# Corporate governance and the African Peer Review Mechanism

**REMARKS BY PAUL KAGAME**
**PRESIDENT OF THE REPUBLIC OF RWANDA**
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"Building Business Confidence through Corporate Governance and African Peer Review" is a topic that we, in Rwanda, are interested in, given the recent submission of Rwanda for review within the framework of the African Peer Review Mechanism. I am, therefore, happy to share my thoughts with you. The African Peer Review Mechanism (APRM) is an instrument voluntarily acceded to by member states of the African Union as an African self-monitoring and self-assessment mechanism. In the past, African countries have been subjected to assessment methods and standards determined by bilateral and multilateral donor agencies, which, needless to say, kept shifting goal posts, or used different yardsticks, depending on their whims. They often lacked credibility, consistency, and mutual accountability.

With the advent of NEPAD, there has been revitalized thinking among African leaders, that we need to consolidate democracy and ensure sound and transparent political, economic, and corporate management. We have decided to develop a culture of peer-assessment in order to determine to what extent we are complying with agreed codes, standards, and commitments that underpin good governance and sustainable development.

The States which support the APRM understand that for African countries to approach the 21st century with renewed momentum and confidence, we have to change Africa's image and accelerate performance through the rule of law and good governance practices. This has clear benefits. For us in Rwanda, we have acceded to the APRM process in order to foster the adoption of policies, standards and practices which lead to political stability, high economic growth and sustainable development. We want to share experiences with our peers and identify and reinforce best practices.

The APRM will show us where we are, enable us to find out where gaps are and take corrective actions. All this will be carried out by a credible and non-biased assessor. Besides, we believe that the APRM process will hasten the process of harmonisation of standards and practices, which will in turn accelerate continental economic integration that we see as the key to our own emancipation and development.

But businesses will also benefit immensely from the process of self-monitoring and peer review because good economic and corporate governance are important facets of the whole process. For Africa to develop and attract quality business, building business confidence is an absolute necessity. And let me say that for a continent like ours that needs to attract more investment and see business as a key solution to the welfare of our people, the importance of good corporate governance cannot be overemphasised.

I believe that in Africa today, embracing and practising good corporate governance is of both strategic importance and a matter of survival. We all know that a state that applies rules and policies predictably and fairly, a state that ensures order and the rule of law, and protects property rights will generate confidence and attract more domestic and foreign investment.

Because of the importance of economic and political institutions in good corporate governance, the state of corporate governance is linked in many ways to the state of economic and political governance in a given country's economy.

For example an unaccountable and non-transparent economic and political governance can cause the blurring of the lines between public and private sectors, leading to government interferance or even government takeover of private interests. The other benefits of committing to corporate governance mechanisms are less corruption, a healthier private sector, fairer markets and greater institutional development, all of which support economic growth.

Needless to say, accession to APRM is not plain sailing; it comes with challenges and obligations.

**Firstly**, there needs to be the commitment and political will on the part of a country that intends to sign to the mechanism.

**Secondly**, the country needs to look at the big picture and believe in the philosophy of integration and globalisation. It needs to resist the temptation to say that its house is in order, and even be prepared to expose its dirty linen, as long as this helps to improve their situation and bring greater benefits.

**Thirdly**, the effectiveness of a peer review relies on the influence and persuasion exercised by the peers over each other during the process. The Heads of State who are participating in the APRM accept that peer pressure will be exercised to encourage improvements in countries' practices and policies in compliance with agreed international norms.

**Fourthly,** there is the issue of ownership: we Africans must internalise the idea that the APRM is an invaluable tool we own, and that the effectiveness of peer review is dependent on self-discipline to maintain the standards set by APRM.

**Fifthly**, and in line with the point I have just made, the APRM should not be perceived as an instrument to access foreign resources or to please donors, but rather as a process to improve the national policy making, sharing of experiences and creating a conducive environment for investments, all of which are in our best interests.

**Finally,** it is important to stress that the APRM, as currently conceived, comprises a series of best practices from international institutions, many of which will require substantive resources to implement.

