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BEYOND THE CRISIS: SUSTAINING GROWTH IN SUB-SAHARAN AFRICA

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P R O C E E D I N G S

MR. KIMENYI: Good afternoon and welcome to the Brookings Institution. My name is Mwangi Kimenyi. I'm a Senior Fellow here with the Africa Growth Initiative, and I would like to thank you for honoring our invitation to this forum that will discuss the Regional Economic Outlook for sub-Saharan Africa, recently released by the International Monetary Fund. This event is co-sponsored by the Africa Growth Initiative and the International Monetary Fund.

Before the onset of the recent global economic crisis, Africa experienced one of the strongest periods of sustained growth. Although there are notable exceptions, the majority of the countries recorded impressive growth. After many failed starts, it did appear that African countries were poised to break out of their poverty traps. While it is true that an important source of growth was rising commodity prices, the policy environment also improved.

The economic crisis has changed this picture, and the growth has slowed substantially. It is, therefore, an opportune time for an evaluation of the impact of the crisis. The report that will be discussed today provides a rigorous comparative analysis of the effects of the economic crisis on Sub-Saharan Africa and the policy responses, and I look forward to the additional insights that we will be getting from the U.S. Government and also the private sector, represented by our distinguished panelists here today.

The IMF plays an important role in developing countries, including Sub-Saharan African countries, and even more so during economic crises. We are, therefore, pleased to have as our presenter, Antoinette Sayeh, Director of the African Department of the IMF. Ms. Sayeh has a wide experience with African economic issues, having served as Minister of Finance in Liberia from 2006 to 2008. Before that, she worked for the World Bank for 17 years, including as Country Director for Benin, Niger and Togo.

We also have two excellent panelists to follow her presentation. The first is Andrew Baukol, Acting Assistant Secretary for International Affairs and Deputy Assistant Secretary for the Middle East and Africa at the U.S. Treasury Department. Mr. Baukol has served at the Treasury for 10 years in a variety of positions, including as Senior Advisor to the U.S. Executive Director at the IMF and as a Director of South and South East Asian Nations.

We are also fortunate to have Stephen Hayes, who is the President and CEO of the Corporate Council on Africa. Having served in that position for nine years, Mr. Hayes is a leading authority on trade and investment issues between the U.S. and Africa. He has a long career in international development issues, and, in 2004, was presented with the coveted Phelophepa Humanitarian Award in recognition of six years contribution to economic development in South Africa.

With that, I welcome Ms. Sayeh to the podium to present the report.

(Applause.)

MS. SAYEH: Thank you. Thank you very much, and thank you, Mr. Kimenyi. Thank you for inviting me. It's a real pleasure to be here this afternoon, and good afternoon and welcome to all of you.

Thank you for the opportunity to speak to this very important issue of the impact of the crisis on Sub-Saharan Africa.

As you, I'm sure, already know, we at the IMF have been extremely concerned that this worst crisis since World War II threatens to undo so much of the progress that had been achieved in Sub-Saharan Africa and to throw a lot of people back below the poverty line. Estimates from our sister institution, the World Bank, indicate that some eight to ten million more people could fall below the poverty line if the crisis does not end at the pace we think it will next year.

That, of course, is, we think, unacceptable. Frankly, at the time, we wonder why there hasn't been more of an outcry about this very detrimental impact of the crisis on the most vulnerable region in the world. So the Fund has been one of the leading voices in the world in warning about the impact of the crisis on the developing world and in calling for increased resources, especially to protect vulnerable groups and to ensure continued increases in spending on priority sectors. By those, we don't only mean health and education, but also critical infrastructure which is critical to delivering key social services in much of Africa.

So, today, I'll focus my remarks on the impact of the crisis and the challenge of regaining the momentum of reform and progress that Sub-Saharan Africa had seen in the recent past.

Let me turn to talk about the period just before the crisis. As Mr. Kimenyi was saying, that period was one of strong performance overall in Sub-Saharan Africa. Between 2002 and 2007, output grew annually by some 6.5 percent, the highest rate in more than 30 years. There was moderate or low levels of inflation, and macroeconomic stability accompanied the growth takeoff in most countries. What was striking about this upturn, this upswing in the region was that it was really broad-based, not just concentrated in a few countries. Across Sub-Saharan Africa, we saw much better growth performance than we had seen in many years.

But then, of course, very quickly, African countries have been hit by two successive crises -- the food and fuel crisis in 2007, late 2007-2008, of course, and now the great recession.

Projections from the latest Regional Economic Outlook, which I hope many of you have already seen -- we launched it last month in Istanbul -- those projections suggest that countries are indeed being very hard hit by the crisis across Sub-Saharan Africa. We estimate that overall output will expand by only 1 percent in 2009 for the region as a whole, and for the first time in a decade we expect to see average per capita income, therefore, decline in Sub-Saharan Africa.

I've just returned, just last week, from South Africa, which of course is not a low income country in Sub-Saharan Africa, but clearly a country very severely impacted by the crisis. There, some one million jobs have been lost just this year alone. That's on top of, as you know, a very high unemployment rate in South Africa already. And I was also in Liberia and Ghana, where the impact of the global crisis has been significant as well.

The more exposed Sub-Saharan Africa countries were to the global economy, the more severe the impact has been. So, South Africa, Ghana, Uganda and several other so-called frontier markets were especially hard hit at the onset of the crisis. As we know, export demand and commodity prices battered economic activity in many more countries, including oil exporters in particular in Western and Central Africa. A lot of other countries, of course, saw remittances, which was a big source of income for some countries, also fall. The result in many countries has been stalled growth.

But the good news, and there's always some good news in this bleak picture, the good news in many countries, including in some low income countries, is good policy space had been built that allowed eventually then for some relaxation of fiscal and monetary policies and, in some countries, explicit fiscal stimulus.

So, how have African countries responded to the crisis? The short answer is better than they had in the past.

As the REO discusses in some detail, in previous downturns, countries had very limited room for maneuver in responding to global economic slowdowns. Budget deficits were typically large and monetary policies too loose, leaving countries very vulnerable going into past crises. The large budget deficits and high debt levels meant that when the economy eventually slowed down, there was no room to use fiscal policy to cushion the fall in economic activity. Instead, countries were forced to resort to restrictive policies, such as expenditure rationing, import quotas, foreign exchange controls, intervention in their domestic economies. Of course, this was precisely the wrong response to have to the crisis.

But there is reason to think that this time around the response and the result will be different. Most economies, as I said before, were in much better shape at the outset of the downturn. Budgets for the region as a whole going into the crisis were broadly balanced in 2008, and some countries even posted moderate surpluses. Debt levels were also much lower than they had been in the 1990s, thanks in part, of course, to the debt relief initiatives including under HIPC. Inflation had been brought under control across most of the region, and, as a result, countries had accumulated much larger reserves overall.

This very favorable starting point gave many countries in the region the cushion which many are now trying to use. We think that budget deficits may increase this year in three out of four Sub-Saharan Africa countries as governments seek to preserve public spending as they face a large dropoff in revenues as a result of the crisis.

Some countries, including Botswana, Mauritius, Tanzania, for example, have also signaled their intention, or already put in place, discretionary additional spending in an attempt to take more aggressive countercyclical action. That’s the first time we’ve seen the implicit countercyclical policy responses in a number of African countries.

