

THE BROOKINGS INSTITUTION

WEATHERING THE STORM: AFRICA AFTER THE CRISIS
PRESENTATION ON THE 2010 AFRICAN ECONOMIC OUTLOOK

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P R O C E E D I N G S

MR. ARYEETEY: Good afternoon, ladies and gentlemen. I'd like to welcome you to this afternoon's event taking place under the aegis of the African Growth Initiative.

And today we'll be talking about Africa after the crisis and discussing how the region weathered the storm. It's important for us at AGI to do this for one main reason, that main reason being that we are interested in the growth performance of the region, and it's a region that for far too long has been known for performance well below what others are doing, but in this particular instance, the region has shown a capability of doing something far ahead of what others have done. And that's why it's important to dig into it and find reasons behind that.

It's also important for us for the fact that as we try to understand the factors behind African growth and we delve deeper into not simply policy issues, but issues of a structural nature. Africa's growth in the last decade is not something that has not been discussed. It's been discussed quite extensively at many different meetings and many different forum.

The role that China has played in that is very important and indeed with regard to that, the role that trade has played, the trade in primary commodities has played, has been very important. But that aside, the role that African economic managers have played has often not received enough attention and the important thing that we see with respect to the better than average performance through the crisis is a direct reflection of that improved management of African economies.

So, we are very happy that the African Development Bank has taken the opportunity to discuss quite extensively what happened in the region and then document

all the various different dimensions to the process that emerged in the region.

We are happy that our colleague, Abebe Shimeles, who we've known for many years, is present with us to do a presentation on behalf of the African Development Bank.

At AGI we value considerably our relationship with the African Development Bank. We are in discussion on a project that we want to do together and that by providing this platform for a presentation by the African Development Bank, we are clearly signaling our strong interest in the collaboration as indeed they also are.

We do hope, as a result of this interaction today and also in the weeks and months to come, we will be able to build a very strong relationship, one that allows us to reflect deeply here at Brookings what transpires in the region in terms of policy changes and also how countries respond to those policy changes. We are very hopeful that our relationship will go well beyond presentations to deep and involved research that will allow us to answer the many policy questions that are found in the region.

So, Abebe, we are very happy that you are here today with us. We value your insights into these issues and we are very hopeful that at the end of your presentation and the discussion that will follow, many of us will get to understand much, much better what happened in the region during the crisis.

After Abebe's presentation, we will have three sets of comments, all of them -- or each of them looking at different sets of issues in relation to the presentation. We will have Emmanuel Asmah from the AGI, the Africa Growth Initiative, and then also John Mutenyo and then Olumide Taiwo. All three of them come from the Africa Growth Initiative here at Brookings.

We are asking them to do this as part of our strong interest in building within Brookings a strong cadre of young researchers, very keen and very active and

very interested in African growth and development issues, and they are using this as part of the work that they are doing in the region to reflect on issues that have occupied their minds over the last few months. And I do hope that after the short presentations you, the audience, will also have the opportunity to ask questions and to make comments, provide your own insights into what explains African performance during the crisis.

So, without any further ado, let me invite Abebe to do the presentation.

Thank you. (Applause)

MR. SHIMELES: Thank you very much, Ernest. Ladies and gentlemen, welcome to this launch of the African Economic Outlook Report. Allow me to thank the Brookings Institution for hosting this occasion and, as Ernest said, we look forward to strong and meaningful collaboration in the coming years ahead. And let me also thank Sara for excellent coordination and the ADB -- on behalf of ADB I acknowledge her effort.

The African Economic Outlook is a yearly publication which started way back in the early '90s mainly spearheaded by the OECD with ADB and other African institutions playing the smaller role, but now eventually the lead partner or the lead institution working with the African Economic Outlook is the African Development Bank. We produce this report every year with collaboration of independent African think tanks and this year we are able to cover 47 out of 50 countries where we produce what we call "Country Notes." Apart from the overall report, we have Country Notes covering each country so it's a massive document and I don't intend to cover the whole substance of the report in this presentation, but what I will do is just walk you through what is the main highlights of the African economy during the 2010, 2009 period and what is the outlook in 2011, and also say a bit more on the thematic issues, which are public resource mobilization and aid.

So, the report usually is packaged in this way: it has a macroeconomic

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part which shows the major economic data that happens in that year, but also it has a special annual focus. Since 2003, the focus has been forms of privatization, energy, transport, water and sanitation. Last year we had innovation and ICT and this year we are focusing on public resource mobilization and aid.

Generally what happened in Africa in 2010 and what is the outlook for 2011, as you can see the global financial and economic crisis, which all of us are now experiencing, has not spared Africa. Conventionally it used to be believed that the African economy, because of its less integration with the global economy, whatever happens here may not be translated into economic hardships out there. What we have noticed however now is the African economy experienced a dip in 2009 after growing for more than a decade at 5.2 percent per annum, probably the best growing years for Africa since independence, but still not sufficient to provide better livelihood and lower poverty reduction but still we believe the 2000 was a good year for Africa.

However, the financial crisis led many countries to experience contraction in GDP growth. Particularly hit were the ones well integrated in the global economy like Southern Africa region which most of you know is led by South Africa, but other regions have performed quite well.

We project in 2010, that means this year, about ten fast growing regions -- countries, of which only four are resource rich, countries like Ethiopia, Liberia, Uganda, Ghana, are expected to do very well in 2010, and it's really important to understand why sustained growth is happening in these places despite a global recession. Again, when it comes to the countries with sluggish growth, projected sluggish growth, we have some resource rich countries like Equatorial Guinea, which is one of the oil rich countries in Africa, and Namibia, Gabon, are expected to have contraction in 2010 and also the year ahead.

Now, the issue is what really drives growth in Africa? As most of you know, Africa is commodity dependent -- Africa's economy is commodity dependent and the prices of oil and gold, for instance, copper and aluminum, and full prices like rice and wheat, generally lead to an external price shock which could, in some cases, lead to short-term effects, in some cases, persist for a longer period. But in summary, the performance of Africa's economies is very much linked to prices in the primary commodities.

But also the crisis has led a decline in the private financial flows during the period. FDI flows to Africa experienced a sharp decline. I think this is very much explainable by global liquidity shortage in the capital markets all over the world. As a result, of course, different regions experience different economic growth so vulnerability to shocks generally is what drives negative growth in the continent.

So, we have identified a bit of what I said earlier, commodity prices, and also political economy factors as a main reason for Africa to experience negative growth in 2009, some happen to be resilient despite being resource rich, for instance, despite not having resources such as for instance, as I said, Ethiopia, Malawi, Morocco, they have done quite very well.

So, putting this in perspective, what is happening in Africa? One major factor we are able to identify during this period is economic policies have been quite pro growth and general macroeconomic stability has been sufficient enough to allow stability. For instance, if you look at the current account balance and the fiscal balance and inflation, which are indicators of stability, the crisis only has led a deterioration after Africa experienced a surplus in both current account and fiscal balance in the past -- pre-crisis period.

The role of aid in cushioning after the crisis has been quite significant.

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The debt relief prior to the crisis and the increase in total (inaudible) helped African countries stabilize their fiscal and current account balance, accumulate reserves, and as a result, Africa, you could say, was well prepared to weather the crisis in 2008 and 2009.

An element which may be interesting that is happening also in Africa is the partnership most countries in Africa have with emerging economies such as China, India, and Brazil. If you look at this slide there is a kind of co-linearity between the growth rates of these countries and the growth rate of Africa, particularly the role of China and India has been gaining a lot of ground in the last few years.

