa to bring to the discussions yet other dimensions of the challenges in the relationship between the private sector companies and governments institutions, particularly the IPAs. Accordingly, the survey questionnaires are designed to investigate and ascertain through the means of face to face interviews with enterprise owners, and their top management staff their motivations, their business strategies, their future plans and their assessment and evaluation of the impact of government policies and actions on their businesses as well as the quality of their engagement with the IPAs. The survey was targeted at enterprises in the manufacturing, services, agricultural, mining and trading sectors. This missing link and the findings have brought deep insights into the following, among others:

1. The different categories of investors operating in Africa, their motivations and expectations for investment, their strategies and plans. It also gives an indication of the trends. This information should inform the design of appropriate policies and promotion strategies and also support services of IPAs to organize effectively to attract the different categories of investors identified;
2. Reliable statistical information to support enterprise decision making through IPA advisory services and to underpin IPA and private sector policy advocacy role with government;
3. The inclusion of the domestic sector in the survey is a bold step which addresses the fundamental challenge of the need to recognize and reinforce the importance of the role of domestic enterprises in the development of African economies, particularly their contribution to the effort to diversify the economic base and, to generate opportunities for employment to address the poverty problem;
4. It has led to the creation of a dynamic platform to drive the discussion between all categories of investors operating in all sectors which gives a voice to all participants is more powerful than the one -to- one individual lobbying by the powerful few within the private sector. The Investment Monitoring Platform which facilitates access to economic information on all sectors of African economies and contributes to integration of African markets and the development of regional economies, supports the mandates of the Regional Economic Communities as well as that of the Africa Union Commission;

5. The programme holds the potential to generate partnerships between countries as well as institutions at national, regional and multilateral levels;
6. This new intervention by the UNIDO programme which focuses at the enterprise level is a major contribution to private sector development and growth. The database allows enterprise managers to understand their industries, the key success factors for growth in the sectors in which they operate and also to define their competition;
7. The existence and contribution of other surveys such as the World Bank surveys and central bank surveys are recognized and acknowledged but these surveys have different thrusts. The focus of the World Bank surveys include identification of the level of reforms in the macro-economic and business frameworks while the Central Bank surveys investigate inflows into African economies. In this connection, the UNIDO Survey brings an added dimension to the existing database on investment in Africa.

Initially, image building to address the negative perception about Africa was seen as crucial to the promotion mandate. IPAs concentrated their efforts on building a positive image of their respective countries as investment destinations for opportunities. Development partners supported these image building campaigns and capacity building programmes with considerable funding. Today, however, it is widely believed that IPAs need to go much further than to provide investment facilitation services. The emerging reality is that IPAs have to reposition themselves as strategic development partners of government.

## IPA Enabling Legislations and Role of Investment

The IPA enabling legislations which defines the mandate, composition, functions and funding of IPAs is commonly referred to as “the Investment Code, or Act”. These legislations set out the position of the IPA within the government structure of the country and give an indication of which government ministry has oversight responsibility for the IPA in some cases, the legislations may give an indication as well as of changes expected in investment policies. In most cases, changes in IPA legislations dwelt on mainly on functions of IPAs and the incentive frameworks. The legislative process was not used to address wide ranging strategic issues such as the role of IPAs in economic development, their position and status in the institutional structure of government and in policy advocacy. The drafting was mostly driven by external consultants, who had little practical knowledge about the challenges faced by the IPA or the investor community in the country. Consultation with the private sector was also limited, even though such legislations are meant to improve the business environment and boost investment by the private sector. There have, on the other hand, also been some examples of good practices, as in the cases of Uganda, Rwanda, Nigeria, Tanzania, Sierra Leone and Ghana.

The role of investment in economic development is usually not specified in the legislations; however, expectations are often implicit in some of the provisions, particularly in the



qualification criteria for entry and establishment. All countries in the Africa region have Development Plans sometimes incorporated in the country's 'vision' documents. These visions and plans provide IPAs with some compasses as to policy direction and form an integral part of their promotional materials. Ministries with responsibility for the IPA play a crucial role in enhancing or restricting the mandate of IPAs. When the role of the IPA was more than being a 'national gatekeeper', its function in the economic policy making structure grew significantly. The survey found that there is a large variety of ministries with oversight responsibilities for the IPAs in different countries. These range from Ministry of Finance, Industrialization, Planning, Private Sector Development and Investment. For example, if the government views investment in terms of fiscal impact, then usually the Ministry of Finance is given the oversight; if investment is regulated through industrial licensing, then the IPA is placed under the Ministry of Industry.