Inflation risks have been also subdued, so that a number of countries have been able to also ease monetary policy. So this hard-earned flexibility, we think, to ease policies should help to dampen the adverse impact of the crisis on poverty and social indicators.

But, of course, the key to success will be how the policy space is actually being used on the ground. Is it really being used, for example, to protect social spending or sustain critical infrastructure projects rather than, for example, being spent to put in place unsustainable wage increases? I think it's too early at this stage to really conclude categorically what the impact is on the ground, but we intend to come back to this issue in our next Regional Economic Outlook that will be produced in the spring.

We shouldn't forget, though, of course, that not all countries were in a position to ease policies during the crisis. I already talked about the case of post-conflict Liberia. I was also just in Liberia where, of course, as a result of significant projected shortfalls in revenues, in a context of implementation of a cash budget, Liberia now has to scale back spending in its budget this year, in the absence of budget support that would otherwise help.

For other countries where economic fundamentals were weaker, and this includes countries such as Ghana, Seychelles and Ethiopia, going into the crisis with some unsustainable fiscal positions, there has simply been no room to use macroeconomic policies to support short-term growth. These countries will be heavily reliant on higher aid flows to mitigate the impact of the slowdown on vulnerable groups.

So, where do we think Africa will go from here? What does the more positive news on the world economy of the last few months mean for the continent? We think it's too early to say, of course, that the crisis is behind us. We know that there are many risks on the horizon in relation to the recovery in the advanced countries. In most countries in Sub-Saharan Africa, we do not have good high-frequency indicators that might pinpoint the bottom of the cycle. But based on indirect evidence, such as monthly data on imports, exports and tax revenues, we think those data are consistent with economic activity in most countries having bottomed out in the first half of this year.

The question now is whether the region will be able to recover relatively quickly and preserve the hard-won gains of the last decade. I think we remain cautiously optimistic that this will be the case. In light of, of course, the positive policy response we've seen across the region and an improving world outlook, our growth forecast for Africa in 2010 is just over 4 percent. Of course, that's still significantly below what we had seen before the crisis, and so it's certainly yet back where we need it to be to see accelerated progress on poverty reduction in Africa.

Even for this 4 percent, there are significant downside risks if the global recovery does not materialize or policies take a turn for the worse. So African governments, of course, need to continue to be vigilant in terms of their policy stances, and development partners also need to come to their support.

We think that a return to the unusually supportive pre-crisis global environment cannot be taken for granted. The latest IMF projections suggest that the global economy is beginning to grow again, but the recovery is uneven and remains dependent on policy support. We haven't had the supply response from the private sector that is necessary to sustained recovery.

So new engines to drive growth will be needed in the post-crisis period, measures to improve the business environment, to develop well-regulated capital markets, to increase labor productivity and to enhance efficiency in the public sector are always important, but will be even more so, in Sub-Saharan Africa in the months to come. Even if economies do improve, many in the region will remain vulnerable and in need of continued support. We only have to look around at the impact of the recent droughts and floods in Sub-Saharan Africa to agree that the region remains highly vulnerable of all kinds -- climatic and other shocks.

We've seen urban unemployment and rural poverty rise significantly with the crisis, with very limited social safety nets in place. And the improvements in public services that will be essential, if countries are to move to the MDGs, are likely to fall further behind as national and local budgets continue to be stretched. Many low income countries, lacking the buffers provided by the strong external reserves of many oil producers, will remain heavily dependent on uncertain external assistance and private inflows, including remittances.

Let me now turn quickly to give an overview of what the Fund has been doing to help Africa respond to the crisis.

First, of course, we've been increasing our resources available to Africa, substantially. We've sharply increased concessional financing over the past year. Through October of this year, new commitments to Sub-Saharan Africa reached a little more than $3 billion compared to only $1 billion or so for the whole of 2008 and only $200 million in 2007. Those resources have gone to finance programs in a variety of countries, including Tanzania, Kenya, Ghana, of course. We will be presenting to our board in addition, for example, a new program for Angola on Monday, and, by the end of the year, we should have lent Sub-Saharan Africa a little more than $4 billion.

We're doing more in the way of providing financing beyond the support through programs. As you know, there was an allocation of special drawing rights at the end of August this year that our board and membership approved. Sub-Saharan Africa's share of that $250 billion amounted to some $12 billion, and most countries are using those new SDRs to supplement their low level of reserves.

We're also working to expand our lending to some $17 billion to low income countries as a whole, between now and 2014. We've increased the concessionality of Fund financing. We've also put in place a moratorium on interest payments from low income countries through the end of 2011. And, of course, we're also in the process of beginning to implement a new, more flexible approach to non-concessional, to debt limits in fund programs, to respond to the need for additional financing for infrastructure in particular.

In addition to financing, of course, we've changed the way we lend. We recognize that countries have different needs, and we've worked hard to put in place a new set of lending instruments better tailored to the needs of a variety of African countries.

As I said before, we are working to make sure that our programs do not prevent countercyclical policies. Fiscal targets have been loosened in close to 80 percent of African countries, 18 of 23 programs with the Fund. On average, those fiscal deficits are widening by 2 percent of GDP this year.

Let me now quickly say a word about the broader international community. Many low income countries will remain heavily dependent on external assistance and private inflows, as I said, including remittances. In these circumstances, support from the international financial institutions will remain critical.

We, at the Fund, think we are doing our best to step up to the challenge. We think that the Fund can provide about a third of the additional external financing needs of low income countries over this year and next. Those needs are estimated at broadly some $25 billion over these two years.

Other international institutions are contributing, of course, but donors also need to play their part. We think a further scaling up of aid, at least in line with the Gleneagles commitments, is still urgently needed.

So let me conclude by stressing three points:

The Fund has recognized from the outset that this crisis would have a serious impact on low income countries and would put at risk the progress that has been made towards the MDGs on poverty reduction.

The second point is that our policy advice has been quite clear, we think, to African countries and through the crisis. That broad message has been that the war on poverty and the fight for the MDGs has to continue, even in the face of a very deep global recession. This required, of course, short-term relaxation of budgetary and monetary targets in many of the low income countries, including in Sub-Saharan Africa. It was indeed time to use the policy space that had been built up over the years for this very rainy day.

The last point is that much more financial assistance was needed, of course, to respond to the crisis. The Fund has done its part, we think. We've increased the amounts we lend and changed the way we lend, but we continue. We cannot do this alone, of course. The international community has to pitch in. The Fund cannot, in any way, provide the development financing needs for Sub-Saharan Africa. Many more resources are needed to respond to the needs for infrastructure and investment in other sectors.

Just to say that foras such as this one provide us a unique opportunity to really focus attention on the needs of these most vulnerable victims of what is, in essence, really a rich world's crisis. We need to be, I think all of us, much more vocal about what is at stake in Sub-Saharan Africa if the crisis doesn't end soon and if the international community doesn't do its part in helping Africa respond.

So, thank you very much. I look forward to our discussion.

(Applause.)

MR. KIMENYI: Thank you very much, Antoinette, for that explanation of the report.

I'll now call upon the panelists. Then after the panelists, we will open the discussion to the floor.

MR. HAYES: I was going to say in listening to the introduction, as a trade policy expert, I think I have to go back to the office after this and rewrite the little bio sketches that we send in advance of our panel discussion. As President and CEO of the Corporate Council on Africa, I'm not really a trade policy expert. I see two or three people in the room already that I think are just really foremost trade policy experts on Africa.