You can see that exponential growth in China's exports to Africa and China's imports from Africa, from almost nothing in 1995, to 2008 and 2009 it's run into billions of dollars. Therefore there is some realignment of international economic partnerships happening in the continent.

What are the headwinds for Africa? One is, of course, the global economy may not recover as expected and most of us here know what's going on in the U.S. and Europe where recovery is not yet firm and there is a lot of anticipation that there may be a double dip. Nobody knows exactly how it turns out in 2010 and 2011, but that poses some risk for African economies as well. And for some countries, some of the shock may not be manageable the way it did in 2009, so it could lead to some kind of social unrest.

However, beyond this crisis, what do we see as recovery? I think even though the story is that the African economy is on the way to recovery and probably the prospect for higher GDP growth is there, the rate at which we would like to see fundamental changes in transforming the African economy is still not there. Political and economic governance is an issue, infrastructure bottlenecks across the continent is a big barrier for intra-African trade. Africa is the second most unequal continent in the world.

That would be surprising to most of you but that is a fact and poverty is pervasive. So, as a result there is still a big challenge awaiting African policymakers in terms of particularly looking into development finance and as international or external sources become difficult to access, domestic resource mobilization becomes very, very important.

Why domestic resource mobilization? I think it's self-evident. One, it gives every country self-reliance and as a result, they're less vulnerable to external shocks. It builds accountable states. In Africa, I believe, as you know, most countries rely on foreign aid to provide basic public services. That tends, of course, to have some problems of accountability. Almost half of the countries in Africa rely -- get more out of aid than out of taxes. A taxpaying citizen generally demands a lot from their government but if you don't pay taxes and you get the public services free, you don't want to know what's happening with the government, so this level of lack of transparency, et cetera, is part of the failure of domestic resource mobilization.

The share of tax (inaudible) and GDP in Africa is one of the lowest in the world. Most countries barely collect enough to be able to survive even as states. Without aid most countries would literally collapse. So, this team of the African Economic Outlook this year focuses on how are we able to mobilize domestic resources particularly taxes, and these are some of the issues that were captured in this report.

Of course when it comes to tax policy, there is inadequate capacity in Africa and most governments generally would prefer aid more than, for instance, collecting taxes, and there is, of course, a shallow tax base, et cetera, so there are some nice recommendations in the document regarding illicit trade forms from which African governments could mobilize a substantial amount of resources. As a good example, it's estimated that the amount of resources -- finance, money -- that comes out of Africa is more than what we owe the rest of the world, through illicit trade. It's called sometimes

transfer pricing -- under-invoicing and over-invoicing of commodities that flow in and out of Africa has cost lots to the continent and some estimates put this to be really substantial. And capturing that requires compliance both the African governments but also their international partners. You would be surprised that there are banks here in developed countries and multilateral -- multinational companies who generally practice illicit trade with collaboration of local people -- elites -- political elites in Africa.

So, the report provides some quantitative information, how much money's leaking out of the continent, how that can be mobilized, and there is supposed to be international momentum to put pressure on national governments and multinational corporations to adhere to standard practice of trade.

Another issue raised in the report is collection -- cost of tax revenue. African countries, most of them, incur a large amount of money just to collect one extra dollar, and this is essentially sometimes lack of capacity, and lack of systems, and lack of transparency. I can tell you from my own personal experience, people who work for the tax authority, regardless of their level of education, are one of the shiny guys in town -- good living, nice houses, whatever you want, and they don't account for it. Their official salary may be per year \$5000, but they live like people with \$100,000 and all these issues have been raised in the report.

So, it's good reading, I recommend it, and we have a website dedicated to this report where you will be able to pick all the entire upload, the entire document. It's called www.africaneconomicoutlook.org. So, I would rather take -- give opportunity to the audience to get more feedback from you and from our discussants.

With this I would like to conclude my presentation. Thank you.

(Applause)

MR. ARYEETAY: Thank you very much, Abebe. Let me now turn to our

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three discussants. Let's start with Emmanuel.

MR. ASMAH: Thank you very much.

MR. ARYEETAY: Give us your comments on that.

MR. ASMAH: Thank you for the opportunity, Mr. Chairman. I also want to use the opportunity to thank Dr. Abebe for a wonderful presentation and for the work they have been involved in.

I know that any attempt that anybody would make to try to analyze 50 countries in Africa, diverse, in one single report, is a challenging thing and to be able to do it and come back with this report, I believe is a good work that needs to be commended.

It's a combination of countries that are so diverse that sometimes you can have about five of these countries contributing about 60 percent and so making generalizations can be very, very difficult.

I have three quick remarks to make on this report as I read it. The first has to do with this report about the positive signs, the positive change that we've seen in Africa, that we have, you know, experienced since 2000, and then even throughout the crisis period, the resilience that we have shown. I'm encouraged by it and hoping this will be entrenched, good macro -- prudent macroeconomic policies, as you said, and then also with the MDGs. As I read it, I saw that even though we are not on track as Africans, it looks like a lot of countries are making good progress and moving in the right direction.

A recent report I read shows that out of the countries that are making absolute progress -- 20 of them -- 11 of them are from Africa and I'm excited about that.

Again, the political governance seems to be improving. The Mo Ibrahim Index tells us out of the 48 countries that were studied, 31 of them were showing signs of improvement in governance and I'm encouraged by that also. Some other reports talk

about a group they call the African Lions, who have some -- I mean, the rates they have, in terms of the socioeconomic indicators, are comparable to the Brazils, to the Indias, and the Chinas that we are talking about. Even in per capita GDP terms, it looks like they are a bit ahead of them and again they provide a model of development that we can at least be proud about.

So, those are the signs that I feel encouraged about, this positive change.

The next remark I want to make broadly is about the crisis and the kind of lessons that I see in those crises. One, the issue of food prices has come up, 2007 and the crisis food prices that went up. I'm asking myself, can Africa take advantage of this in making itself a net exporter of foods? That brings to mind the role that agriculture would continue to play in our development process, and I believe it's the reason why the Africa Growth Initiative has chosen as one of its thematic areas agricultural transformation in Africa. So, food prices, significant in that.

The other thing that hits me with the crisis is this lack of diversification that has almost been with us for the past 50 years. Every time it's the same story about countries focusing on primary commodities. The lack of diversification, I believe, is critical that we need to address, and it's the same thing -- you mentioned the new partnership with China, with Brazil, with India, and I'm asking the kind of investments and the sectors that they are going in. It still looks like they are specifically directed at some skewed in some particular primary commodities that we need to pay attention to the lack of diversification.

Again, the crisis provides us another area that we haven't seriously taken advantage of -- intra-African trade, very low, and I believe that is another key thing that we need to be serious about. And that gives me encouragement with the recent

luncheon of the East African communities (inaudible) market. It's a positive sign that I believe is worth noting.

And finally to the point that you have already established, the overreliance on external resources, it doesn't look like it's sustainable. (inaudible) as positive, encouraging (inaudible) positive, but very volatile, very unpredictable, and that brings us to the focus that you have given us today for the need for Africans to now focus on public resource mobilization. I believe it makes a lot of sense for us to think along those lines.

So, that brings me to the final part that I want to again talk about. We're thinking about domestic resource mobilization now and four things again come to mind that we all need to discuss.

First, I'm asking, (inaudible) mobilization we're thinking about, have we created that productive capacity or do we have it to be able to generate income and save? I'm asking that. So, one key area that I feel we need to address -- I think in your report you brought it out excellently, the structural problems that we have. Is this a big issue elevating the supply side constraints? Very key. The road networks: very poor in Africa. The financial sector: very weak. And I see that the way forward as far as if we have to maximize on mobilizing domestic resources is to address a lot of these internal barriers that hinder production -- transport barriers, again, cost of credit very, very high, very expensive, so it's about making -- putting in place measures that would improve -- that would build the capacity of the people to be able to generate that kind of income.