One significant observation of policy formulation for the IPAs was that neither the boards nor the CEOs had direct access to the upper echelons of the government. In the Eastern and Southern African regions, in particular, the government set up high level Investment Advisory Committees within the institutional infrastructure for investment promotion close to the IPAs. These committees also have a mandate to advise the government on investment issues. While the IPAs are represented by mid-level civil servants, these advisory committees are comprised of ministers or appointees of government. This has in most cases resulted in turf fights between ministries and IPAs over responsibility.

## Governance Structure of IPAs

The remit of IPAs has begun to expand as economic growth and Foreign Direct Investment (FDI) have increased. This has made the governance of IPAs of greater importance. IPAs are not able to operate like other public service boards; they have to be responsive to both the public sector and private sector, and when necessary, mediate between the two.

IPA board members are usually a mixture of public and private sector representatives. The chairperson is appointed by government. Various ministries play a formal role through representation on IPA Boards, but very often attendance was delegated to a lower level. The sheer numbers of public sector representatives creates a grey area between the policymaking role of ministries and the implementation role of the IPAs. The boards tend to be unwieldy and large and the participation of high-level public sector appointees who have busy schedules creates a problem for attaining quorum of such meetings. The importance of the private sector has been growing in IPA governance over the years.

Private sector representation, however, still constitutes a small minority. Representation of the private sector is either through membership organizations, such as the National Chamber of Commerce, and industry associations or directly through prominent industrial and commercial enterprises or personalities nominated by the government or minister responsible for the IPA.

In all cases, the government appoints all members of the IPA board, including the private sector representatives. This gives the government tremendous power and control over the IPA governance. Although most IPAs in Sub-Saharan Africa were found to have wide mandates for promoting investment, bureaucratic structures and lack of delegation and empowerment were widely believed to have overwhelmed the effectiveness and timeliness of investor facilitation services. It has been found that IPA agendas were based more on minor administrative and financial issues, thereby relegating strategic and policy development lower down the agenda. In addition, senior management does not seem to recognize the skills of their staff have and as a result, employees tend to get discouraged and eventually they tend to leave for the private service sector.

## The Operational Functions and Governance Systems of IPAs

### Organizational Structure of IPAs and Institutional governance systems

Organizational structure of IPAs and institutional governance within IPAs drives their operations. In most IPAs, it was observed that the organizational structures do not support cohesion and teamwork. Instead, they promote compartmentalization and turf fighting among the various departments. As a result, it impacts negatively on information sharing, consensus building, training and learning. This affects staff development and motivation. The dysfunction in most of the IPAs is attributable to organizational structures that are created to suit top managers without promoting the agenda of the organizations and this affects the promotion mandate and accounts for poor performance of some IPAs. The boards as governing institutions should see the critical importance of organizational arrangements to ensure that power is not concentrated only at the top echelons of the organization but it promotes inclusion and involvement and participation of all professional and technical staff of the organization. IPAs that operate as functional institutions are more likely to deliver on the promotion mandate and to partner governments in the development process. Such IPAs will function more efficiently within the context of good legislative and policy frameworks to bring about the changes that the programmer is demanding in the culture of investment promotion.

### IPA mandates

The mandate of the IPAs varies from country to country. In some countries they, nominally, are the sole agency for investment promotion and have the mandate to promote, approve and register projects, award incentives and monitor all investments. In others, this mandate is shared with other agencies and committees and the IPA is restricted in its capacity. As a result, even though IPAs are responsible for the promotion of investment into the country, their ability to carry out their mandate depends on cooperation and coordination with other

government agencies. The survey found numerous investment promotion agencies or institutions with responsibilities for particular sectors in twelve countries. This creates extra layers of bureaucracy and there is a large possibility that conflicts will arise over jurisdiction. This is why some countries, such as Ghana and Rwanda, have business law reform committees that deal with these problems. Some countries have established regional investment promotion offices as part of the decentralization policies. It was noticeable that there were differences in the relationship with the central IPA, depending on the origin of the regional office. Some of these operated as extensions of the IPA, while others had a higher level of autonomy. In addition, in almost all countries, there are other government departments that have specific mandates on investment promotion. Sector ministries in most countries are responsible for public investments within their jurisdictions. Projects and large scale infrastructure investments are often formulated in a public-private-partnership model. IPAs are also expected to promote Special Economic Zones and Export Processing Zones, even though these zones constitute semi-autonomous agencies. The role of Investment Promotion Agencies (IPAs) and the evolution of their mandates and functions have been central to the transformation process occasioned by the economic liberalization in the region. Prominent changes were, inter alia, the establishment and restructuring of IPAs, the relaxation of regulatory regimes and undue intervention by authorities, the introduction of simplified registration procedures and One-Stop Shop advisory and facilitation services, and the establishment of commercial courts. Despite these changes, the national context is often still influential in how the mandates are interpreted.