What I am, as head of the Corporate Council, often I think is more a psychologist or psychotherapist dealing with my staff and a very, very diverse board of directors, in the sense of 30 different companies in the board who often are competing, individual egos and so forth. But in the course of it, in the course of the work, I do get to dabble in Africa quite a bit.

Today, for instance, getting into the issues of Madagascar with our ambassador in Madagascar, some of our members, on AGOA, MCC, were on a teleconference with our ambassador to Senegal and so forth. So it's an organization that is playing a role. I think it needs to be a much stronger role, but it is playing a role in African development.

We have about 180 companies. I see a lot of you probably aren't familiar with the Corporate Council. So allow me to tell you just a little about it.

It's 180 companies. They represent about 85 to 90 percent of all U.S. private investment in Africa. As I've said, it's a fairly powerful role within the spectrum of U.S.-Africa relations, and we do have a very active, and I think a very positive, relationship with this administration on a range of issues.

However, if you take oil out of the equation, 75 percent of that 90 percent is related to energy. That, in fact, is the bulk of U.S. investment in Africa and why I think we have a crisis on our hands in terms of the U.S. role in Africa -- not because oil is there. It's important to us. It's important to Africa. It's because not enough other economic development instruments, particularly in the private sector, are invested in Africa. If you take out seven countries, U.S. investment is almost nil in Africa.

For that reason, I think we have a foreign policy crisis on our hands in terms of the U.S.-Africa relationship. If we are not invested in Africa, regardless of how much aid we pour in, and we can have the aid versus private sector development argument if you want. But regardless of the aid, you need private sector investment. There simply isn't enough there.

If we're not invested in the longer term, our international interests and our policy interests are going to become less and less. The U.S. is going to become less effective in Africa. That's the thesis of what I want to say.

I was in Ottawa yesterday, talking to the Canadian International Council, which I'm told by them is their equivalent to the Council on

Foreign Relations, and it's good to always be talking to a group that knows more than you do about the subject. But, nevertheless, they're concerned in Canada that the Canadian Government is essentially abandoning Africa -- not simply in aid. They are reducing their aid. They are reducing their number of embassies to almost half, down to 16 embassies that they plan to keep in Africa, but also how do they increase the private sector investment in Africa because they're beginning to realize too that the Canadian relationship with Africa is going to be lost unless there is greater investment in their economies.

African countries, whether they like Americans or Canadians or not is going to become less relevant to who's really investing in their country and who's going to be their partners in the long term.

But I also think after being here 10 years, by the way, not 9, it's the longest I've been in one place in my life. In 10 years at CCA, when I first started, I thought the issue was Africa. Right now, I think more and more the issue is the United States' view of Africa in terms of African development.

How do we change that perception and how do you get the U.S. private sector much more invested in Africa? It's not necessarily because the private sector doesn't want to become invested in Africa. There are a lot of barriers.

On one hand, which I was asked to present this as well, but on one hand what are the barriers to trade? On the Africa side, you have strong bureaucracies. You have a distrust of the private sector, historically, socially, politically. You have a lack of infrastructure, a lack of paved roads, ports, a lack of power especially. It all makes it difficult for somebody to go in. You have a lack of capacity in the workforce, the need for training. And you also need leadership to change a country.

I also say in regard to Antoinette's presentation also, there's a lack of financing, by and large, for private sector investment in Africa.

In the U.S., though, on the other hand, there's also a tremendous lack of financing. It is very difficult for a company to get financing if they want to invest in Africa.

If you take the amount of money that the Ex-Im Bank in 2007, which are the last statistics I saw, in 2007, the Chinese Ex-Im Bank guaranteed $13 billion of loans to Africa for their private sector -- China does have a vibrant private sector -- for their private sector companies to invest in Africa.

Now compare that to the same period where the United States Ex-Im Bank guaranteed approximately $450 million. Then you take away the five largest guarantees in there, which are no-brainers as far as I'm concerned -- the XM Mobile pipeline, Boeing for aircraft, Westinghouse for the power sector, General Electric, and I've forgotten the fifth, but there's less than $100 million of loans then guaranteed for American companies to invest in Africa.

So compare that, $13 billion to $100 million, and you get an idea of the problem. It's a very risk-averse atmosphere. U.S. banks are afraid to support investment in Africa. Ex-Im Bank is risk-averse, becoming like a regular U.S. bank as opposed to a development and investment tool, at least for Africa. So we've got major obstacles to get the U.S. invested in Africa.

I also think that there needs to be a stronger political will. As supportive as I am personally -- our organization is working with this administration -- I think there needs to be a stronger and more coherent policy towards Africa. It's not a criticism. I think that's being developed in the first year of the administration. I think that you're going to have to be patient for a longer-term policy. But particularly the private sector, there needs to be a far stronger private sector and public sector approach to Africa cooperation.

Historically, governments don't work well with the private sector. We need a plan where, in fact, the private sector and the public sector are planning together. Governments' approach, not simply this administration or most, our idea of cooperation is here's what we think you ought to be doing, come in and listen to it, and how can we get you to do it. Planning needs to be at the basic level, involving the public and private sectors together on that.

I think also with all the economic outlooks, unless you have a partner on the ground, it is very hard to become invested in a country. So, how do U.S. businesses, how does the private sector locate those partners? And it's difficult. You have to know what the culture is like. You have to know the terrain, the ground. You have to find a person to trust. Conversely, by the way, African businesses coming to the U.S. need the same thing.

So how do you find those partnerships? I think that you can talk macroeconomics and theory all you want, but until you get the basic underlying relationships developed and the trust developed on a number of levels.

In this talk, I'm speaking only 10 minutes and I think I'm very close to it now, so I'm not covering nearly all that I want to cover.

But how do you build the relationship? I think what we have to do is start to develop now a new vision towards Africa. It's a vision that requires the public and the private sectors working together, not as separate entities, but really listening to one another and working together.

In that, I'd like to say what we're doing in that regard, but I'll save that later for the question and answer period. Thank you.

MR. KIMENYI: Thank you very much.

Andrew?

MR. BAUKOL: Thank you. Thank you, Mr. Kimenyi and Brookings, for inviting me here today.

Thank you, Antoinette and Stephen, for sharing the panel. It's a pleasure to be with you.

I think Antoinette laid out some sobering statistics on the impact of the crisis in Africa this year, which we're all paying very close attention to. I think it's also important, her points that African governments are much better placed to deal with these shocks than in many instances in the past, given the good policies that they had been implementing through much of the decade, at least for many of the countries.

I'd like to talk briefly about how the global economy is currently moving towards resumed growth, what Sub-Saharan African governments can do to take advantage of the opportunities that will be coming down the pipe, we hope, and finally, how the U.S. is supporting greater growth in Africa.

One year ago at this time, we were facing a very severe financial crisis, the worst crisis since World War II, as Antoinette said. Global growth turning negative for this year. Global trade declining sharply. The financial systems in advanced countries being severely under stress.

But now, one year later, we are seeing signs of global recovery and incipient growth. One of the key reasons for this has been the strong and cooperative global approach to this crisis, centered in part on the G-20, that has led to important international cooperation and agreement on policies. So, in April in particular, in London at the G-20, G-20 leaders agreed on a number of steps to boost global growth this year, protect the financial sectors, keep trade flowing internationally, provide additional support to emerging markets and developing economies.

