CAPACITY BUILDING FOR THE PROMOTION OF TRADE AND INVESTMENT IN AFRICA - CHALLENGES AND STRATEGIES

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This Occasional Paper examines the capacity constraints in the area of trade and investment promotion. It provides insights on the challenges and the responses to address the capacity issues. The reflections and judgments contained in this paper are those of the authors and do not necessarily reflect the position of the African Capacity Building Foundation.

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June 2007

THE AFRICAN CAPACITY BUILDING FOUNDATION - PROFILE

The African Capacity Building Foundation (ACBF) was established on 9 February 1991 through the collaborative efforts of the African Development Bank, the United Nations Development Program, The World Bank, bilateral donors and African governments. The Foundation represents a response to the severity of Africa's capacity constraints and the challenge to invest in indigenous human and institutional capacity in sub-Saharan Africa. The Foundation's mission is to build capacity for sustainable development and poverty reduction in Africa.

At its establishment, ACBF focused on providing financial and technical support to the building and strengthening of Economic Policy Analysis and Development Management capacity in sub-Saharan Africa. However, since January 2000 the Foundation's mandate has been expanded, following the integration of the Partnership for Capacity Building in Africa (PACT) initiative into its fold. Under the expanded mandate, the Foundation seeks to achieve three main objectives, namely:

- *To provide an integrated framework for a holistic approach to capacity building in Africa.*
- *To build a partnership between African governments and their development partners, which allow for effective coordination of interventions in capacity building and the strengthening of African's ownership, leadership and responsibility in the capacity building process.*
- *To provide a forum for discussing issues and processes, sharing experiences, ideas and best practices related to capacity building, as well as mobilizing higher levels of consciousness and resources for capacity building in Africa.*

The expansion of ACBF's mandate has broadened its intervention into six core competency areas in capacity building as follows:

- *Economic Policy Analysis and Development Management.*
- *Financial Management and Accountability.*
- *Enhancement and Monitoring of National Statistics.*
- *Public Administration and Management.*
- *Strengthening of Policy Analysis Capacity of National Parliaments.*
- *Professionalization of the Voices of the Private Sector and Civil Society.*

So far, ACBF has made a major stride within the limit of its resources in the implementation of its mandate. To date, it has committed more that US$290 million to capacity building in some 40 African countries and in the strengthening of Africa's regional organizations to take forward more purposefully commitment to regional integration. It is currently implementing its Second Strategic Medium Term Plan, 2007-2011 (SMTP II) with a planned commitment of US$350 million. ACBF is a significant partner institution to NEPAD Secretariat with which it signed a memorandum of understanding in January 2004, and of the African Union Commission which it is providing capacity building support.

Beside direct interventions in capacity building, the Foundation serves as a platform for consultation, dialogue and cooperation among development stakeholders and partners and has developed a knowledge management system for the generation and sharing of knowledge in capacity building and development policy management.

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CAPACITY BUILDING FOR THE PROMOTION OF TRADE AND INVESTMENT IN AFRICA

CHALLENGES AND STRATEGIES

Summary

The lack of capacity has hindered Africa from exploiting the investment and trade opportunities offered by the global economy. Most of the constraints and challenges are linked to ineffective policies, poor management systems and frameworks, weak governance, conflicts, HIV/AIDS and the heavy external debt, among others. Despite Africa's efforts to lifting some of the developmental constraints, African governments should strive to increase their awareness and build their capacity towards the promotion of trade and investments in Africa, and thus ensure their effective participation in the world economy. Following the commitments made to developing countries– dubbed the Doha Development Agenda (DDA) - the promise of additional assistance to developing countries to help them participate, negotiate and implement WTO agreements has not been backed by adequate resources. Given the experience of Africa over the last half-century, it is clear that trade reform and openness alone is not sufficient to sustain economic growth and poverty reduction. The WTO and its associated rules and procedures have defined the framework for trade and investment promotion in Africa, as is the case for the 'Singapore issues', in terms of investment protection, competition policy, transparency in government procurement and trade facilitation. Several African countries have ratified the Agreement on Trade and Related Investment Measures (TRIMs), which prohibits governments from requiring foreign investors to use locally produced inputs. Many of these governments have also negotiated bilateral investment treaties (BITs), which they are required to implement or else penalized, failure to do so. Given the challenges and causes of inadequate capacity to promote trade and investments in Africa, the continent should devise creative responses to address the capacity issues. Africa needs first and foremost to build and sustain its capacity. Building capacity does not constitute an end in itself but a means for achieving overall socio-economic development.