I know we have a peculiar problem about our attitude towards savings, but in the same stretch we need to be able to generate more income to be able to save towards (inaudible).

The next thing, you have already mentioned, and I feel I don't have to

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belabor the point -- the fiscal policy. On the revenue side we should be thinking more about innovative ways of generating revenue as opposed to the easy, you know, options that we have been used to. Some have mentioned in your report, I read about urban taxation, which I believe it's a good thing to do, trying to put in place measures so that we can achieve at least vertical equity and at the same time horizontal equity. Some have talked about taxation or taxing carbon based industries. Okay? It's a (inaudible) one you mentioned that need to also look at the kind of exemptions and preferences that we give out on all of these investments that come into Africa. That is key.

Then on the expenditure side it was right, I was really hit by that aspect of the report that shows that, you know, the support that we get from our ODA/FDA partners, in terms of the, you know, technical capacity in managing resources in Africa, it's small: 2 percent, as I saw it there. And if there's any area that we need that kind of assistance, it is in that area, to be able to build that capacity, to make use of the resources that we have efficiently.

That's about the second. A third one has to do with, again, a point you raised. We have a lot of these resources that are leaving the shores of Africa to other parts, legally in some cases, because of the attractions in yield that they provide and it comes back to one challenge that we've had over the years, improving the conditions, economic conditions, the political conditions, in Africa, so that at least we have investment in these areas.

The other big one has to do with the resources that leave illegally from the corrupt officials that we have in Africa. How are we going to address this? Today I read a report that is talking about a group that call themselves "Corruption Hunter" something, and what they do is to build cases, you know, against people that are known to be corrupt in the society, so it's something about naming them and shaming them,

letting everybody know that these are the corrupt officials that we have. We have a lot of these resources, all of them getting out of the country illegally. Can't we find ways to make sure we have these resources brought back? And that is another area I feel our development partners can provide that kind of support to get these resources back into the economy.

And finally, Mr. Chairman, I want to again talk about something I picked from the former UN Secretary General, a statement he made when he was launching the Africa Progress Report for 2010. He says, it's not about the lack of resources, it's not about the lack of knowledge, it's not even the lack of plans and documents that we have. What we really lack in Africa is that political will to drive all of these things that we talk about. And I'm asking myself, do we have that group of people -- leadership, who are ready to drive everything that we have discussed? Because a lot of the things that are happening has been that paying lip service to it, a lot of these discussions and the points that you have raised, have been also brought up in several forum, but again that will to do what we say we will has been very little. And it goes not only for our leaders in Africa, but also for our development partners and the pledges and the commitments and the promises that they make. Do we have that will to -- do they have that will to implement what they say?

So, I believe in addition to mobilizing, you know, the public resources, the other thing seriously we should be mobilizing, is that political will, both on the continent of Africa and again on the international level, and on that note, I want to end here. Thank you very much for the opportunity. (Applause)

MR. ARYEETAY: Thank you very much, Emmanuel. Let me now turn to John.

MR. MUTENYO: Thank you much, Mr. Chairman, and then I would like

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also to thank Mr. Abebe for the efforts and everyone around here.

I was trying to look at this (inaudible) and especially the impact of the crisis on Africa. To understand the impact of the crisis on Africa I tried to categorize Africa into different groups using (inaudible), (inaudible) and (inaudible) call opportunities. Now, I classified different countries in about six groups. The first one was the resource rich. Here (inaudible) look at the share of the major exports, total exports. Here I have countries like Angola, Botswana, Nigeria, Equatorial Guinea, Zambia -- these are countries whereby the major exports are -- for example, Equatorial Guinea, crude oil is about 99 percent of total exports. Nigeria is about 75 percent. Ghana, gold is about 40 percent. Zambia, copper is about 60-something percent, and so forth.

Then I started to look at the impact of the crisis on such countries. Now, I realize that these countries were really affected apart from Ghana because the price for gold, you know, it changed so much. It didn't fall so much actually, but the price of other things -- crude oil, fell seriously, so the countries were really affected. Then also countries that are resource poor -- you have countries like Ethiopia, countries like Mali, Senegal -- these countries basically depend on agriculture exports which prices actually are also quite volatile. But compared to the resource rich, these countries are not so much affected, like such rich countries. Then also (inaudible) the open economies, countries like Botswana, Kenya, Tunisia, Egypt, South Africa. These countries were really hit by the crisis. For instance, in 2006, a total portfolio inflows about 18.7 billion to Africa. But then just two years after, 2008, portfolio outflows about 60 to 70 billion, and of which South Africa is about 14 billion. So, this actually affected the growth rates of these countries significantly.

Then also I looked at diversified economies. Here basically I was trying to look at the diversification index or the (inaudible) index by ANCDAD, the Center for

(inaudible) and Development. So, when I look at the concentration index by ANCDAD you find that the diversified economies had countries like Uganda, Tanzania; these have a ratio about 0.2 (inaudible). Tanzania, countries like Gambia, Mali, Senegal, these countries, comparatively, were not hit so much by the crisis because the economies are diversified.

Then I looked at the poorly diversified economies, again you'll find that poorly diversified economies are actually the resource rich countries in most cases. Again using the index, these are countries with an index above 0.9, countries like, again, Angola, Equatorial Guinea, Guinea Bissau, Malawi, to some extent, Nigeria -- again these countries were really hit.

Why I'm doing this is below I will be trying to provide suggestions (inaudible) to classify these countries. Then, also (inaudible) the countries which are post-conflict, countries like Sierra Leone, DRC, Liberia, Rwanda, Burundi -- these countries have just begun coming up in '07 by when the crisis hit -- struck, actually (inaudible) also didn't perform so well in '09.

Now, I don't look at the (inaudible) of the crisis on Africa because (inaudible) most of this, but just like in other countries, Africa was also hit (inaudible) such an extent of the developing countries, because I think one major reason, as Abebe said, was many countries in Africa are not integrated within the globe apart from a few (inaudible) South Africa. So, many of these countries weren't hit so much as developed economies. Probably what actually caused most of this under development was the fallen export revenues and then the fallen FDI as is mentioned earlier, portfolio, some slight falling off in aid, which (inaudible) results seriously that most of the countries' import (inaudible) fell seriously.

Also there was a fallen workers' remittances and also receipts also fell.

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Now, turning to the constraints to African growth perspective, this (inaudible) to complement Abebe's presentation. Africa's exports are less diversified. Actually about 80 percent are basically oil, minerals, and (inaudible) commodities. These are commodities whose prices are quite volatile.

So, this is a major problem with Africa. The exports are less diversified. Also, the exports (inaudible) are also less diversified, with about 70 percent of the exports either go to the U.S. or European Union. So, if anything happens in the U.S. or European Union, then definitely, (inaudible) suffer.

Also, there is less intra trade within Africa -- it is south, south, and south, and Africa and Africa. This probably causes the (inaudible) of China, India, Brazil, and those (inaudible) countries.

If you look at data from UNCTAD, trade within Africa is about 20 percent. Twenty percent, this is quite low compared to developed countries. If you look at the G-8 -- the trade within the G-8 (inaudible), one main reason is that African countries produce the same commodities. But even the G-8 produce roughly same commodities, but the trade within the G-8 is more than 50 percent just within the G-8 alone.

Then also there is poor infrastructure. This actually is one major reason for low investments in Africa. The cost of doing business in Africa is quite high. So something has to be done on this.