At Pittsburgh, six months later, the G-20 reviewed results, and we've stepped back from the abyss that we were facing earlier this year. The U.S. economy is now growing. European economies are growing. Global trade is starting to recover again. Financial markets are much more stable.

For emerging and developing markets, the international financial institutions have played a very important role. Antoinette described what the IMF has been doing. The World Bank, the African Bank and other development banks have also stepped up to the plate and increased their level of resources and the way they deliver resources to countries.

All of these things are having some positive results. Growth is expected in Africa to resume back to, hopefully, 4 percent next year.

African trade likely to increase next year. Financial flows, again, projected to increase.

These are all positive signs, but we are still at the beginning. It's still not a done deal, and Africa, in particular, faces a number of challenges.

I'd like to talk about four different areas that Africa, African countries and leaders can address to help take advantage of what we hope will be global recovery. The four areas are the business climate, infrastructure, the financial sector and food security.

In the business climate, it's not a surprise. As Stephen mentioned, most countries in Africa are not the easiest place to do business. There are a number of regulations and bureaucracies to work through. That said, a number of African countries are addressing some of these deficiencies. In particular, Rwanda, in the latest World Bank Doing Business Indicators Report, was the number one reformer over the last year, increasing by over 60 spots on the Doing Business Indicators list, which is the largest increase in the history of that study, and Rwanda did this by tackling a number of very specific problems with their business climate, including registering property, starting a business, protecting investors, et cetera.

On infrastructure, the World Bank estimates that roughly $93 billion per year is needed in Africa, of which a big portion of that is for maintenance. Again, African countries have been stepping up to the plate over the last decade or so. A World Bank study estimates that roughly half of the growth that African governments, countries experienced earlier this decade was the result of improvements in infrastructure, but there is still a vast way to go in the future. African countries will need support not only from their own governments but from donors and from the private sector, as Stephen Hayes has mentioned.

On the financial sector, of course African governments, African countries have a number of challenges in developing their financial sectors. Only about 20 percent of Africans currently have access to financial services. Again, some countries are taking steps to strengthen their financial sector. South Africa has greatly expanded its financial services sector. The new governor of the Nigerian Central Bank has taken a number of steps to address weaknesses in Nigeria's financial sector, including recapitalizing banks, improving regulation and supervision, and paving the way for more cross-border banking services.

Finally, in agriculture and food security, this is another area. As Antoinette mentioned, many African countries faced a severe shock in 2008. That was a big setback for many African countries. Three-quarters of the poor people in Sub-Saharan Africa live in rural areas, largely dependent on agriculture. So investing more in agricultural productivity will be another key challenge going forward.

In all these areas, the United States is committed to supporting Africa's growth. As President Obama said in his visit to Ghana in July, the U.S. is committed to broadening and deepening our partnerships with the developing world and with Africa in particular.

I would mention a few things at the broad level. In response to the financial crisis, we're providing some additional resources to help some countries in Africa and around the world deal with the impacts of the crisis. The United States also stands behind the pledge made at Gleneagles, the Gleneagles summit a few years ago, to double our development assistance to Africa by 2010, and we're on the path to do that. And, going forward, the Obama Administration has stated its intent to double U.S. foreign assistance more broadly over the course of a number of years.

Now I think in the U.S. we're particularly focused on areas where we can promote strong, country-led, sustainable and inclusive growth. I would mention, among the different ways that we are working with African governments, three sectors in particular: one, infrastructure; two, agriculture or food security; and three, the financial sector.

On infrastructure, the U.S. has a number of different vehicles by which we are trying to support the development of African infrastructure, including the Millennium Challenge Corporation, OPIC, the Overseas Private Investment Corporation, Ex-Im Bank, USAID, all involved in infrastructure.

I recently returned from a trip with our Deputy Secretary of Treasury, where we went to both Rwanda and Tanzania, and both of these countries have good examples of how we're working with African governments on their own country-led development plans.

In Tanzania, Tanzania continues to score exceptionally well on its Millennium Challenge Corporation indicators. It has the largest MCC program from the United States in the world, at almost $700 million. These funds are devoted entirely to help Tanzania develop its infrastructure in roads, power and provision of water, and that program seems to be going well.

In Rwanda, we visited a site at Lake Kivu where a U.S. private sector firm is developing, is investing over $300 million to help develop methane deposits in Lake Kivu, which will be turned into power and more than double the amount of power that Rwanda is producing. Currently, the Rwandan people, less than 6 or 7 percent of them, have access to electricity. So the needs for additional power are tremendous, and this American firm is building on pilot projects that were financed by the World Bank 5(c) as well as the African Development Bank.

All of these things show that the partnerships that I think Stephen Hayes, partnerships between governments, between the development institutions and the private sector are greatly needed to attract the resources that Africa needs.

On agriculture, the U.S. and many other donors see an urgent need to support African governments that are committed to improving agricultural productivity. At the G-8 summit in Italy in July, President Obama secured agreement from leaders to commit over $20 billion for food security over the next 3 years, to increase agricultural investments in poor countries. The President is going to request from Congress, has requested from Congress at least $3.5 billion over several years for the U.S. part of this plan.

Additionally, the G-20, in Pittsburgh, called on the World Bank to establish a new multi-donor trust fund to support efforts to improve global nutrition and build sustainable agricultural systems, including ones that would be based on the Comprehensive African Agriculture Development Program, known as CAADP, which helps countries develop country-led agricultural development plans.

Finally, in the financial sector, sound financial sectors -- I think it's no surprise to anyone, given the crisis, sound financial sectors are essential to help economies develop, both in advanced countries but also in African countries. The G-20 leaders recently directed the establishment of a financial inclusion experts group, which is going to support new modes of delivering financial services to the poor and try to scale up successful models of small and medium enterprise funding.

The U.S. Treasury also, in the financial services area, provides a number of technical advisors to African finance ministries or central banks to help them to try to develop their financial sectors, debt markets, banking services, et cetera.

In closing, let me summarize our commitment to Africa by quoting President Obama again in his speech in Accra: "America wants to partner with the people and nations of Africa. We all know that the future of Africa is in the hands of Africa."

Today, I've highlighted just a few ways that the United States is acting to assist African nations in their development. We look to African leaders to take the necessary actions to position their countries to take advantage of the opportunities that we hope will arise from the global recovery. This can mean, of course, making some difficult choices, but where the U.S. sees that African nations are strengthening governance and accountability, making it easier for their citizens to do business, investing their own resources in development, our government is ready to help.

Thank you and thank you for having us.

MR. KIMENYI: Thank you very much. Thank you very much, all of you.

I will open up for questions, and if you could please be very specific so that we can take more questions, and someone will give you the microphone. I'll start right here, the three. We'll take three questions at a time, and if you could direct to any panelist, but they will all try to answer.

QUESTIONER: Thank you very much. My name is V.C. Nwaneri. I'm the Chairman of the Organization of African Professionals in Diaspora and also the African Union and Diaspora Initiative Council.

My point here is that as the figures given out in Istanbul show, the economic crisis is hitting Africa severely, and one of the impacts is the remittances which actually come from those of us in diaspora. That is actually falling back very, very much, and it has been known to be a very major source of contribution to Africa. It's threatened.