1. INTRODUCTION

Africa has made significant strides in lifting some of the constraints hindering its efforts in achieving sustainable development and reducing abject poverty. Most of the constraints and challenges are linked to ineffective policies, poor management systems and frameworks, weak governance, conflicts, HIV/AIDS and the heavy external debt, among others (Sako and Ogiogio, 2002)[1]. All these factors are affecting the patterns of trade and investments in Africa– for example, HIV/AIDS is affecting the quality of labour required for trade and investment activities and is eroding available financial resources. In this regard, African governments have become increasingly aware of the importance of developing capacity to promote trade and attract investments for Africa to participate more effectively in the world economy and reap the full benefits of globalisation. To this end, a range of policies have been developed and adopted with a view of improving countries' capacities to expand their trading and investment horizons. Thus, all capacity building initiatives in this respect should be linked to the trade and investment policies and priorities of African countries.

The purpose of this paper is to highlight the major capacity constraints and challenges facing Africa as it seeks to expand its trade opportunities as well as attract greater volumes of good quality foreign direct investments. In addition, it puts forward a set of strategies and recommendations to address these challenges.

[1] Also see Land and Ndorukwigira (2001) for detailed discussions of the various issues affecting capacity building in Africa.

2. MAIN CAPACITY BUILDING CONSTRAINTS AND CHALLENGES

There has been a range of commitments made to developing countries after the Doha Round – dubbed the Doha Development Agenda (DDA) – particularly in terms of improving market access for developing countries' agricultural and non-agricultural products; resolving implementation arrangements for various agreements relating to trade and investments; ensuring the special and differential treatment provisions are operationalised effectively; speeding accession of developing countries to major treaties and protocols relating to trade, investments and broader socio-economic development; and, providing additional assistance for capacity building to developing countries.

It can be argued that the DDA increased the awareness of multilateral and bilateral agencies about the relevance and importance of trade for development. The promise of additional assistance to developing countries to help them participate, negotiate and implement WTO agreements has not been backed by sufficient resources. Given the experience of Africa over the last half-century, it is clear that trade reform and openness alone is not adequate to sustain economic growth and poverty reduction (Prowse, 2002). African countries need to nurture an environment that fosters labour and capital mobility and investments in new sectors. In the wake of economic liberalization, African countries that rely heavily on tariffs as a major source of revenue would be forced to review their tax structures to finance their social expenditure and public services.

The WTO and its associated rules and procedures have defined the framework for trade and investment promotion in Africa, as is the case for the 'Singapore issues', in terms of investment protection, competition policy, transparency in government procurement and trade facilitation. Disagreements between industrialized and developing countries stalled negotiations to resolve these issues

despite several attempts to revisit them, notably during the 2001 and 2003 Ministerial Conferences in Doha and Cancún, respectively[2] . Developing countries, particularly from Africa, are pushing for an holistic approach to investment and trade promotion.