Then other factors are poor institutions. If you look at the political service, indicators like economic risk rating, political risk ratings, financial risk ratings for Africa are still bad compared to other countries. So, this actually drives out most of the key investments, for instance, the U.S. investors. And you look at such figures for Africa; we still score so poorly in terms of the U.S. investment to Africa.

So, these are some of the issues that actually are preventing Africa from

growing to the levels (inaudible) because the potential is actually there. People look at such figures or indicators to (inaudible) our growth prospects.

Also, there is no private consumption. This is proved just following what happened. People are trying to save, and the consumption -- there's unemployment in many countries and so forth, and probably also, (inaudible) of fiscal stimuli, in many countries there is low investment in Africa due to high credit rates and also the cost of doing business, as I said earlier.

Then another familiar factor is trade protectionism in African commodities outside Africa and probably within Africa. This is one major reason which actually hinder African exports.

So, I would suggest the following -- try to conclude my presentation, is we should encourage intra regional investment and also expand regional markets by forming regional markets -- actually, we for us in East Africa are about to embark on this - - Kenya, Tanzania, Uganda -- I come from Uganda -- Rwanda and Burundi. And actually we expect serious increase in trade. This actually also helped Uganda during the crisis because what Uganda did was actually take advantage (inaudible) Sudan, most of these exports were limited to Sudan and Eastern Congo. So, intratrade within Africa is also quite important and should be thought about.

Then establishing special export zones, China has begun doing this, and countries like Zambia, Mauritius, and I think I would also call upon the U.S. and other independent countries, to join China, and also export processing zones. Very few African countries have these export processing zones, apart from countries like maybe Kenya, Mauritius, Namibia, and some similar countries, but few countries have export processing zones in Africa and these are actually doing quite good.

Oil, if you look at say, China's development, (inaudible) are contributing

so much in China. So, I think even Africa can also borrow such ideas from such upcoming countries.

Attracting FDI to other sectors, other (inaudible) industry. During the crisis, actually most of the FDI -- the FDI fell (inaudible) apart from owning the extractive industries. So, is there another way? Investment authorities in Africa can instruct FDI to other sectors other than the extractive industries. And also lifting the trade production outside Africa against African products. This (inaudible) to developed economies.

Africa needs aid, but I think Africa needs more of trade than aid, in my view. We need aid, fine, but we need more of trade than aid. But most of African products (inaudible) face trade protectionism.

And probably, finally, avoiding food insecurity. Surprisingly, many African countries, their major import is food and beverages. Either the major import or the second major import. For instance, countries like in Gabon, Kenya, (inaudible), Ethiopia, (inaudible), Senegal, Sierra Leone, Swaziland, actually, to mention, about 19 countries -- their major import is food. Okay? So this calls for a cultural transformation which actually good enough AGI has taken up on. And so we need to address this (inaudible) African Development Bank and other development partners.

Africa faces a food -- actually, in many countries out -- food insecurity.

Thank you, Mr. Chairman. (Applause)

MR. SHIMELES: Thank you.

MR. ARYEETAY: Thank you very much. Now to the last set of comments by Olumide Taiwo.

MR. TAIWO: Thank you. I'm actually going to be looking at a part of the report that Abebe didn't have the time to open up and that's in terms of the job performance of the growth that we've recorded.

Looking at the data it's going to seem like we've had jobless growth, basically, and because if you look at the data in a lot of the countries, from official data, what you find is employment -- in most of the countries (inaudible) unemployment rates either the same or actually rising, and so a lot of commentaries have suggested that the reason why Africa's growth was able to generate employment is because it hadn't reached a level of, say, 7 percent, and I don't think that's a -- I mean, there's a theory that says that growth (inaudible) 7 percent, it's generated growth, and it generated employment, but I think that those who look at it that way are kind of looking at the experience of the Asian tigers and Asian cubs. Growth of 7 percent per 10 years and growing employment.

So, but I think what's important is to look at the sources, where this growth is coming from in African countries before we can talk about its employment creation prospects.

If you look at the data again, what you find is that apart from the extractive industries, the oil and the natural resources, growth is basically driven largely by the services sector -- financial services, information technology, communications, and transportation. Agriculture is almost nothing, manufacturing is essentially worse. The only place we have manufacturing growth is in a place like Lesotho where the African Growth Opportunity Act and investment from some Taiwanese essentially are helping the industries -- helping the garment industries there.

So, manufacturing sector is almost not going, agriculture is also doing very poorly, so we have the natural resources and the services, and the service sector, basically, is growing in areas that are not really employment elastic, because these are sectors that require high skills and technology.

Now, that's on the demand side. On the supply side what you also have

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that has happened is like a massive influx of young people into the labor markets and so they are sort of rushing to the -- they have been produced by schools and universities and learning institutions, but the jobs are not there. So, now how do we deal with this? One, as my colleagues have sort of noted, the -- we need to sort of take deliberate actions to ensure that the growth we're having is responsive to our people. I mean, it's responsive to the quality of labor that we have basically. We need to make conscious efforts to promote the agriculture sectors and find ways to form small and medium scale enterprises.

I was kind of impressed by what happened in Nigeria over a period of five years when the president actually sort of sought the -- I mean, talked to the banker's committee asking them to invest part of their profits, before tax, into small and medium scale enterprises, and they did. And one of the problems that people talk about in relation to SMEs is that they seem not to have sufficient skills, but -- so, the thinking was that if you ask these banks with all their skills, with all their managerial skills and IT skills, and everything, to get involved, to invest in these firms, they are likely also to bring in their expertise into it.

So, that was over five years and there are some records but it hasn't lasted long.

So, now that's on the demand side. Now, on the supply side, this massive influx of young people into the labor market and not finding jobs, how do we deal with it? One, first of all, we need to look forward -- but first of all, let's think about how we got here. Now, if you look at population statistics, what you find is that around 1950 the total fertility rate that is the average number of children one would have in a lifetime was about the same, about -- between six and seven children -- in Africa, Latin America, and parts of Asia. But over a period of 60 years, what has happened is that the number of

children that one would have in a lifetime has dropped to about 2.6 in Latin America and some parts of Asia, 3.5 in North Africa and West Asia. Now, in Southern Africa, it's only reduced by one, that's from about 6.6 to 5.5 now. So, why is this rigidity -- why is this difficulty with fertility? Is it that we just want to have children, you know, (inaudible)? I think there are some things that need to be talked about.

Now, so I got a look at the data. Meanwhile, over the last 30 years or 40 years, there have been a series of programs on family planning, contraception, and family education, (inaudible) -- to our children. And here's what I think. So all these measures, what they've done basically is that over a period of 60 years reduced the number of children a woman has from 6 to 5. Now, within the continent itself you'll find differences. And so the Southern Africa that seems to have some kind of different economic structure and (inaudible), I mean, (inaudible) has gone down. So what is keeping this up?

So now if you look at basically, looking at different things, one thing that sort of comes up that strikes me clearly is that while you were sort of trying to educate girls, less people would use fertility, give them condoms and, you know, planned families, we left behind provision of quality safety nets. Now, how does that work? There is evidence that we have strong social security systems (inaudible) basically. And the mechanism is that people thinking about old age say, what, if I get old I have something to fall back on. Right? That my life isn't going to be in tatters. So basically in a system where you don't have anything to fall back on in terms of living your life, you want to ensure that you have alternatives. And then you say: okay, look, but I have children. Some of them will survive and take care of me when I get old.