### IPA Corporate Plans

Corporate plans that were prepared by the IPAs were usually not very substantive and included general aspirations and hence the results were quite meager. The Kenya IPA stands out as a positive example and pursues a more systematic approach. A multi-year strategic plan was produced by the IPA and was reviewed regularly. Targets and promotion strategies were set out for implementation. Each division was monitored and evaluated on a monthly basis.

### Investment dispute settlement by IPAs

Concerning the operational functions, certain IPAs are involved in investment dispute settlement, while in others they are not. Where the IPAs can get involved in dispute resolution, the law states that IPAs may sue and be sued. Some governments have also given IPAs the authority to negotiate bilateral investment treaties (BITs). The majority of IPAs in Sub-Saharan countries, however, do not have legal departments, resulting in them not being involved in the negotiation process. The IPAs therefore need to have the requisite legal departments and legal staff with appropriate knowledge to be involved in negotiations of such treaties since they form an integral part of the investment promotion strategy.

### One stop shop facilities in IPAs

Some IPAs offer One-Stop Shop facilities for investors but most of these one stop shops are just one more stop since the officers positioned in the shop do not have the requisite authority from their mother institutions to issue the permits to investors. The result is that investors either use the official in the one stop shops as their couriers to carry their applications to their respective institutions or the investors may decide which is more the norm to go directly to those agencies to secure their permits. The one stop shop of Nigeria is a good example of an efficient one stop shop. This is in view of the fact that prior to opening the shop, consensus was built with the institutions represented in the one stop shop and agreements were signed to that effect. Accordingly, the investor is able to obtain his permit in the one stop shop which has been set up within the IPA. In most cases, it was observed that one stop shops set up in some IPAs in Africa have been closed.

### Promotion of domestic and diaspora investment

All IPAs had some form of domestic investment facilitation mandate. In some cases, this is clearly mentioned in law, while in others, it is not, but it is still implied in the law. It is a widely held misperception that because domestic investments have a lower level of bureaucracy involved, domestic investors often do not know their entitlements and think that they are not entitled to receive the same level of support and assistance as foreign investors. Leaders in sub-Saharan Africa are also eager to encourage the Diaspora to invest in their country of origin. This has resulted in an increase in the visibility of the Diaspora as a source of investment over the past ten years. Within the IPAs, however, only Ghana created a unit that was dedicated to handling investment issues from the Ghanaian Diaspora.

## Investor Enquiry Handling

The provision of Information to existing and potential investors is the main reason for the establishment of IPAs. Accordingly, investor enquiry handling is one of the core functions of all IPAs. Prior to the evolution of communication technologies like the internet, investors had to find other sources of information, such as speeches by government ministers or brochures. This data was mainly generic and irrespective of the individual investor's interests. For these reasons, potential investors often choose to contact private sector associations and consultants in order to seek relevant and current information. However most of these associations are not organized to provide such updated material. Most often data from the public and private sector differed largely and this had a negative impact on investors' choices. IPAs tend to repeat the general information on their websites as responses to investor enquiries. In most cases investors are referred to IPA websites although they indicate that that had seen the information on the IPA websites and are seeking more information beyond what is available on

the website. The emerging reality is that investors with positive impact on the economy desire to have quality information and in a timely manner to support investment decision-making within their enterprises. This is crucial if IPAs are to sway investment location decisions in favor of their countries.

There is a need to take cognizance of the fact that IPAs are government agencies. Therefore, investors tend to also contact the private sector because they regard information from their fellow private sector operators as more reliable. With the help of UNIDO, evidence from the existing investor community is being captured in aggregated data on the IMP, thereby enhancing quality of the information and giving private investors trustworthy responses.

According to the World Bank's Global Investment Promotion Best Practices (GIPB) 2012 Report, three-fourths of the 46 Investment Promotion Institutions in Sub-Saharan Africa offer very poor services to investors. IPAs should therefore not only provide general information on their websites, but also support private sector CEOs with comprehensive and critical data as part of the effort to introduce their countries as potential investment destinations.