Since the 1980s, development partners have been urging African countries, to liberalise their economies. The EU in particular has been calling for trade and investment liberalization in Africa within the context of Economic Partnership Agreements (EPAs), as a way of promoting investment and trade activities on the continent. Indeed, as members of the WTO, several African countries have ratified the Agreement on Trade and Related Investment Measures (TRIMs), which prohibits governments from requiring foreign investors to use locally produced inputs. This requirement, however, would have served to strengthen domestic input-output and intersectoral linkages. Instead, in the dash to provide protection and market to the so-called investors, a number of African countries negotiated bilateral investment treaties (BTIs), which they are required to implement or else penalized, failure to do so. African governments have also taken various incentive measures to promote trade and investments. With respect to investments, some of these measures included setting up of export processing zones, reducing or removing taxes, granting the right to foreign investors not to reinvest locally generated profits, and exempting them from the rule or practice of applying labour and environmental laws. However, the plethora of pro-trade and pro-investment measures has failed to improve significantly Africa's position. The continent is currently the recipient of only 3% of world investment inflows with a share of less than 2% of global trade and output.

Efforts to expand trade and investment were so far geared towards primary commodities rather than diversification. A large share of investment occurred in extractive industries to exploit the natural resources such as oil and minerals, and that in only a few African countries. Similarly, the trade sector in most sub-Saharan African countries relies heavily on the export of primary commodity, which accounts for close to 90% of merchandise exports. To realize the transformation of African economies, the continent should devise and implement a long-term diversification strategy through well-targeted and sustainable capacity building initiatives.

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[2] Some progress were achieved in terms of access to the EU and US markets as a result of preferential treatment. The US market opened up to a number of products, including textiles and clothing, through the 2000 Africa Growth and Opportunity Act (AGOA), revised in 2002, which benefited countries such as Kenya, Lesotho and Mauritus.

The debates around the types of capacity building activities that are required to promote trade and investments vary across countries. In this regard, it is important to first undertake a clear assessment of the capacity gaps. At the organisational level, it might well be that the Least Developed Countries (LDCs), given the rule-based WTO arrangements, are in need of as many lawyers as economists for their Trade and Economic Missions. In addition, LDCs should foster the right institutional environment to develop their capacity in pushing forward their trade, investment-promotion and broader development agenda. Also, developing countries' trade officials should resist developed countries' persuasive attempts designed to weaken their group stances. Another gap may be the lack of adequate infrastructure and other types of capacity or, where existent, their inadequate utilization, maintenance and retention. Given this framework, the input into building the capacity of LDCs in multilateral trade and investments arrangements will vary from one country to another despite the common group position on major trade and investment issues. The identification of capacity building constraints would require a clear understanding of the nature, causes and scope of the gaps.

Drawing from the experience of the African Capacity Building Foundation (ACBF), one can discern several capacity constraints related to the promotion of trade and investments in Africa, mainly related to the supply side issues as well as to institutional and human resource aspects. The major constraints include:

2.1 Weak capacity to develop appropriate trade and investment policies

A large number of African countries, however rich in tradable natural resources, have weak capacities in the design of effective development policies in the area of trade and investments. In the case where trade and investment policies have been developed, they were inconsistent with the overall national growth and development strategy. A sound and comprehensive development strategy is essential for an economy to move to a higher economic development path through the optimization of the limited technological and human resource base.

For most African countries, the structure of their economies has remained, by and large unchanged, since independence. Agriculture constitutes the mainstay in terms of production and employment, representing the largest share in the creation of national wealth. Africa has failed as a continent to widen its resource-based sectors and move up the value-added chain ladder. The failure is mainly due to weak policies that failed to address the supply side constraints including poor transport and communications infrastructure, low productive capacities as

[3] It should be noted that Africa has extremely low wage levels albeit the high cost-ratios.

exemplified by high wage costs relative to value-addition[3] (see Table 1) and inadequate labour force, among others. All these factors undermine Africa's capacity to benefit from economies of scale as a result of increased levels of trade and investments.

Africa - 1990s		Asia 1960s - 1970s	
Botswana	0.39	Indonesia	0.21
Cameroon	0.40	South Korea	0.26
Cote d'Ivoire	0.33	Malaysia	0.27
Ghana	0.36	Singapore	0.35
Kenya	0.35	Taiwan	0.16
Nigeria	0.26	Thailand	0.24
Tanzania	0.39		
Zimbabwe	0.42		
Zambia	0.35		

Source: http://siteresources.worldbank.org/EXTAFRSUMAFTPS/Resources/ica.ppt

As Bonaglia and Fukasaku (2002) noted: "By itself, the implementation of good policies will not suffice to enhance the international competitiveness of domestic firms. Macroeconomic and structural reform programmes must be sustained, since gains are not likely to materialize immediately, and complimentary policies for promoting trade and investment need to be implemented" (p. 4). Hence, Africa should seek to enhance its capacity in trade and investment policy analysis and management.