Now, having a quality safety net doesn't do any help with population ages. Now, we're talking about corruption. We're talking about politicians stealing

money. Sometimes I find it a bit -- I sort of put myself in the shoes of politicians. Now I'm in this office. I'm working, doing what I'm supposed to do. Now, when I get out of office (inaudible) I'm not sure whether they're going to allow me to leave or they're going to come after me. And so when I retire what do I, I mean, what do I fall back on? Where do I go? So it's hard for somebody that gets out of poverty to want to go back to poverty.

Now, so, without anything to fall back on I think -- I don't think there is a lot of disincentive for (inaudible) to be corrupt. Basically, you want to ensure that you have something to fall back on. And if there's (inaudible) institution trying to do that for you. You want to do it by yourself. So the gains of having a safety net that (inaudible) can rely on when they grow old has something to say about fertility and at the same time about this is your public officers stealing money. If you want to, after they plug the hole in the basket of public finance, we have to think about giving politicians -- in fact, actually creating a social system, social security system where everybody can have some security for themselves in the future. And if you do that there are other benefits.

For instance, (inaudible) taxation. Right? Everybody has to pay into the pool. Now, (inaudible) infrastructure which is one of the worst (inaudible) one of the wayward things that, you know, that we see on the continent. Most of the recollection was just meant to derive basic statistics. But they'd have to do really analytical war, policy driven studies, just not there basically. So we still need to invest in that. And if we do that I think we will be able to deal with some of these public finance issues that we're talking about.

Thank you. (Applause)

MR. ARYEETAY: Thank you very much for the useful comments that you've all made.

Let me now turn to the audience for your comments and questions. Yes,

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ma'am.

SPEAKER: I have two questions. One, how are you going to prepare for climate change? And the second one is about education. (inaudible) plenty of engineers, economists, et cetera, et cetera, more in-house. And so far I didn't hear about education and economic growth. That's my questions.

MR. ARYEETAY: Thank you. Let's take a few more. Yes, sir.

SPEAKER: Yes. My question is where are the (inaudible) in Africa that teach people how to prepare for a job, but never prepare people how -- how to (inaudible) skills in a career? You know, where are the people that teach how to -- teach about ethics, morals, and other aspects that relate people to how to be successful in a career? Because, see, if we, if Africa is going to change economics, it has to have a moral compass and also has to learn about economic development and growth that want to change Africa. That's what it's about.

MR. ARYEETAY: (inaudible)

SPEAKER: Thank you very much. I note that the G-8 and others are putting a great deal of emphasis on health. Major investments, global health initiative, et cetera. And I was wondering how you see that emphasis in relationship to growth and whether this is an emphasis on the donor community that you find positive.

MR. ARYEETAY: Thank you. Yes, (inaudible).

MS. MATAGUM: Good afternoon. My name is Judy Matagum. I'm with CFA, Constituency for Africa. And my question is in regards to Africans and Diaspora. How do they contribute to the economy? Because I know for Nigeria there's at least 11 million living in Diaspora within Europe and the U.S. So I'd like to know that answer. Thank you.

MR. ARYEETAY: Thank you. Let me come back to the -- yes. One

here.

SPEAKER: Emmanuel said political will from African leaders and the relevant partners is lacking. How can this be changed?

MR. ARYEETAY: Okay. You said there's a lack of political will in Africa. How can this be changed? Let's take the questions in order.

SPEAKER: All right.

MR. ARYEETAY: The first question is how could Africa prepare itself for climate change? So let's see what the African Bank (inaudible) about that.

SPEAKER: It's not typical in my area of expertise, but in the African Development Bank we have now introduced a full department working on climate change issues -- adaptation, mitigation, and also advocacy work because I think most of us recognize Africa is not the polluter of the globe in terms of carbon emissions. There are some debates, of course, our cow dungs produce more carbon emissions than the chemical plants in China, but I don't believe that way. If you go down to Africa you see the air is still okay for breathing.

But the effect is felt much more strongly in Africa than anywhere else. Lakes are drying up. Rain is not coming as it used to. Regularity of rainfall is really being interrupted. And people have little, you can say, opportunities to deal with viability in climate. So we have a big department dealing with these issues, especially to conduct dialogues and advocacy with the developed world how to deal with it.

MR. ARYEETAY: Yeah. And I think in addition we may add also that every country in Africa indeed is working on an adaptation plan. What many countries are doing is build the adaptation plan into the national development plans. Indeed, for your typical country, anything that you do with regard to adaptation is clearly intended to enhance future development so you can't do the developed plans isolated from these

plans towards adaptation. And that's something that is embedded in whatever every country in Africa is doing.

Your second question was about education. Do you want to handle it?

SPEAKER: Yeah. I think again in responding to the first also, in all of our discussion we don't want to create the impression as if the role of aid and the support from external partners, from our donors, this should continue to be, you know, this should continue. I mean, in the short term we would need to still grab as much as we can in addition to mobilizing the public and domestic resources that we have talked about. And climate change is that area that I believe in terms of adaptation and mitigation measures, a lot of support would be needed in that direction.

And this again goes for the other question that you mentioned.

Education. Making strides in terms of enrollment. But we still have challenges in terms of the quality that we have been producing. And the good thing is that again efforts are being made now. We said that many of these countries have now incorporated these into their national plans, but we still would need that kind of support to push this agenda. If we have to achieve all of these targets we have in education and health, the resources that we need are huge. And we'll still feel that a lot of external resources will be critical to fund these.

And again, on the question on whether the focus by the G-8 on health is critical. I made a point in my presentation that one thing that we need basically is building that productive capacity of the people. And this is only good for the economic infrastructure that we need to provide by the critical areas of health, education, to build the social capacity of our people. And I made the point also that again given that now we have a kind of leadership that is committed to this agenda, we are just hoping that we will continue through and get the kind of results. So again, the forecast on health by the G-8,

I believe it's positive and can enhance economy growth as we look forward to it.

MR. ARYEETAY: Olu, let's talk about the Diaspora. There's a question about whether there is any rule that the large number of Nigerians in the U.S. can do about it, what they can do. Or Ethiopians or Ugandans or Ghanaians, what can we do for the motherland?

MR. TAIWO: Yeah. First of all, I think that there is a lot of discussions and meetings and organizations of minds of people around here about how best to get involved in what is going on at home. Well, it's a known fact that in terms of remittances we -- a lot of remittances that were sent home from a lot of projects for individuals for families, but I think one critical area that people have stopped thinking about now is how to get involved in the political process. So there have been cases of people living and say I want to go home. I want to be part of that process. I want to go and contest elections. But, well, it's worked, you know, to an extent, but there hasn't been a critical mass of people that are willing to do that because of the fear of if I get home the people that I know at home are going to feel like I'm coming to claim that I'm superior and then so finding acceptance when they get home is still one of the restrictions.

And again, the issue of security. A lot of times people in Diaspora are kind of waiting to hear that, hey, I can walk the streets now. I can open my doors at night without thieves coming to my house. Before they take this stuff. So these are some of the things that are still constituting some barriers. But people are thinking about it and I think a lot of people are making effort, are making this move.

MR. ARYEETAY: Let me just give a small addition to my own take on the Diaspora and African development. We also have in the last seven years remittances from Africans and also other people in Diaspora really boomed. We saw that. Most of it, unfortunately, went into consumption, (inaudible) consumption back home. The question

is: is it possible to see Africans in a Diaspora think creatively about the investment back home? Not just building houses for themselves and their families, but investing in things that create jobs for others, bring skills. The one thing that anybody leaving their home will be looking for is a new skill. That's what we usually acquire when we leave Africa and go to Europe or go to America. We acquire new skills usually. And then with those skills we get access to capital. Is it possible to use those skills and the new capital back home without being present? Today globalization makes it possible to live in New Orleans and influence investments in Africa. So why can't we do that? Why don't we think beyond our families, our immediate families to (inaudible) communities in a structured way?