The Capacity Building Programme aimed at addressing the main issues identified and improving IPAs capabilities. The specific areas targeted for address are enhancement of business advisory services to support private sectors, the provision of quality information, the facilitation of partnerships, and the development of evidence based policy frameworks and the introduction of a proactive management which relies on data offered by the IMP. During a number of capacity building missions to IPAs in the programme countries, discussions with IPA CEOs, their management and staff as well as with private sector associations were conducted.

Capacity building training sessions were conducted in order to bring together stakeholders from the private and public sectors and let them share their experiences and gain insights. During these sessions, practical exercises of handling investor enquiries with different scenarios were held, thereby reviewing the IPAs processes. Specific attention was paid to actual processes of preparing charts and graphs and to the usage of the IMP to formulate quality responses in a timely manner. The outcome of the survey revealed that IPA staff partly had difficulties in extracting the investors' priorities as well as in providing credible and reliable sector specific data and had the tendency to repeat standardized website information. Investors are well aware of their contribution to the economy and often use this as a basis for bargaining.

In order to measure the effectiveness of enquiry handling, the World Bank's GIPB report 2012 used a mystery shopper approach with four different categories of assessment: i) availability and contactability ii) responsiveness and handling iii) quality of the enquiry responses iv) customer care. These findings were confirmed by the UNIDO diagnostic and capacity building missions. However, the findings of the UNIDO missions during the diagnostic and capacity building programmes revealed some hitherto unknown issues underlying the implementation of the IPA mandate and their effect on the categories of assessment employed in the World

Bank report. These issues which throw more light on the findings by the mystery shopper are discussed below:

**i) Availability and contactability of IPA staff**

IPAs organizational structures do not support efficient service delivery and are in themselves constraints in terms timeous delivery. There are not many photographs and contact details provided on the IPAs' websites and contact information was rarely reviewed. Additionally, it was next to impossible to reach CEOs and top management staff and their secretaries did not have enough expertise and furthermore often tried to get rid of callers. Since internet connection and electricity still pose problems in Sub-Saharan Africa, coupled with the fact that in most cases only the CEO and the top management staff have direct telephone lines, while the rest of the employees are heavily dependent on the main telephone exchange, further aggravates the problems.

**ii) Responsiveness and handling**

In connection with this category of assessment, attention was paid to the competence of the responding employee and the period of time needed to provide a response to the enquiry. IPAs frequently published time frames for their enquiry services but admitted that their service delivery regularly was not in harmony with those. In addition, overpowering hierarchy is posing major problems. Often, a request had to go through various stages and between supervisors and staff for prior authorizations prior to final transmission. This apparent lack of freedom and trust among IPAs' staff had a negative impact on their enthusiasm as well as their professionalism. The UNIDO programme and its capacity building efforts aim at changing these processes. Some of the outcomes may be immediate but the change of the culture will be in the long term.

**iii) The quality of the inquiry response**

In the days of regulation, investors themselves had to spend their money on conducting project feasibility studies for approval which were then reviewed by the IPAs. In addition, IPAs sometimes offered sector profiles which often were not conducted in a professional manner due to the IPAs' lack of capacity to undertake primary research.

IPAs must support private sector CEOs with comprehensive and critical quality information about the country, the investment possibilities, incentives and also investment laws. However,

IPAs must go beyond the information provided on their websites to help address the information gaps for investors seeking to invest in the different sectors of the economy.

#### **iv) Customer Care**

IPA employees must adopt the culture of constantly keeping in touch with investors after initial enquiries in order to ensure that the investors keep up their interest. The primary objective is to provide investors with critical technical information about the relevant sectors and industries. However, the capacity building missions have noticed that IPAs do not focus on engaging executives with specialized knowledge or on creating specialists. It is therefore suggested to hire engineering, economic and legal consultants as well as investment promotion practitioners with long standing practical experience in the field who could introduce the staff to the realities and contribute to a more efficient and result oriented enquiry handling. In addition, the structure of IPAs also prevents the evolution of specialists. Given the fact that IPAs do not tend to have departments handling particular investment areas, employees rather stay generalists.

IPAs in Sub-Saharan Africa need to bring the problems concerning institutional frameworks to light and overcome existing process limitations, such as lack of delegation, empowerment and bureaucratic structures. In order to do so, the organizational structure and the composition of the board should be constantly reviewed. In addition, a culture of customer orientation should be promoted and training programmes should support employees to become specialists. Another step in this direction could also be the construction of partnerships with research divisions of relevant government organizations.