In 1997, the major development institutions, namely the IMF, ITC, UNCTAD, UNDP, the World Bank and WTO, developed the Integrated Framework (IF) in collaboration with LDCs and other donors, with a view of supporting LDCs in building their trade capacity and integrating trade issues into their overall national development strategies. African countries lack the capacity required to design, implement and monitor trade and investment policies as integral parts of development policy. This calls for an urgent need to develop the technical

expertise of staff in Ministries of Finance, Commerce and Trade as well as in other government departments and agencies involved in trade and investment issues. A holistic approach to development policy and planning will prove to be crucial as other sectors, such as health and education, can also produce direct and indirect impacts on Africa's efforts to promote trade and investment.

2.2 Weak infrastructure and supply-side capacities

Various barriers are constraining trade and investments from the supply side, thereby undermining the continent's capacity to respond to trade and investment opportunities. The continent is experiencing considerable deficits in infrastructure, raising significantly the transaction costs for traders and investors alike. Producers need access to the market to sell their products, and this usually requires adequate road and transport systems, ports and storage facilities, and energy and water supplies. According to the 2004 UNECA Report, "the freight cost as a percentage of total import value was 13% for Africa in 2000 compared to 8.8% for developing countries and 5.2% for industrial countries. At the sub-regional level, the freight cost for West Africa as a percentage of total import value was 14% while that for East and Southern Africa, including the Indian Ocean region, was 15.2%". Doing business is expensive in Africa, partly due to transportation constraints.

Also, trade and investment support services, particularly in the area of trade and investment promotion, development finance, and marketing are lacking. In various instances, information on the availability of these services is scanty, thus limiting their effective utilization for national development. These factors have seriously undermined the development of the private sector. Building business capacity is also crucial to help companies understand and sell in the world market, provide technical training to agricultural producers, provide access to credit and export-related finance and insurance to enable entrepreneurs to respond flexibly to opportunities and strengthen their competitiveness. Africa requires cost-effective and efficient transport networks, the access to relevant and timely information on markets and investment opportunities, and an adequately trained and motivated work force (Sako and Ogiogio, 2002:7). Developing human capacity is key to address supply-side constraints as Africa continues to suffer from severe brain drain, whereby 35% of university graduates have left the continent to live abroad (IOM, 1999). In an effort to build trade and investment capacity of African countries, the provision of training should focus on international trade and economics, particularly in areas related to financial, legal and technological aspects of trade and investments.

2.3 Business and regulatory frameworks

Page (2003:11) argues that a "particular problem for agricultural production is the question of the rules governing land tenure. If there are small holdings or forms of communal tenure that make consolidation of holdings or use of holdings as collateral for loans difficult, this will restrict the types of production and the access to capital. A new example of the importance of legal regimes is the difficulty of using small plots to get access to the possibility of allocating land to environmental services". The point raised by Page on the importance of the business and legal environment as possible constraints on trade and investment expansion in small-holder agricultural sector also applies to other economic sectors in developing countries, as they affect the ways to do business in a given country. Indeed, a recent report by World Bank showed that doing business in Africa is extremely difficult as a result of bureaucracy, weak incentive systems, cumbersome procedures, corruption, red tapes, and other restrictions. Despite some improvements in 2006/7, the continent lags behind other regions in the world in its overall rankings under the Doing Business index. (World Bank, 2007).