The organization now is facing the challenges of trying to create a platform that will help us to contribute, and what we have been doing now is stretching our hands to all the international agencies. We have solicited an appeal to the World Bank President to see how we can engage with the World Bank to be more effective in our remittances. We're stretching our hands to the CCA. I have sent a number of correspondences to the

CCA President, that the diaspora is a very large population here in the U.S.

There's a massive move, immigration from Africa to the U.S., and we've got to find ways of engaging with this population. We are informed. We are on the ground. My colleague here has just come from Africa to join me at Brookings, so that he can see for himself and when he goes he can report.

So what we are appealing now is the figures are clear. The situation is clear. We have been major contributors. How can we engage? How can you engage with us, the U.S. Government? We even tried to organize a welcome address for the President, for his speech in Ghana.

MR. KIMENYI: I'm going to ask you to be specific on the question.

QUESTIONER: Well, my specific is how do you engage with us, to help us make our contributions effective on the crisis, with the CCA, the Treasury and other departments of the U.S.?

And I'll be glad to give you my card when we finish, so that we can find ways of working together. Thank you very much.

MR. KIMENYI: Thank you very much.

QUESTIONER: My question is agriculture development -- (inaudible) -- and urban development will make -- (inaudible). So I'd like to know more in detail what kind of urban development assistance you're going to provide.

MR. KIMENYI: Thank you. You can mention who you are and your organization, please, briefly though.

QUESTIONER: My name is Sana Anuasa from the Saudi Arabia Embassy, and my question is to Her Excellency from the World Bank.

My question is according to the World Bank --

MS. SAYEH: The IMF, not World Bank.

QUESTIONER: Well, they're brothers and sisters.

Anyway, according to the World Bank and to many reports, the problem with developing countries, whether it's in Africa or any low income countries, is not a lot of resources or finance. The causes are lack of governance, accountability, corruption, lack of transparency, inclusiveness, lack of equity, education system, or the investment environment.

But you are the head of a department. You did not mention any one of those as one of the equation in economic development.

MR. KIMENYI: Thank you very much. So the issue there is you left out the institutions.

Then I will have each of you comment, Andy and Stephen, very briefly.

MS. SAYEH: I mean I didn't go into the level of detail perhaps that one could have about the importance of institutions, but I did talk about the need to improve the business environment, the need to do more on productivity, the need to address a number of structural issues that are necessary for Africa to take advantage of new opportunities that may be arising as recovery gets underway. There's no question that governance and institutions are critical and important, and the lack of capacity is a huge issue in Africa. There's no question about that.

But it's clearly the case that financing is also a constraint and a very real one. I'm not sure who at the Bank you're quoting or what source of information you're quoting, but clearly the Bank also believes that financing is necessary in Africa. The World Bank has been working very hard to accelerate disbursements to Africa as part of the crisis response and is in the process of making the case for a capital increase to be able to respond with more financing for Africa. So I know they too believe that financing is important.

MR. KIMENYI: Thank you. Andy, could you, in responding to any of the questions, also respond to what Stephen talked about, about the guarantees for private sector investment?

MR. BAUKOL: Sure. Let me start first on the question of remittances.

Clearly, remittances are a very important part of the incomes for many African countries and other countries around the world. In many places, remittances are falling a bit, although remittances tend to be more stable than many other sources of financing. So, in many places, remittances are actually a source of stability, even during the crisis, but the point that we need to take steps to try to keep remittances flowing is an important one.

We, at the Treasury, over the last several years, have tried to help keep the costs down on sending remittances across borders, and perhaps we can talk afterwards about that and work together on that, going forward.

On the question on agriculture and, if I heard it correctly, the impact on urban then too, so I think my thoughts on the whole food security and G-8 process and what we're looking to do in the United States with this renewed focus on agriculture and additional resources is to very much focus on country-led plans in Africa that encompass a wide variety of issues, including infrastructure for agriculture. So, farm-to-market roads; fertilizers, how those get distributed and financed; research into seeds and other things that would help improve productivity; pricing, of course, and development of markets for agricultural products -- all of these from a holistic point of view to help increase productivity, provide more income to people, not only in the agricultural sector but in related sectors, which we hope would reduce poverty but also provide jobs in related sectors to help develop economies more broadly.

Then on the issue of guarantees, I think Stephen laid out some issues there. It is, I think, fair to say that the private sector in the financial sector is risk averse, particularly these days. I think we're looking at ways that the U.S. Government can be of additional assistance, and we've got a number of reviews underway looking at our development policy more broadly. And I think we'll be looking at a variety of issues, including how the U.S. Government relates to the private sector in terms of supporting development in Africa and elsewhere.

MR. KIMENYI: Thank you. Stephen?

MR. HAYES: Let me wade in where angels fear to tread, the diaspora. To me, I've done a lot of thinking. Whether any of it is right remains to be seen. But there isn't a single diaspora. It's diverse. It's one of the most diverse entities in America, really, in a lot of ways.

The diaspora is important to the families which it supports. It's one of the largest sources of income into Africa, of inflows. This wasn't what you said, but others have said it. To think that the diaspora is going to then somehow save Africa -- it's saving Africa in many ways now -- by pooling that into investments is probably not realistic yet in the sense that you're asking people who are sending money to save their families, and support their families and extended families, to pull that way and put it in investment.

But the diaspora is part of the solution. It's not the only solution. To that point, we have got to work together much more closely, and that's where I would agree also. There are a number of diasporas and how do you link those and so forth.

It's the same way that we think of Africa as one big mass, at least a lot of people still do, and it's not. It's very diverse. There are some very good places to invest in Africa, but we have a crisis in Côte d'Ivoire and we're afraid to invest in Botswana. There's a major education that has to happen.

To that extent, I think it has to come from some leadership in Washington. The President has to say Africa is important. There are reasons that he hasn't quite gone that far, perhaps, but I think we really need a major statement.

Africa is more important to the United States than perhaps we are to Africa, and I really think that we're very close to that point. We don't realize how important Africa is to us, economically, socially, politically -- you can name it. So I think there needs to be a stronger coordinated leadership in this country as well.

Again, I want to underline I'm very supportive of this administration, and I see a lot of that starting to happen. It's not going to happen in one year, but that's what I think we need to do and we need to be working together. We need to have the diaspora working together, and a number of entities of the diaspora, we need to have the private sector, and we need to have the public sector, sitting together.

MR. KIMENYI: Thank you very much.

I'll take one here and then at the back. Please be very specific. The lady here, please. If you are very briefly, we can take many.

QUESTIONER: Sure. My name is Lara Berlin. I'm from Global Witness.

I wanted to follow up on the corruption question because many of you have mentioned the importance of policy support and that there are currently governments who are not fully transparent and have been known to not be clear with where their money is going. So, with the new conditionality restraints on the IMF, I just wanted clarification on how exactly the IMF and corporations plan to address those deeper issues in giving more funds. Thank you.

QUESTIONER: Chris Williams from the United Nations. I'd just like to build on a question that was asked earlier, about urban development. I'm not quite satisfied with what I've heard.

Africa is the fastest urbanizing part of the world. The rate of urbanization in Africa is faster than any other part of the world. Twenty years ago, it was at about 15 percent. It's now at 30 percent. It's projected to be 50 percent in 25 years, and, by 2050, we're looking at 70 percent. As those of us who have worked or visited Africa, we know that the cities are under enormous stress to begin with, to handle the existing demands on infrastructure, job creation, you name it.