Of course, embedded in the philosophy of African Peer Review Mechanism is regional integration. Let me point out that I am a strong advocate of regional integration and free movement of goods, services, labour, and people in general across our borders, but more importantly, as a way of creating business confidence. In recent years, the overwhelming majority of developing countries have turned to bilateral, regional and multilateral trading arrangements in the hope of solving their economic problems.

The immediate benefits and opportunities for African countries are many. Among them are the following:

* closer trading links between countries will strengthen their capacity to participate in world trade.

* regional integration will enable many countries to overcome obstacles caused by their relatively small domestic markets by enabling producers to realize greater economies of scale, and to benefit from the establishment of regional infrastructures.

* tariff reduction and harmonisation, removal of non-tariff barriers and threats to business, financial sector reorganisation, investment incentives, tax system harmonisation, and labour market reform are all essential ingredients in regional integration. They all enable participating countries to pool their resources and avail themselves of a region's institutional and human resources, in order to attain a level of technical and administrative competence that would be difficult on an individual country basis.

* a regional approach allows countries to assert their interests from a stronger and more confident position in the international arena.

Finally, the conditions and obligations associated with participation in regional economic communities like COMESA facilitate the work of domestic authorities in implementing politically difficult measures, such as lowering tariffs or instituting wide-ranging reforms of the regulatory and judicial systems. In addition, regional surveillance and dialogue between various partners help to reduce the risks of macroeconomic slippages, resulting in a stable, predictable environment, clearly, an essential factor for the private sector to flourish.

Turning back to Rwanda, I would like to outline the measures that we have undertaken to create business confidence. Since 1994, the Government of Rwanda embarked on a comprehensive package of policies and programmes geared towards creating an environment for sustained economic growth and private sector development. Some of these reforms undertaken to enhance corporate governance and business confidence in Rwanda since 1994 are worth noting:

* Maintaining peace, security, and the rule of law.

* Stabilising the macroeconomic environment through the adoption and implementation of prudent fiscal, monetary and exchange rate policies;
* Reducing the average corporate tax rates from 40% in 1995 to 35% now;

* Liberalising trade and investment through the commitment to regional economic integration and significant reduction in tariffs and licensing requirements;

* Liberalising the banking and financial operations;

* Facilitating investment opportunities and the starting of businesses (such as the establishment of the Rwanda Investment Promotion Agency (RIPA) as One-Stop Centre);

* Removing restrictions on the establishment of companies;

* Establishing the Commercial Chamber and Arbitration Centre to deal with commercial disputes, including tax issues;

* Enhancing transparency in public institutions;

* Strengthening the judiciary and reforming judicial processes to ensure accountability and the protection of property rights and enforcement of contracts;

* Establishing the Office of the Ombudsman to deal with issues of corruption and misappropriation of the public good;

* Putting in place clear rules and regulations on privatisation, trade, investment and public procurement and ensuring that all transactions adhere to these rules;

* Putting in place institutions that facilitate private sector development, including the Rwanda Bureau of Standards, the Multi-sector Regulatory Agency, the Rwanda Information Technology Agency, the Centre for the Promotion of Small and Medium Size Enterprises;

* Building the private-public sector partnership. Giving more voice to the private sector has encouraged more participation in and ownership of the mode of operation, taking corporate governance as the foundation.

All these have been carried out while at the same time seeking to join regional and international organisations. And because Rwanda is now a member and signatory to a number of international treaties such as the WTO and COMESA, we are becoming increasingly open and willing to embrace international best practices.

Finally, let me say that the quality of corporate governance matters greatly for developed countries as well as developing countries. While there can be no "one size fits all" approach to enhancing corporate governance in developing countries, the message is clear: reaping the full benefits of globalisation, for all countries and for all segments of the population, including the poor, requires good corporate and good political governance combined.

The APRM will serve as a good means to this good end. We have a duty as Africans to make it work. And we alone, will have to make it work.

Source: [www.gov.rw](http://www.gov.rw)