2.4 Lack of capacity to influence and set the development agenda

African countries are generally small both in terms of economic size and political power. As noted above, Africa accounts for less than 2% of global trade and output. The continent's share of global foreign direct investments is equally small. As a result, African countries have failed both individually, and as a group, to influence the flow of global trade and investment finance. The fear of loosing investment opportunities has left these countries exposed to poor employment standards, where workers and citizens do not receive adequate protection from unscrupulous 'investors'. Any negotiation with investors or trading partners is a bargaining game in which countries with economic and political clout tend to have the upper hand. More often than not, African negotiators do not raise important issues, such as those related to 'sanitary' and 'environmental' requirements during negotiations.

2.5 Lack of capacity to withstand external shocks

The socio-economic reforms of the 1980s and 1990s have increased Africa's exposure to global economic shocks, heightening the continent's vulnerability to external environment. This vulnerability is also directly linked to Africa's failure to diversify its productive base and export structure. In the event of declining demand for the few export commodities, the countries experience macroeconomic shocks, including foreign exchange constraints and high inflation and exchange rates.

African countries need to develop their capacity to anticipate economic shocks as they seek to join the world economy. Opening up to forces of global competition can bring with it significant social and economic dislocations to certain productive sectors, affecting rural farmers, infant industries, small businesses, among others. A case in point is the unemployment of garment and textile workers in many developing countries as a result of the expiration of the Multi-Fiber Agreement (MFA) in early 2005 (InterAction, 2007). An adequate macroeconomic framework in terms of monetary, budgetary and financial policies and a comprehensive development strategy are key driving forces in the expansion of trade and investment.

2.6 HIV/AIDS and conflicts as major hindrances to capacity

HIV/AIDS and conflict have adversely affected the development of capacity for the promotion of trade and investment in Africa. Both factors are threatening the sustainable formation of human capital and the growth of a qualified and healthy labour force. There is no doubt that the loss of labour on the magnitude associated with conflicts and HIV/AIDS in Africa have serious implications on the economic growth and development of the continent. Conflicts and political instability have also been responsible for the destruction of physical infrastructure in Africa.

2.7 Limited capacity within African trade and investment ministries and trade and economic missions

Ministries with trade and investment portfolios in most African countries have limited political clout and weak capacities in terms of staffing levels and skills, and technological advancement, which limits information sharing among ministries as well as countries in the trading blocks across the continent. In most cases, ministries were not able to assess the value of investments and joint-ventures promoted by foreign companies, and more so when companies under-report the expected profit level. Companies set up complex transfer pricing, which requires strong capacity on the part of host countries to track such tax-avoidance mal-practices. In a survey on transfer pricing conducted in 2004 by Ernst & Young, only two (South Africa and Botswana) out of eighteen Anglophone African countries had transfer-pricing legislation.

In a similar vein, African countries, when compared to the rest of the world, have inadequate trade negotiation teams, in terms of skills mix, size and administrative support. As a result, African countries are often in a weak position

to negotiate with well-serviced missions such as those representing OECD countries. Africa thus needs to build the capacity of its trade negotiation teams to participate effectively in international trade fora.

2.9 Lack of partnerships between governments, private sector and civil society on trade and investment issues

African countries have long viewed the private sector as a source of taxation, and civil society as a bedrock of political resistance to government policy. This relationship has undermined the ability of African countries to utilize the advocacy role their local private sector and civil society would play in lobbying for social and economic justice for the continent. For example, the campaigns by civil society and the private sector during annual events such as the World Social Forum and the World Economic Forum could serve to strengthen African governments' position in their efforts to promote trade and investments as part of a holistic development agenda.

2.10 Lack of capacity to adopt and operationalise global trading norms and standards

In the move towards globalization, there has been mounting pressure on countries and companies to comply with global norms and standards. For instance, machinery and equipment parts are manufactured in various countries but are assembled in accordance to specifications. However, African countries are ill-equipped to apply international norms and standards on these products. Currently, such a capacity exist in very few African countries, namely South Africa and Mauritius, where contract-manufacturing is developed in areas such as motor assembly and textiles. The need is therefore real for African countries to develop the capacity to adopt and operationalise global norms and standards in order to attract and retain foreign trade and investments.