So I'd just be interested if this is even registered by the IMF and the World Bank and whether the U.S., in addition to strengthening agriculture, is worried about the strength of the markets, the medium size towns where food production can potentially create jobs for domestic consumption as well as exports. I'd just be very interested in whether this demographic shift is being taken fully on board. Thank you.

QUESTIONER: Thank you. I'm Leon Wantrip, University of Wisconsin's Semester in International Affairs.

Our speaker from the IMF spoke a lot about growth, but our speakers spoke more about development, and I'm thinking about a book on Liberia many, many years ago, called *Growth Without Development*. We heard about increase in GDP or per capita income, but I wonder if she also has any indications about such things as improvements in infant mortality, percentage of children in school, increases in the size of the middle class.

So, rather than just having an expanding economy, which at the same time the population is expanding, we're really not seeing development. Maybe it's all bigger but not much more improved. I wonder if she could address that issue as well.

QUESTIONER: I'll be brief. Remittances are having great difficulty in reaching Africa. Tony Carroll, Manchester Trade. The banks are having a difficult time in how to engage with money service companies.

In 2007, there was a piece of legislation introduced, the Money Services Bill of 2007. That, of course, I think got gobbled up by the financial crisis. That bill has been reintroduced at the committee level.

The problem is that the banks still don't have any comfort because of their exposure, risk exposure on what happens with money remittances at their end use. I think many on the Hill and within the remittance community, one of which I represent, would take great comfort in the Treasury Department taking a more leadership role on the resolution of this problem because money remittances are not successfully flowing to the level that they should, not only to Africa but to the Caribbean, Latin America and Asia, other countries which are very dependent upon that.

MR. KIMENYI: Could you introduce yourself, please?

QUESTIONER: Tony Carroll, Manchester Trade, but I represent

Dahabshiil, one of the largest money remittance companies, and there was a big piece in the *New York Times* last week on Dahabshiil and its linkage to Somalia. It is in fact, providing much relief and support for the Somalis in the country.

MR. KIMENYI: Thank you very much. We'll try to answer them very quickly, so that we go another round of questions.

Antoinette?

MS. SAYEH: Okay, let me start maybe with the question on growth and growth without development. Absolutely, I'm very familiar with that book on Liberia, of course, making the case that all of the growth in the natural resource sector that Liberia benefited from in the 1960s, in particular, didn't do very much to lift Liberia and in fact was the source in some ways, subsequently, of some of the very deep problems that led to a civil war in Liberia.

So there was a very robust period of very strong growth and concentrated in the enclave sector. That growth was not shared. It was not managed. The resources from that growth, through government revenues, were not managed transparently, were certainly not reinvested in agriculture or social services, and so definitely did not lead to much development.

So I absolutely agree that you can have very robust growth without generating jobs and without really having a sustainable impact on poverty. It is precisely in recognition of that very bleak prospect that I think beginning in the late nineties, in particular in the early 2000s, the Fund, the Bank, other development partners have worked to support African governments in articulating a broader poverty reduction focus strategy that underpins our support for Sub-Saharan Africa.

So the poverty reduction strategy instrument was a very important, I think, innovation in really making the case that both growth and investment in social sectors and other efforts to deal with social indicators were critical for making progress on poverty reduction.

Growth is absolutely needed, but so are other things. So I was not at all trying to imply that those things were not important.

In the division of labor, though, between the IMF and other partners, we certainly have a bit more to say from our perspective about growth than about some of the more micro and sectoral aspects and things that need to be paid attention to. So I was trying to focus on things that were closer to the Fund's mandate. But clearly we've worked along with the World Bank and the African Development Bank in supporting African governments to do more to invest in areas that are important to poverty reduction.

On corruption and this very good question about how the Fund plans to help African governments deal with this in a context where we're moving to a more streamlined conditionality, much more focused -- in response to all of the feedback that I think the Fund has also gotten over the years about the intrusiveness of IMF programs trying to do everything and take on every issue at once, clearly, a focus and a fight against corruption has many different dimensions, and there's certainly a role for many different partners in that fight.

In the context of the work we do at the Fund, focusing in particular on public financial management and the transparency of resource management, we certainly do quite a bit of work, we think, on corruption, on addressing the institutional weaknesses in particular that can give rise to high levels of corruption. So we invest quite heavily in supporting more transparent budgetary processes that are more effective.

We've been a very strong partner also in the EITI, supporting that very much. We've given a lot of advice on revenue administration to African governments. We continue to invest very heavily in tax policy issues and the transparency of those policies. So there's a lot that the Fund does work to support in areas that we know something about and that we can add value to.

There are other partners, of course, that have much stronger expertise in other areas that are needed. So there's a division of labor, I think, in this.

It's not the case that simply because we have a more focused approach to conditionality, we're not going to do anything or we're not going to be involved in issues of corruption. But we are going to do so, I think, much more, in a much more focused way and seek to really add value.

MR. KIMENYI: Thank you.

There's a question about urbanization. Do you want to talk on that, just briefly?

MS. SAYEH: I think I would be perhaps exaggerating our expertise if I told you that the Fund has a lot to say about urbanization. We don't have expertise in these more sectoral areas, and we certainly take our directions from, as I was saying before, country-led and country-developed strategies.

In a particular country, if the government and other stakeholders have not associated priority to urbanization and don't think it's an important issue, the Fund has no independent way of working on that, and it's certainly not the case that we bring much in the way of expertise to those issues. Our mandate is much more on the macro than the sectoral. So we don't get into the level of detail in terms of what specific investments are being targeted, to help with urbanization. We have an overall expenditure envelope that we may agree with particular governments, and the priorities within that envelop are driven by government strategy and supported by a variety of donors.

MR. KIMENYI: Thank you.

MR. HAYES: On that, if you don't mind, I'll just take the urbanization. I would say the urbanization is in fact a major driver in why we're putting emphasis on agribusiness and agriculture. Globally, we've past the point for the first time in civilization's history that more people live in cities than they do in the rural areas. Africa is not there yet, but, yes, it's headed there.

So how are you going to feed the growing cities? Water is going to be an essential issue, is an essential and is going to continue to be. So there's got to be greater emphasis on agribusiness if you're going to be able to serve the cities.

Also, to some extent, I'm not convinced that improving agriculture keeps people down on the farm. It didn't do it here in the United States. In other words, I think there is still going to be the continuing population flow going to go to the cities. So you've got to put emphasis on agribusiness to be able to feed that population, and you've got to put emphasis on water, which I know the administration is in terms, in grouping it with food security issues, largely because I think urbanization is a major driver of why you have to put emphasis on agribusiness.

Every country in Africa has the capacity to feed itself, yet they can't export to the United States because our trade barriers. We've got to put up more production capacity, so they can meet those needs.

MR. KIMENYI: Thank you very much.

Andy, would you comment on the money services?

MR. BAUKOL: Yes, let me say that I'm not personally an expert on this issue, and I'm not familiar with the details of the legislation that the person in the back mentioned, but perhaps we can talk afterwards and follow up. This is an issue that we care a lot of about and see that it's important.