## **Sub-Saharan Africa's IPA's Internet Presence**

Since visibility on the internet is gaining more and more importance, UNIDO conducted a short survey in 2012 in order to evaluate African IPA's web presence. Via their webpage, IPAs can showcase their economy and present a variety of details. 33 countries participated, among them, this included some that have not yet implemented the African Investor Survey but have stated their interest.

The reality is that internet is expanding in Africa. Out of the 33 countries evaluated, 32 of their IPAs had a website (though seven were not reachable). 32 of the assessed websites had been updated in 2011, amongst them 26 who had completed their last update within three months before the study was conducted. Most websites used English (30); some offered a French version (10) and a small minority also a Spanish or Portuguese one (but only in combination with English).

With regard to technology, some 40 per cent used content management systems (CMS). In addition, 34 per cent used analytical tools and 18 per cent web-widgets. Concerning programming technology, 69 per cent of all websites ran on Apache. Google fundability for the IPA websites reached 69 per cent. A large majority of websites only provided general information on the country as well as the main sectors of economic activity and latest news, but did not go into depth. Nevertheless, a majority of the IPA websites contained business directories (with 59 per cent containing at least a list of companies). “Login features”, an interesting tool for users to share information and get more relevant data including newsletters, investor services and company directory access, was only offered by a third of IPAs websites. Instruments providing interactive web features and quantitative information, maybe in form of a regional data system jointly used by various African IPAs, are to be recommended.

## Foreign Direct Investment in Sub-Saharan Africa

According to a World Bank observation in 2012, Sub-Saharan Africa has experienced a decade of economic growth (2001-2010) with GDP 5.2 per cent a year, per capita income 2 per cent a year and FDI flows growing. However, investment in Africa remains at a low level of less than 15 per cent of GDP. The sample of firms that participated in the Africa Investor Survey 2012 consisted of 31 per cent from the manufacturing sector and 56 per cent from the service sector, with 74 per cent being small enterprises. With regard to light manufacturing, one of the main sectors in the economy, the median firm has a high skill ratio and sixteen employees, whose wages are on average 40 per cent less than that of service workers. Furthermore, this sector is expecting a decline in sales growth for 2013. The service sector, on the other hand, foresees sales and export growth. Here, the median firm has eleven employees and an even higher skill ratio.

## An Introductory guide to the Investment Monitoring Platform

The Africa Investor Report 2013 contains an introductory guide to investment practitioners and intended beneficiaries to demonstrate how to work with the UNIDO Investment Monitoring Platform (IMP). Using specific examples and giving a step-by-step explanation, it introduces a number of issues usually not dealt with in other investor surveys and reveal new findings. The IMP was established to give all actors in investment promotion access to primary data. With the help of an easy-to-use tool-kit which does not require programming skills it allows the users to cross-relate the different types of information in this field and thereby raise the quality and transparency of the data available. Users will not only have the possibility to compare activities and performances by selecting relevant variables, but will also be able to export important. With the help of the IMP, different countries can be selected as filters and distinctions can be made between investment flows within a region and from outside the



region. In order to compare intra-regional FDI and other FDI, the IMP adds the possibility of using a bubble-chart tool which may be more complex, but which offers a comparison of different types of companies at once.

In addition, the IMP presents data gathered in 2010 and 2012 via African Investor questionnaires where foreign investors had to answer questions relating to their business and investment. These included, inter alia, the question about their main motivation to invest which constitutes a major issue for the assessment of present and for the attraction of future investment.

## Conclusion

It is expected that in addition to private sector comments emanating from other surveys on issues affecting the investor climate in Africa, the Africa Investor Survey Report will continue to bring enterprise-level data in the form of reactions and comments from the private sector in Africa, which will give indications about the impact of policies on their operations, their motivations for investing, their strategies and their future plans to participate in African economies. This important report and its underpinning programme, the Africa Investment Promotion Programme, are highly recommended to all stakeholders in investment promotion and it is expected that they will be duly recognized, supported and sustained by governments, the donor community and development partners. The programme is an excellent example of public-private sector collaboration which has culminated in the creation of a tool to enhance growth and competitiveness of the African private sector. From the needs assessment stages through programme development to the implementation stages the private sector institutions and the private sector operators had been part of the process. In particular, it was the joint effort of the Investment Promotion Agencies, the private sector associations, ministries of industries, the private sector companies and UNIDO. It is recommended to all development partners to support the programme and particularly the Regional Economic Communities to adopt and promote the tool and, more importantly, to support it with funding to facilitate the much needed capacity building and sustainability of the Investment Monitoring Platform.