If I think about what Koreans and Chinese did with capital from Europe and America, basically guiding the capital back home, that's what Africans should be doing. And I believe strongly indeed that it's possible with all the numerous Africans working in various parts of Europe and America, it should be possible to guide capital back to these countries. And without knowledge of those countries, ensure the returns on these bits of capital are huge.

MR. SHIMELES: Can I say something?

MR. ARYEETEEY: Yeah.

MR. SHIMELES: I couldn't just hold my temptation because we are working in the African Development Bank on what we call the Diaspora bond to be issued to people living outside of the continent. We estimate at least as of 2006, 10 million Africans live outside of the continent. Not only the Diaspora. The Diaspora is about 140 million. I mean, if you take into account the entire population that lives outside of Africa with African descent, it's about 150 million. And it's a huge resource.

So what we are planning is issue a Diaspora bond guaranteed and then

provide high yield, you know, make the yield attractive and see what happens. It has already been tried in India, Israel. Some of you know they were able to raise in different times of crisis, Israel was able to raise 25 billion so far; and India, 11 billion. Simple, you know, you just issue the bond guaranteed. Because if my government issues it I don't think I'll trust they will pay me back. I mean, that's as simple as anyone. Nigeria, if it (inaudible) or Ghana. So we are working with this.

MR. ARYEETAY: Thank you. Any more questions? Yes, sir. Let's start in the corner and then come back here.

MR. CHEN: Yeah. Chia Chen, freelance correspondent.

Although the corruption involvement multinational company is open secret everywhere, but this is the first time I saw the mentioned in the report. And how did Africa deal with that? And what could be done more in the future?

And I think I just finished here.

MR. ARYEETAY: Thank you. Yes, sir.

SPEAKER: I have a quick comment about best practices that may exist in different African countries and why wouldn't Africa turn to, you know, better models within Africa? Look at those and then use those as beacons for African development because I think a lot of good things must go on in each one of the countries. And so it would make sense to look at those things that, for example, Lesotho you mentioned has, you know, fantastic manufacturing capacity. Why not use that model and emulate it in Ethiopia or Sudan or Uganda or wherever else there is?

The second thing I didn't hear in this presentation was the effect of disease burden on the economics of Africa which I would think is huge and it would make sense that there should be somebody sitting at this panel who is an expert on disease burden economics as well because that's a huge force that's affecting the development

as well.

MR. ARYEETAY: Thank you. Yes. Yes, right there.

SPEAKER: Thank you for the presentation and I think in hindsight it was a good thing to trade this for the World Cup today. (Laughter)

Coming to a more serious issue, actually, I agree with most of the things that have been said except that maybe we need to start refocusing the debate on one particular thing because no matter how much -- how you slice it and dice it, it always comes back to the political will because you look at -- if you look at it from the perspective of intra trade within African states it comes back to the political will. If you look at it from the perspective of what aid is doing to Africa versus trade it comes back to it. And then what we are seeing essentially, the gap between what is called the growth and the poverty reduction in Africa, it's a simple model because it just goes back to how we come to this point and to realize that what we are seeing is the manifestation of a deeper problem whose roots can be found in the political institutions of Africa.

And then so to analyze it we need to go back as far as possible. And what my dear friend Kruma would say basically build the first political kingdom and everything shall be added onto it. In today's lingo probably build first the political republic and everything shall be added onto it because what Africa did in 1960 we missed the train. That was the opportunity to build institutions that would show up today. We missed it, but now that we missed it the question is how do we not dwell on the past and correct it? Because you look at Africa today. You have businessmen, entrepreneurs who are bustling to make it right in Africa. But the problem is they cannot make it in such an environment. Somebody needs to step up and create the environment to allow progress to happen in Africa. And unfortunately, we need to focus on that because if we do not solve that problem, then everything else will come to a point where it's a bustling stop.

How do we get there and say out to our leaders that we are not going to be content being like second class citizens of the world. We need a better government, government system.

MR. ARYEETAY: Thank you. Right here.

SPEAKER: Selma from the Osgood Center.

I heard all your comments and analysis concerning Africa and all the opportunities that we can hope for the growing. But I was wondering why we always exclude the Maghreb area of Africa? Why we don't talk about the bilateral relation and agreement that could happen in the future between the Maghreb area, which is the north region of Africa and Central and South Africa from one point.

And my second point is why we don't think we, as Africans, to build more relation with the Middle East? For example, infrastructure. Middle Eastern countries are willing to come and help the infrastructure in Africa. And I'm just going to give an example here. Morocco, for example, is the only country so far accepting investments from private sector to improve it, enhance the infrastructure in Africa.

Thank you.

MR. ARYEETAY: Yes, sir.

MR. McALLISTER: Thank you. Rod McAllister .

I'm curious to know what the African Development Bank, and perhaps the other regional development banks and the governments themselves are doing to attract capital to Africa. I love that governance is improving and infrastructure is coming along and all that, but we've got to market this stuff. What is being done to draw capital to Africa that can be invested and put to work?

MR. ARYEETAY: Thank you. Let's go to the back. Yes.

SPEAKER: Thank you. My question is about we didn't talk about

political economy, African political economy. The supply side constraints that you mentioned on African growth, they're endogenous to the governance system, the political and economic institutions in Africa, which goes back beyond 1960s, by the way, so it was impossible to (inaudible) in 1960. But my question is how prepared is the African Development Bank to use political economy tools to understand the underlying problems, the elite interactions and stuff like that when they decide to do something about the next step or one day when the African Development Bank extends loans? So if those constraints you mentioned exist, they exist for a good reason. And if those reasons are not well understood, then there's no need to talk about institutions because institutions are endogenous.

Thank you.

MR. ARYEETAY: Thank you. Right there. Yeah, you.

MS. MULLEN: My name is Mary Mullen. I was a former teacher. I lived in Kenya for five years.

I was wondering about in Africa now are they writing their own books for the schools and teaching the children what's happening in the present in Africa. When I was there they had very old books and they weren't really relevant to what was happening now in Africa.

MR. ARYEETAY: Yeah.

SPEAKER: (inaudible) from DRWDC. I have a question with Emmanuel. I'm very happy with your presentation and outlook, but I still have two questions. The first one is about the fiscal policy, how the government can raise revenue and so forth. But I find that in any other country in the world you still have governments which do have the flexibility either on the (inaudible) side or also the (inaudible) side. But in the case of Africa you have so many countries which are also pegged -- the currency

are pegged to other currency like the euro and, therefore, the fact their countries or their government do not do any monetary policy. So now in the event of the euro crisis, how this is affecting our countries? That's the number one question.

And my second question is about education. So it's great to have a high enrollment in secondary school for every child in Africa, but are we still building today or educating the college student to be competitive in the 21st century?

Thank you.

MR. ARYEETAY: Thank you. Yes, sir.

MR. WEINTRAUB: I'd just like to -- I'm Leon Weintraub, University of Wisconsin and Washington Semester in International Affairs.

I wanted to go back to the subject of education. And rather than just to build a more educated labor force which I heard, I'm wondering if enough is done particularly for higher education to fully integrate it into being an engine of a dynamic economy. For example, in agricultural education, building it up with an agricultural extension force so as part of the education you link it with the agricultural sector. In the business school, linking that with a growing business sector. Engineering school. Link that into the construction of all the infrastructure in the economy. So is Africa doing enough with higher education, particularly, not just to produce the educated and the skilled labor force, but to use it as an engine to stimulate the economy?

