



Commission on Sustainable Development
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5 - 16 May 2008
New York

**Background Note on the Ministerial Roundtable
on Investing in Africa to Achieve Millennium Development Goals
and Sustainable Development**

During the High-level Segment of CSD-16, there will be two Ministerial Roundtables to be held on 14 May 2008, one focusing on investing in Africa, and the other on inter-linkages among the thematic issues of CSD-16.

This background note is intended for the Roundtable on investing in Africa. It examines the critical challenges in, as well as opportunities for, increasing investment in Africa. The background note aims to facilitate discussions on this topic, with a few questions included. Ministers may choose to address any of these questions and should not feel obliged to address all of them. Ministers may also address any aspects of the issues they think relevant to the discussions.

The Roundtable discussion will be informal and there will be no delivery of official statements. Interventions will be limited to 3 minutes to encourage interactive discussions.

Ministerial Roundtable on Investing in Africa to Achieve Millennium Development Goals and Sustainable Development

(4:00 pm, 14 May 2008, Conference Room 4)

This Roundtable, focusing on Investing in Africa to achieve Millennium Development Goals and Sustainable Development, provides an opportunity for Ministers to have a focused, yet informal, discussion on how to expedite progress in implementation.

The reports of the Secretary-General and outcomes of the regional implementation meetings, as well as inputs by UN agencies and Major Groups, point to a number of optimistic developments as well as continuing challenges; notably:

- In the new millennium, African economies have enjoyed a significant growth acceleration which has translated into marked poverty reduction, though dollar-a-day poverty in sub-Saharan Africa remains the highest of any region at just over 40% and progress towards MDG1 is still too slow.
- The strong African economic performance of recent years has attracted growing investor interest. A number of governments have undertaken reforms in key sectors, which have stimulated greater competition and private sector involvement, reducing the costs of essential infrastructure and services needed for doing business.
- Since 2000, annual net foreign direct investment inflows to Sub-Saharan Africa have more than doubled, to around \$17 billion. Yet Africa continues to lag other parts of the world in attracting foreign investment, and its rate of domestic investment is relatively low – half the rate in East Asia.
- While some countries have shown considerable progress in attracting investment, unfavourable business climates, political instability, and weak governance still continue to hamper capital inflows and domestic investment in a number of countries. Much of the total investment continues to be concentrated in traditional resource extraction activities.
- With the exception of a few countries – most notably South Africa – equity markets are very small in size and the corporate bond market is virtually non-existent. Total market capitalization in Sub-Saharan Africa stood at around \$800 billion in 2006, with three-fourths of that in South Africa. The result is that many successful domestic enterprises find it difficult to raise the capital needed to expand.
- Still, there have been promising recent developments. The number of stock exchanges in Sub-Saharan Africa grew to 16 in 2007, and the number of listed companies on those exchanges has risen to over 520 firms, from just 66 in 2000. The latest exchange to open is that in Rwanda, in April 2008.

- African countries have had difficulty turning growth accelerations into sustainable development. This remains the overriding challenge for Africa in the coming years – to ensure that the current boom can be sustained and investment flows more widely spread across countries and across sectors.
- Broad-based growth and poverty eradication, combined with wise management and use of natural resources, will be crucial to sustainable development on the continent.

These developments and challenges help provide the context for the Roundtable discussion. Ministers are invited to address any of the following questions:

1. How to ensure continued improvements in the business climate for private investment, notably for the domestic private sector?
2. How to encourage broad-based private sector investment beyond the natural resource extraction sector and beyond the countries in which those resources are concentrated?
3. How to support the development of domestic and regional capital markets which can help enterprises expand in non-traditional sectors?
4. How best to support private entrepreneurs in seizing new market opportunities created by growing demand for sustainable goods and services?
5. How to augment the size of official development assistance flows to Africa and their effectiveness in creating the infrastructure and other conditions for strong growth of private sector investment in productive, diversified, and sustainable African economies?