2.11 Lack of capacity to handle constraints arising from the 'rule of origin'

African countries also need to be adequately capacitated to deal with constraints posed by the 'rules of origin', such as for instance the preferential treatments of goods and services granted to a member country of a free trade area. Indeed, a large number of African countries have overlapping membership in various regional trading areas, which makes difficult the systematic application of the rules of origin. The concerns are mostly related to the ease with which goods that are processed partly or fully in a third country can get duty-free access under a

bilateral agreement by being re-exported with just enough processing to satisfy the 'rules of origin' requirements.

2.12 Lack of capacity to use donor assistance effectively and coordinate donor support

The recent history of development assistance in Africa is characterized by cases of poorly coordinated interventions, especially with respects to trade and investments. The lack of coordination of interventions in various instances led to incoherence, limited complementarities and poor synergy at the policy and programme levels. However, in recent years, development partners and agencies emphasized the importance of coordination and complementarities in development interventions and, in particular, with respect to capacity building efforts. The Paris Declaration on Aid Effectiveness of 2005 is a good example of the change in approach towards capacity building. Donors themselves need to adopt a framework that strengthens coherence and neutrality to strike a balance between donor and African development priorities. Donors should collaborate to avoid duplication in their capacity building activities for investment and trade promotion. African countries, on their part, need to own the implementation of trade and investment promotion capacity building initiatives and mainstream them in their development strategies.

2.13 Import capacity and dumping problems

African countries are experiencing difficulties in effectively importing essential goods and services. As already noted, most African countries have poor infrastructure and limited export capacity. Except for a few countries, namely Botswana and oil-exporters such as Angola, most African countries continue to register a negative balance of payment. Countries such as Zimbabwe suffer from severe foreign exchange shortage. Another issue that African countries are facing the issue of dumping of products, such as genetically modified food products and other goods of low quality[4], from developed and emerging countries. For example, between 2001and 2003, Zambia was under considerable pressure to import genetically-modified (GM) crops while as of December 2002, Zambia produced 300,000 tons of surplus of GM-free cassava in the north of the country.

[4] It should be noted that dumping is not limited to selling low quality products to another country but also unfairly under-cut local producers in the importing country.