Let me just comment briefly on a couple other things. On the urban development issue, I think we recognize that there will be a large number of people moving to urban areas, and providing jobs for those people will be a key challenge for the next decade or two. The food security and agricultural productivity is one aspect of that, but the other issues that we talked about, all talked about -- governance issues, investment climate issues, financial sector development, infrastructure including urban infrastructure -- all relate to being able to provide, countries being able to provide jobs to people that are moving more and more to the cities. So I think it's a valid point, and I think it's all part of the general discussion on development and growth.

Let me make one other comment in response to something that Stephen Hayes, where he was suggesting we don't have a strong enough commitment to Africa.

MR. HAYES: I didn't quite mean it that way.

MR. BAUKOL: Okay. Well, I just want to quote President Obama's speech again from Ghana where he went right after the G-8 summit and said he was going there because "the 21st Century will be shaped by what happens not just in Rome or Moscow or Washington, but what happens in Accra."

And he goes on to say, "I see Africa as a fundamental part of our interconnected world, as partners with America on behalf of the future that we all want for our children."

So I think this partnership, we're still working on, but I think the vision that the President laid out is there.

MR. HAYES: Let me say very quickly, he made that statement to Africa primarily on behalf of America. I think that statement needs to be made forcefully to America as well.

MR. KIMENYI: Thank you very much.

We'll take another round, and we'd like you to answer one question, all of you, at the end. The question I have is: Should we worry about

China or what do you see? Is it a positive move?

We have a lot of Chinese investment. We have China doing a lot of things there. So, at one point, would you say should we be concerned about China? Is it positive, or what should we say about China?

Okay, so three more questions.

QUESTIONER: I'm going to get in trouble, but I really think that I should follow up the comment from the Treasury Secretary, Acting Under Secretary. Speaking personally, we can't wait for Lael Brainard to get approved, from Brookings, and we've had a great combination there.

It is not enough for a President, the first son of Africa, who is a President of a Western country to make one trip to Africa in his first year. I won't count how many days he's been in Asia, Europe. I'm not here to make that comment.

I am here to make one very direct comment as a big supporter, like many of us, of the administration, and that is you have to put the money where we need it. That's why the initial speech was so great because you talked about the gap and how progress is being made. You have to put your African initiative there -- not a food security initiative, which is important, but it's not an African initiative because we have demonstrated at this discussion how varied the challenges are in Africa.

So the only comment I will make, because time is short, is that I would hope that if we meet again in six months from now, we are talking about an African initiative in each of the areas that are important -- trade, investment, infrastructure, development. Then I, for one, will say that there is a commitment to Africa. Thank you.

MR. KIMENYI: Thank you.

QUESTIONER: Lawrence Freeman from Executive Intelligence Review, the Africa Desk.

To the representative from the IMF, I still take issue with your question of growth. If you're just measuring the price values of resources taken out of the ground, maybe you have a statistical growth, but those resources are not managed and developed for Africa to increase its manufacturing base, hire anyone and improve the economy. And I would suspect there's been no growth in the 2000s period. Look at Nigeria; it's worse. Look at Kenya; it's worse. So I don't know where you get a growth idea from.

But the second thing is in terms of what Mr. Hayes brought forth on investment, there is no investment from the West in infrastructure, and no investment in the economy. Obama, despite his speech, has not said what his investment in agricultural security.

I think there's another paradigm which is not simply Russia and China investing in Africa. But, in October, Prime Minister Putin and Prime

Minister of China Wen Jiabao met, and they discussed major investment of infrastructure in each other's countries, which is rapid-speed transportation in Russia by China and Russia building nuclear power plants in China.

This kind of infrastructure paradigm of public sector investment is what we need, and I think the private sector and the IMF and the World Bank, they're not going to do it. They haven't done it for 40 years.

So I challenge the people here to tell me, where is the real economic growth which should lead to an improvement in the qualities and conditions of life for the people in Africa, which has gotten worse, not better?

QUESTIONER: My name is Inga Jamanzi and I'm from the World Bank Doing Business team. My question is actually to any of the panelists. I would like to find out your thoughts on what you think that the domestic financial services sectors can do and must do for themselves in order to encourage private sector investments. Thank you.

QUESTIONER: My name is -- (inaudible). I'm an orthopedic surgeon at the children's hospital, and I've worked in West Africa and now Central and South America. My question is it's always nice to leave my comfort zone of the hospital and come talk with economists and read books, but I'm wondering what type of formula. We're talking about Africa, but is there a formula which we can extrapolate to other countries with the same levels of poverty, to try and increase the socioeconomic status and health care, along with the investments that you're talking about? Thank you.

QUESTIONER: Thank you. My name is Kelly Spence, from the Center for International Private Enterprise, and this question is directed primarily to Stephen Hayes. You mentioned needing a plan to bring together the public and private sectors. I just wanted to follow up with you saying that you were going to speak more about that, and I was curious to know what exactly the Corporate Council on Africa is doing to bring those two sectors together.

MR. KIMENYI: There's someone right at the back. Could we take that one, and then we'll end?

QUESTIONER: Thank you. My name is John Mutenyo. I'm with the Africa Growth Initiative at the Brookings Institution.

My question is related to Madam's question about domestic investment. You relayed that during the global crisis Africa indeed had problems. One of them was, which is a key issue -- this question goes to Madam from the IMF -- that interest rates in Africa kept rising, unlike in developed countries where I think there was some intervention. Where interest rates in the developed world kept falling, in Sub-Saharan Africa in particular it kept rising, particularly those countries where the sector is liberalized.

I think this was because of the reduced remittances and increased capital outflow. The investors in Africa, the foreign investors were now bringing back their money. So the interest rates kept rising, and this is a key determinant to growth.

So my question is are there any plans by the IMF or the World Bank to bring down these interest rates, so as to boost domestic investment? Thank you.

MR. KIMENYI: So let's get responses. I'll start with you again, Antoinette.

MS. SAYEH: Let me start with this last question. I think one needs to be country-specific in talking about the evolution of interest rates through the crisis because there are a number of countries, of course, where interest rates have come down, where there was room actually to reduce interest rates, and some countries have been able to do that -- South Africa, a number of other places where interest rates have been reduced.

There have been a number of countries, however, where interest rates are certainly at very high levels and are rising for a number of reasons to do, at times, also with the evolution of the fiscal situation in particular countries and whether or not the government is exerting more demands on the financial sector in relation to financing the governments' budget deficits and what that does to interest rates as well. So one has to, I think, look at the country-specific situation to respond, but interest rates are certainly a very important factor, and real interest rates, of course, are critical.

A lot of interest rates in some countries have been rising precisely because of inflationary pressures, some linked to financing of government budget deficits, but there may be other specific financial sector-specific reasons where interest rates may be rising in other cases. So I think one has to be a bit more nuanced on that.

We certainly think it's important to have interest rates at a level where the private sector can continue to benefit from much needed credit. In a number of countries, the private sector has been very squeezed through this crisis as a result of pressures on interest rates and pressures from government budget deficits. Ghana is one example. So it's been important in that context to try to support countries to come to a more sustainable fiscal position, and that's precisely the focus of the new program that the Fund is supporting in Ghana, to really get at those inflationary pressures that have meant very high interest rates, for example.

On the question of growth again, I'm a bit surprised by this discussion, I have to say, because I think there's no question. I think there's been a long discussion about the importance of growth, and I thought that the policy community had certainly come finally to a point where we believe that growth is important, but growth by itself is not enough. That's the thrust of what I was trying to say.

