There are no translations available.

Africa's Development Dynamics 2023, Investing in Sustainable Development is a report that is jointly prepared by the African Union Commission (AUC) and the OECD Development Centre analysing the investment climate in Africa and how African regions can accelerate sustainable investment in strategic sectors so to accelerate the economic development of the continent. In the latest years, due to a general climate of uncertainty caused by the Covid-19 outbreak first and the war in Ukraine after, global investment has shifted focus away from Africa more than any other world region.
Among the solutions that can reverse this trend, two are particularly interesting.

First, quality data and statistics must be made available to investors so that they can support their investment decisions. In fact, the report notes that when investors realize that gathering information about a particular market is hard or costly, they just renounce to invest. The problem, however, is not only to make data available to investors. A harmonization of statistical data in order to make them comparable is also necessary, so that investors can analyze which markets offer the best growth prospects in relation to the products or services they provide. In this regard, it should be noted that the African Union has launched the Strategy for the Harmonization of Statistics in Africa (SHaSA), which despite being conceived primarily as a tool to support the decisions of African policymakers, goes precisely in this direction.

Second, after observing that deepening the African integration, particularly through the implementation of the AfCFTA Investment Protocol, will promote investment in the continent, the report highlights the need to develop a mechanism for measuring progress at the national level in the implementation of such a Protocol, noting that monitoring mechanisms should be adopted at regional, rather than a centralized (continental) level.

Examples include the experience of ASEAN, which established in 1995 a network of National Free Trade Area (FTA) Units in the capital cities of most of its member countries to monitor the implementation of the Common Effective Preferential Tariff Scheme (CEPT), a cooperative arrangement among ASEAN Member States that aims at progressively reducing intra-regional tariffs and remove non-tariff barriers

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The European Union foreign investment screening mechanism is also described. This is a system where the EU member States exchange among themselves and share with the EU Commission information regarding investments made in their territory, which include data on the ownership structure of the foreign investor; the approximate value of the FDI; the products, services and business operations of the foreign investor and of the target undertaking; the Member States in which the recipient company does business; source of the investment funding; date when FDI is planned or has been completed.

Lastly, the report notes that Africa’s lack of an integrated continental payment infrastructure for cross-border transactions is another factor that results in high costs of capital in the continent. Only 20% of intra-African cross-border payments are cleared within the continent. The rest are routed through overseas banks, where African currencies are exchanged for dollars, pounds or euros before being converted back into a different African currency. The problem of this system is that each bank involved in this conversion process applies transfer and bank fees that are very high. Because of this, according to the African Export-Import Bank (Afreximbank), African traders pay about USD 5 billion per year only in
transaction fees.

The Pan-African Payment and Settlement System (PAPSS) seeks to simplify cross- border payments between Africa’s 42 local currencies. Jointly developed by the AfCFTA Secretariat and Afreximbank, PAPSS aims to streamline and secure money flows across African borders. The PAPSS platform centralises validation checks, reducing the need for costly overseas intermediaries. The system aims to complete transactions in less than two minutes for a low fee.

The continental roll-out of PAPSS is underway. In 2022, the pilot phase was completed in the six countries that are part of the West Africa Monetary Zone: The Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone. As of June 2022, the PAPSS network consists of 8 central banks, 28 commercial banks and 6 payment service providers.