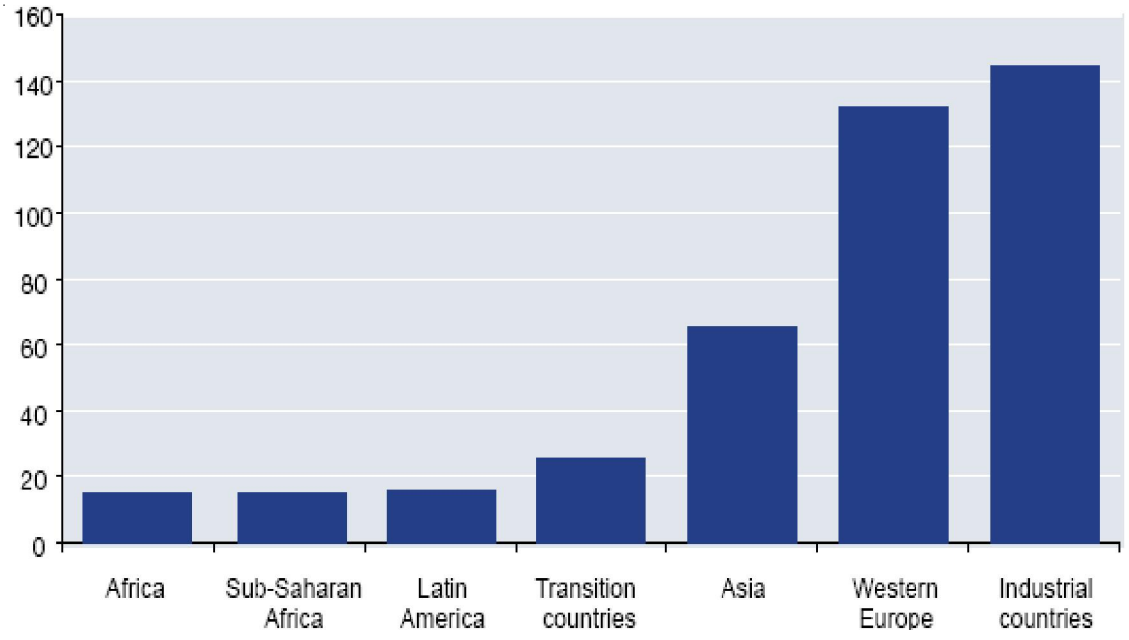
2.14 E-commerce and ICT

Africa has not yet invested sufficiently in the utilization of modern technology to promote trade and investment on the continent. Only about 6% of Africans, mostly located in urban areas, have access to telecommunications. The African Development Forum held at UNECA in Addis Ababa as far back as 1999 identified the following barriers to e-commerce in the continent:

- African infrastructure is not sufficiently e-commerce friendly due to inadequate infrastructure; deficient electronic transaction infrastructure; and poor legal and regulatory framework.
- The African e-commerce environment is not inadequate as a result of low level of awareness of e-commerce; lack of ICT skills among African entrepreneurs and professionals. Indeed, Africa also has the lowest Internet diffusion in the world (see Figure 1).

The weak ICT capacity has hindered Africa's chances of exploiting the growth in e-commerce and related activities.

Figure 1: Internet diffusion worldwide, 2002/2003 (users per 1,000 population)



Source: World Development Indicators, 2003

2.15 Trade in services

The WTO framework also has set the opening up of trade in services as a priority in an attempt to integrate the services sector in the global trading arrangements. The service sector forms the bulk of most economies, representing a share ranging from 30% in developing countries to 70% in the developed ones. Trade in services is rather complex, as services are intangible, non-storable, non-standardized, and often requires physical proximity for transaction between providers and users. Barriers to trade in services are not limited to import tariffs but can also occur in the form of prohibitions, quantitative restrictions, price-based instruments and government regulations (such as standards, licensing, procurement rules) (Dowlah, 2004:153). Since the 1990s, the US, the EU and Japan have accounted for 66% of the international trade in services, of which 42% was conducted among themselves. In order for Africa to open up its services sector to global competition, the continent should first ensure that foreign participation in its banking, insurance, telecommunications, transport, and related areas are consistent with the national development strategies.

2.16 Trade related intellectual property rights (TRIPS)

TRIPS constitute one of the WTO rule designed to protect the right of a wide spectrum of intellectual properties including designs, patents, inventions, and innovations. With its near-universal applicability, TRIPs blur the traditional distinction between commercial and cultural inventions in the age of ICT and digital products. In effect, TRIPs foster the monopolization, as opposed to liberalization, of knowledge and resources in various areas such as agriculture, medicine, engineering, and the like. This rule has devastating impacts on the efforts for promoting trade and investments in LDCs. The most prominent case in this regard was the attempt of international pharmaceutical companies to block the development of HIV/AIDS and tuberculosis generic drugs for the treatment of diseases in LDCs. TRIPs are arguably undermining poor countries' capacity to exploit and benefit from 'late-comer' advantages in the field of science and technology, as this Agreement provides protection to developed. The implementation of TRIPs will result in significant net static rent transfers of an estimated US$ 8 trillion to the developed countries, namely the US, Germany, France, Italy, Sweden and Switzerland, while all the other nations including LDCs would register huge losses (see Table 2).