There certainly have been countries that have reduced poverty in Africa, and the numbers are there to show, and some of that progress has been made possible by growth. So I think it's not at all a mantra to say that growth is needed.

Growth is absolutely necessary to create jobs. Growth through investment in critical sectors can help and can help to reduce poverty. I think certainly as a policymaker in Africa, in a very poor post-conflict country, I certainly saw the need for growth to create jobs for those young boys on the street with nothing to do. So I don't think it's actually a very productive discussion to dismiss the importance of growth in the context where you have an 80 percent unemployment rate. It's absolutely necessary to have more jobs through growth. So I think we really need to reconfirm that importance of growth.

On the domestic financial sector, certainly there are issues perhaps to do with risk-taking that can be worked on. There are a number of issues that impede, I think, a more aggressive expansion of financial intermediation. There are legal issues. There are issues to do with recovery of credit and all kinds of things. But I think there is certainly a very conservative approach to expansion of credit that is understandable in the context of a very risky environment that many banks face in Sub-Saharan Africa. So efforts to reduce the level of risk associated with bank lending are critical and have been the focus of some of the work we've helped with in Africa.

Maybe I'll come back if there's another question.

MR. KIMENYI: Thank you.

I think one of the questions has come in repeatedly: Okay, President Obama made a very good, but it's not clear what the real policy is, if you compare with, for example, President Clinton had the African Growth and Opportunity Act which was significant. Do you expect a very clear policy?

MR. BAUKOL: I think there's a number of things that have been announced already and are in train. The President in his speech laid out a number of principles, including the importance of governance. He also has laid out some specific areas that we are focusing on, so food security being one of the first and an important one. He has committed to significantly increase U.S. funding in food security over the next few years, at least $3.5 billion for 2010 to 2012.

Of course, we are also on target to meet our previous pledges on the Gleneagles commitment, to double foreign assistance in Africa by 2010, and President Obama has laid out a vision to double development assistance more broadly over a number of years.

In the meantime, the U.S. Government is undertaking some more intensive reviews on development policy. In particular, the State Department is doing something they call the QDDR, the Quadrennial Diplomacy and Development Review or something along those lines, and that's a very intensive process. There are other processes involving other parts of the U.S. Government. All of these things will be leading to conclusions on development policy more broadly in the coming months.

And I'm sure there are other things that I am not remembering right at the top of my head.

MR. HAYES: I'll take on several of these questions, including the China question.

I'm less concerned about what China is doing than what we're doing in response to it. China has every right to be in Africa. They're helping in a lot of ways in terms of developing the infrastructure, those things that we should be doing.

Lawrence, you are right in the sense that there's not a lot -- there's some -- there's not a lot of infrastructure investment from the United States. The SEA-COM breakthrough is finally establishing the first broadband, which is a U.S. company but 75 percent funded by African businesses, by the way. The SEA-COM venture, connecting broadband for the first time, connecting East Africa to Southern Africa, is going to be vital. It's only one step in a lot of infrastructure projects that are needed.

We're not going to invest in infrastructure to the extent that it's needed unless there's greater financing. China and Russia can argue, and I think you can argue, that one of the reasons that they are increasing their investment -- although Russian investment is not to the extent of U.S. investment yet in Africa, not even close -- is that there is a public-private cooperation.

You can argue it's because there's a strong central leadership, but you can have leadership here too that brings the public and private sectors together. So, yes, and that's one of the areas.

Now what we're focusing on at CCA is infrastructure, health, because I think health is one of the key areas where we can make a difference also, infrastructure, health -- oh, a complete mental block here -- financing and agribusiness, staffing for that. So we're doing major conferences, plus a number of monthly and sometimes bimonthly working groups on this, bringing companies together.

How do we bring in the state? If you can't take Muhammad to the mountain, take the mountain to Muhammad.

What we're doing is we're incorporating. The U.S. Government is reluctant to invite different private sector groups into planning because issues of favoritism and so forth, and you get into all kinds of political problems, et cetera. However, what we're doing is inviting the U.S. Government to all our planning meetings and making a part of that, part of the planning for the infrastructure conference, for the health conference, for the agribusiness conference, and inviting them also into our security groups where we have the various entities in government, from Defense to State to AFRICOM, working with the private sector, of how we're going to make this work. So it's a drop in the bucket to what's needed, but, to answer your question, that's where we're headed.

On domestic financial services, we're seeing something very interesting happen. While we've been growing consistently over 10 years in terms of membership, we're getting very little U.S. banks joining because you're going to find very few banks that are funding anything in Africa, any U.S. business.

What we're finding, though, are African banks such as Standard Bank, United Bank of Africa and others joining CCA because they see a need to finance U.S. businesses to invest in Africa because the U.S.

financial sector is not doing it.

What the domestic financial services in Africa should be doing, and they haven't done it because it's not in their tradition -- again, we can argue the reasons for it -- is to fund African private sector development, country by country in Africa, and they're not doing it by and large. Historically, they haven't done it. They've been the funders of central banks and so forth, but the African banking sector is becoming more and more vibrant in some countries, like Nigeria. It's got its problems, but it's also a very interesting banking sector.

In fact, West Africa and Southern Africa can start funding -- you're asking what the domestic financial services could be doing -- funding business development, smaller business development and seeing that it can be profitable. That's where it really has to change also.

I don't want to have Global Witness walk out and say the corporations ducked my question on corruption. The American corporations must follow OECD rules. Like any other person in the world, must is not necessarily a peer-defining word. Sometimes people don't follow the law.

However, there is an OECD regulation that we work hard to uphold. We push our corporations, et cetera. They are not innocent, nor any of us in the room, but the fact is we do have those constraints that other countries and other companies from other countries don't have the same constraint, which also makes it very difficult for companies under OECD rules, which are good rules by the way and should be maintained. They don't follow, where we're constrained on that. So there is an unfair balance in competition also on that.

MS. SAYEH: I think we certainly welcome the growing Chinese interest in Africa from the perspective of those of us working on Africa and interested in African development. A big, new partner like China with financing, with interest in investing in infrastructure is to be welcomed.

I think the issues we need to work on with that interest are issues, of course, of transparency around the natural resources that China is especially interested in and making sure that those investments are done in a transparent way that gets the maximum benefit for African countries. But it's certainly to be welcomed that China is interested in Africa and wants to invest there and wants to expand its assistance to Africa.

We do need to worry about issues of debt sustainability and to make sure that Africa continues to benefit from as much concessional financing as possible. So we very much want to encourage China to give the most concessional financing it can to Africa.

I think Africa has a lot to learn from China. I mean the huge progress on poverty reduction that China has brought about in the last 50 or so years is something that Africa can learn a lot from. So we certainly welcome that interest, and I don't think we shouldn't be scared by any means. I think we certainly need to work with China as an important new partner for Africa.

MR. KIMENYI: I think we'll close by this, and I'd like us to give the panelists a big clap. Thank you very much.

(Applause.)

MR. KIMENYI: On behalf of Brookings and the Africa Growth Initiative and also the IMF, I do wish to thank you very much for participating.

What we're trying to do here is in addition to doing research on all the issues that you have talked about, we want to create an African voice in Washington, well informed by good research. So this type of forum is very important to us, and we really appreciate your participation, and we look forward to your participating in future forums. And thank you very much to our panelists again.

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CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

/s/Carleton J. Anderson, III

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