MR. ARYEETAY: Thank you. Yes?

SPEAKER: Good afternoon. My question is in regards to how is Africa and most countries in Africa, how are they going to converge between the rich and the poor in building a better and sustaining a better middle class?

MR. ARYEETAY: Okay. Now, let me come back to the panel here. Abebe, let's start with you. Take those questions that were directed at the African

Development Bank and any of those that you want to address and then we'll move down the line. So let's start with you.

MR. SHIMELES: Yeah. Really very, very good questions. And I believe I don't know also the answers to all. I'm very happy that you have raised issues that are very insightful and probably relevant which we take back and do more thinking about them.

So I will just go quickly into some of the questions addressed to African Development Bank, attracting capital to Africa, the link how do we interact with Maghreb area in Africa, the fiscal issues. And so I will be just going through them very quickly.

In terms of attracting capital to Africa I would start with that what the African Development Bank can do. I think this is a justifiable question. I remember in 1997, Oxford University hosted a conference with business people from the developed countries just to see what they think about Africa as a potential investment region. And I was shocked at the time when these investors were saying that Africa was not as risky as they thought or as generally is believed. Their main problem is the government. They told stories after stories after stories how African governments were not able to put up with the needs of the international capital. International capital has evolved rapidly therefore they need to get in and get out and to have a lot of freedom to work. But the African governments apparently are not up to speed with this international need.

So if you compare China, for instance, the Chinese government, the way it does business and you compare African governments, it's like day and night. And I don't think African Development Bank alone can influence the behavior of governments to attract international capital, make it viable for them, allow them to work freely, provide transparent systems of taxation, transparent licensing, (inaudible). This is small, small sounding things as the various businessmen suggested. So I fully agree with you.

And is working with the private sector a lot. And we tried to raise the voice of the private sector to the government. With Maghreb and Africa, maybe when we talk Africa that comes to mind, the sub-Saharan Africa to most people. But our report is inclusive of countries in the north. And in terms of economic interaction and others, you would be surprised. There is a lot of activity going on between countries in the north and in the south, especially with the Middle East.

Eastern African people, you find them almost all young people working in Dubai, in Saudi Arabia. And Dubai International, doing work, construction work, in Djibouti, Sudan, even some in Uganda, in Ethiopia. So there is a lot of activity going on.

On the issue of physical policy, particularly the focus on what is the implication of the European current crisis to countries with fixed exchange rates, the CAF. We call them the CAF, these Francophone countries which pegged their economies with the euro. Well, we are just now starting to study the implications because it has both positive and negative implications. A weak euro means good for CAF countries, but also it exposes their reserves to these fluctuations. So, we are taking up that issue to see what the net effect will be and what is the best strategy for them to weather the euro crisis.

In terms of raising revenue, I mean, it depends on which country you are talking about. If you go to some countries in Africa, their revenue GDP ratio is like any other developed country. In other parts of the continent you have problem. Therefore, I encourage you to read the report because it has a nice narration about the challenges of raising tax revenue.

So, in terms of other issues on health and education, I will just summarize by saying that if somebody comes today and asks me what is the problem of Africa in one sentence, tell me what is it, I would just say low productivity. Look at foreign

statistics we have for employment. If you go to my country, for instance, 80 percent are in agriculture, 20 percent are in urban areas. And those in agriculture, they all have land. At least they claim to have land. Which means you have almost full employment. And then in urban areas with 50 percent unemployment, the total unemployment rate is just five percent. Better than any other developed country. But productivity is \$100 a year per person.

So education and health, political economy, all contributing to low productivity of labor. How we overcome that, this gentleman (inaudible) wants to tell us. (Laughter)

MR. ARYEETAY: Emmanuel, tell us.

MR. ASMAH: It's a complex one that sometimes I believe the political leaders themselves get confused. They're talking about the burden of disease. We are talking about education that is borrowed from outside. The people are not writing their own books (inaudible) everything that we are studying. And then you mentioned the need to connect whatever we lend to particular sectors -- engineering, agriculture, and so on. This must change in Africa. And I agree perfectly with you on the kind of education that we provide. Ultimately, it depends on a group of decision-makers who are prepared to move this agenda forward. My only hope as I made earlier on is that we see signs of some committed and dedicated leadership and I'm hoping this will be entrenched.

The question was asked about corruption with the multi-national corporations and immediately my mind came to two cases in Ghana and the way that it's been dealt. These companies in the United Kingdom more or less paid some kickbacks to some political officers and then it has come today -- it's been solved this way because the U.K. decided to pursue the matter and brought to light this corrupt case. And then back home all of the political figures involved in that, and where some of them were still in

office, had to resign from their positions and then are facing the low court. That was in the U.K. There's a current one basically that is still on course with companies from the U.S. again, I mean, from the U.S. that is involved in something. And it's being dealt with at that bilateral level. The authorities here are prepared to delve into it and then those back home are also committed to, you know, cooperating to get this resolved. So some effort is being put in here.

And then the mention was made about don't we have best practices in Africa that we can? I think I made a point about these Asian tigers and it links to the point that you raised about the relationship that we have with the north. Any time we talk about the performance of these five -- from Morocco, from Nigeria, from Tunisia, Mauritania, Mauritius -- I mean, all of them provide that basic thing. Political stability is there. Public investments in health, in education, in infrastructure, is key. Go there. You'll find the rule of law. Go there and you'll find property rights effectively entrenched. And this is what we need to copy and establish back home.

So agreeably, yes. We have these fine models in Africa that we need to, but again it depends on whether we will take advantage of all of this. So let me leave it here and ask my colleagues also.

MR. ARYEETAY: John, anything you want to add?

MR. MUTENYO: Yeah. Probably, I don't know. The previous speakers.

There was some question which was raised earlier about the G-8 emphasis on health. I want to combine this with some other questions. Now, indeed, (inaudible) is a key factor in African oil as well as productivity. And actually, Africa really has a major problem with health issues because 30 percent of the deaths are due to malaria. It's true Africa faces a (inaudible) of infant mortality. And because of this actually the establishment of the Global Fund, which also has been helping Africa,

(inaudible) AIDS and malaria. And to combine this with corruption, indeed the way this money is being managed hasn't been so well in Africa. However, African leaders are working out and they're trying to fight corruption (inaudible) with your question, to fight corruption. For this is in my country.

This (inaudible) was sent for AIDS and malaria. Some government officials dipped their hands into it and the president said them -- actually there were three committee ministers. The president of Uganda (inaudible) them, even put them in prison. He arrested them. As we talk right now the case (inaudible) court. So this is how African leaders are trying to combat corruption and address some of these issues.

True, the level is too high compared to other countries elsewhere and still a very big task in Africa, much as African governments -- some African governments are putting some efforts toward to reduce corruption. It's too high. Again, someone talked about good models. Why doesn't Africa copy good models from elsewhere and bring them back to their country. This is what I talked about earlier. For instance, the issue of special economic (inaudible) zones and export (inaudible) zones. This actually has helped China to develop. And that's why China has (inaudible) some of these zones in Africa. Earlier I mentioned Zambia, I mentioned Mauritius. So actually, many African countries are (inaudible) to copy such models (inaudible) to increase their exports.

My colleagues have talked about the relation between Africa and the Middle East. I must say it is improving because actually as I talk now, about a month ago the Iranian president was in Uganda trying to explore the possibility of (inaudible) in the oil industry. Uganda discovered the oil so it was then entitled to it. They also increased investments from the Middle East in my country Uganda. So actually the cooperation is now growing. So it's not as maybe it was before.