Table 2: Estimated Static Rent Transfers from TRIPs Implementation (1995, US$ millions)

Country	Outward transfer	Inward transfer	Net transfer	Country	Outward transfer	Inward transfer	Net transfer
US	92	5852	5760	South Africa	183	15	-168
Germany	599	1827	1228	Greece	197	2	-195
France	0	831	831	Finland	281	47	-234
Italy	0	277	277	Norway	277	25	-252
Sweden	13	230	217	Denmark	330	77	-253
Switzerland	474	510	36	Austria	358	83	-275
Panama	0	0.3	0.3	Belgium	470	111	-359
Australia	177	154	-23	India	430	0	-430
Ireland	71	12	-59	South Korea	457	3	-454
New Zealand	79	8	-71	Spain	512	31	-481
Israel	125	32	-93	Mexico	527	1	-526
Colombia	132	2	-130	Japan	1202	613	-589
Portugal	138	0	-138	UK	1221	588	-633
Netherlands	453	314	-139	Canada	1125	85	-1040
				Brazil	1714	7	-1707

Source: Adopted from Dowlah (2004:157).

3. STRATEGIES AND THE WAY FORWARD

Given the challenges and causes underlying the lack of capacity in trade and investment promotion in Africa, the continent should devise creative responses, some of which are highlighted below.

3.1 Building capacity to build capacity

It is crucial that African governments and countries should gear their efforts towards creating a conducive environment that fosters the development of human and social capital. New training and incentive systems should be developed to to train and to retain qualified personnel in the public and private sectors. Such an environment would also encourage individuals and organizations to develop their own capacities to actively participate in the global economy. ACBF has an extensive experience in the area as the Foundation supports training programmes; public sector reforms; strengthening of capacity in economic policy analysis and management, and financial management and accountability; development of statistics; improved governance in parliaments; and professionalization of the voices of non-state actors.

3.2 Institutional development and infrastructure upgrading

In this respect, African countries need to foster the emergence of quality institutions to ensure the effective implementation of sustainable trade and investment programmes and policies through reforms in various areas such as education, tax and labour regulations, financial sector, and legislation on property ownership, among others. The countries should also support the NEPAD STAP agenda, especially in terms of infrastructure development. However, the reforms to address trade and investments issues should align with the rest of Africa's development agenda, especially with regards to poverty reduction.

Equally important is the need to revamp and restructure African training programmes. Traditionally, the curriculum of most African training institutions has emphasised trade and investments issues from an economic point of view. Much emphasis was on international trade theories, including comparative advantage, Jacob Viner's theory on gains from trade, and equalization of prices. However, the curriculum should integrate aspects related to international trade law and financial architecture, as they have direct bearings on the success or failure of African countries' trade and investment agendas. Essentially, a typical team that would defend Africa's position in international trade negotiations

should be composed of members with a wide range of skills in various areas such as international (commercial) law, psychology, economics with a view of enuring the necessary skills mix of the team.

3.3 Strengthening the private sector and the business environment

It is essential that African countries become active and effective players in the world economy. This requires the design and implementation of appropriate industrial, employment, macroeconomic and other relevant policies. It also calls for a wide range of reforms, as is the case for example of the financial system reform aimed at promoting trade and investments, providing efficient services, and developing capital markets. A regional approach in this respect is crucial to foster regional integration and develop investment and trade promotion centers, with a view of exploiting trade and investment opportunities in Africa The private sector should become a key player in the continent's fight against poverty.

3.4 Reduction of capacity risk factors

As noted earlier, there are a number of risk factors to capacity building, retention and utilization in Africa, not only in the area of trade and investment promotion but also in the broader area of socio-economic development. The devastating effects of conflicts and HIV/AIDS are real and constitute a real threat to the building of long-term capacity in Africa. There is therefore an urgent need to develop mechanisms to mitigate and address the risk factors.

4. CONCLUSION

The lack of capacity has been pivotal in Africa's inability to exploit the investment and trade opportunities offered by the global economy. Africa needs first and foremost to build and sustain its capacity. Building capacity does not constitute an end in itself but a means for achieving overall socio-economic development. African governments and people should become increasingly proactive and innovative in developing policies and institutions that are required for a sustainable development. Capacity building in trade and investment promotion should constitute a priority in Africa's development agenda. Similarly, donor coordination and collaboration among implementing agencies are equally important in achieving the objectives for trade and investment promotion. In this regard, ACBF is well positioned to play a crucial role in supporting the building of the required capacities.

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