Maybe another issue was how do you gain the political will of the 1960s.

This is too a very difficult task for Africa because I think this is actually about the decline in institutions. But if you compare, if you look at the figures of Eastern Asia and Africa, talk about a death threat, talk about life expectancy, talk about, you know, many, many indicators. Africa was scoring far, far better than East Asia. For instance, in China, life expectancy was about 32 years in 1970. As you talk now, life now in China, life expectancy is 70. Far, far above the likes of Kenya, Uganda, which had something like 40. (inaudible) capital incomes, for Uganda and Ghana and Kenya are (inaudible) than China in the '70s. So this is still a very big challenge to Africa. Building institutions to take us back to the levels of 1960s.

Thank you.

SPEAKER: Very quick comments. The first one about whether Africans are writing books for their institutions, yes. The answer is yes. In particular, I think recently in Niger, for example, last year the government put out an announcement of grants for researchers and faculties that want to write books basically for institutions of learning. So, and I think that in other places, too, those kind of efforts is going on. Now, (inaudible) political issues, education. Now, whether we can systematically link our education to our infrastructure, my experience growing up, I mean, living in my country for a while has taught me, I mean, has showed me that basically the courses of study that people actually demand follows clearly where the remittances are.

Now, it's possible that the government can find ways to provide incentives, maybe by spending some instant money or giving free tuition and making, you know, giving them a package to make people stay in a particular field of endeavor. But if I spend my money to train people in engineering and then they finish the job and then they fly it into a commercial bank, it's going to be like I've trained them to work in this industry, but they're in the banks. So as long as I can't really force them to stay here

unless I want to make them to sign a document perhaps to get into school that after getting out of school they're going to be in this industry. It's kind of difficult. And I haven't seen any sort of idea or any kind of program (inaudible) that. So maybe that's something you have to look at.

Now, the issue of political will. Generally when a lot of us Africans sit down and we're sort of discussing different issues. So one thing that always comes up is that we need somebody. We need a good leader that is going to do right. But there are two ways to get that. Number one, let's keep praying. (Laughter) And patience, and maybe someday somebody will come up. Or on the other hand, let's make (inaudible) about what we need to do. But first of all, I would like to put myself in the position of a politician and see. So once I'm in this office, what are the incentives? What are things I'm likely to do? What are things I'm unlikely to do?

Now, we live in -- most of us operate in environments that are fairly really unsettling. Things are unsettling so nobody knows tomorrow. And the fear of the unknown is a very strong -- I think it's one of the very strong drivers of corruptive tendencies. Fear of the unknown. I don't know what's going to happen tomorrow. I don't know what's going to happen the next day. Nobody knows what's going to happen tomorrow. So I don't know what's going to happen, but right now I'm where I am. I have to do the best I can, I mean, to make sure that I'm going to have a good life after this place.

So, like for example, in this country (inaudible) begin to hear that politicians have (inaudible) benefits. Right? In Uganda, I learned that there is -- there are other benefits for politicians. In my place, in my country there is not. So if somebody cares a lot about (inaudible), you know, work it out. He has to find some ways to keep the money aside for himself later on.

So I think what we need to do is have a discussion basically. First of all, this kind of structure we have, is it the appropriate one? Is it working? Is it helping? If it's not, this has to be changed. I mean, there have been discussions, but it hasn't really been fruitful.

Number two, what do we need to do to make sure that if somebody comes to this office he is going to have incentive to do the work that he is asked to do and be sure that when he leaves the office he has a life after that. I think those are the questions.

MR. ARYEETAY: Thank you very much. As we begin to run up our discussion I thought there was a need for me to sort of try and summarize what I think I've heard from the presenters and also from the floor by putting my own interpretation of (inaudible). The way I put all of our discussion is Africa is changing. Africa is changing in a very interesting way. The Africa that many of us knew 30, 40 years ago is no longer the Africa of today. So there's a lot of improvement taking place, whether it's in education or in health, the microeconomic performance and so on, you see a lot of change taking place. From the presentations that have been made, one thing I draw from it is there are some countries that are changing much faster than others in the region. That's normal in most large places. There are some countries; you talk about the 10 fastest growing economies in 2010. The other 10 slowest growing economies. Some of them dependent on natural resources; others not.

So the important message I would like us to go away with, Africa is changing. Some changing much faster than others. But in that change, the one good thing that I see is change can be good; change can be bad. The one good thing I see in the African change, most of them in the last seven years are headed in the right direction, which is good. Many of them recognize the difficulties imposed by corruption, therefore

the assumption about it. Many of them have accepted more than two decades of microeconomic reforms and have learned how to contain fiscal deficits. That's a very, very good thing.

So it's good for us to understand that Africa is changing. Many things are moving in the right direction. Some fast; others not so fast. So a country like Zimbabwe would be an outlier. It's going backwards. While all of Africa is moving forward, Zimbabwe is doing what Ghana did 30 years ago. You know. That's the sense in which one can -- unfortunately, when you hear discussion about Africa, people like to focus on the Zimbabwes of the world, the Zimbabwes of Africa. No, Zimbabwe is only one fifty-fourth of Africa. So that's a way to look at it.

There are all these rapidly moving countries in the region and I would like us to think more about them. How can those 10 fastest growing economies in Africa have some influence on the 10 slowest growing economies. That's where we're coming and people are saying that the political will, the lack of it, is the biggest problem. Even that is changing. Even that is changing, you know. Today we've heard about the elections in Guinea. Many of us are excited about the outcome. There are many countries in Africa that strongly desire change and are doing everything possible to make it happen.

The biggest change in Africa which we don't talk about much is the role that people through civil society put -- the pressure they put on governments. In almost every African city around today when you go the radio has become the biggest instrument for communication. That is where people express their dissatisfaction, their revulsion, whatever negative strong feeling they may have. That's where they express it. If governments want to know how unpopular they are, they listen to the radio. In my country, Ghana, most ministers in the morning spend two hours listening to the call-in

programs. They want to know how hated they are. Nobody will tell you on the radio how much they love you. They're going to tell you how disgusted they are with you. It's easy for a radio host, talk show host, to command the minister of finance to respond to questions. It is easier for him to respond on a radio than to respond to parliament. They pay more attention to radio than they do to parliament.

So if that's the case and the electorate have seen how powerful they have become, how their thumb has become the strongest instrument or equipment they have, how they use it, what we can do as Africans, African intellectuals, what we can do is harness that new strength into doing positive things for our economy. Political will is going to change when the ministers know that those calling in to the radio programs have the right information, that the right researchers have been studied, that the right material is available so they know what intra-African trade is like because they've seen some research done by a professor of the University of Nairobi and it shows how intra-African trade can be increased significantly by being (inaudible).

And so when they call in to talk about trade issues, it's backed by solid research information. That is how people like us can contribute to all of that. So African political leaders don't change because there's no pressure on them. When there is pressure on them, like everybody else, they will change. They also respond to the various pressures from (inaudible). If we want to see the African change move faster than has been the case before, we as people from Africa, we who are interested in African development, have to then use the new instruments and recognize that change is taking place. And we can all contribute to it. There is no point in sitting down and complain about corruption if we want to talk about it. There's no point in talking about political will if we are simply happy to sit in Brookings and mention it. It's important for us to get out there and make as much noise as possible, write up essay papers, talk on the

radio like all the others do. When they call in the radio, the radio station, they complain about (inaudible). Let's call in and talk about health and talk about education, talk about trade. That's how we are going to bring about change to most of Africa.

I would like you to go away and send a message out. Africa is changing.
Thank you very much and I hope we see you again. (Applause)

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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.

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