THE BROOKINGS INSTITUTION

FALK AUDITORIUM

SUB-SAHARAN AFRICA:
IMF REGIONAL ECONOMIC OUTLOOK

Washington, D.C.

Thursday, June 9, 2016

PARTICIPANTS:

Introduction and Moderator:

REED KRAMER
Co-Founder and CEO
AllAfrica Global Media

Presenter:

ANTOINETTE SAYEH
Director, Africa Department
International Monetary Fund

Panelists:

STEVEN RADELET
Professor in the Practice of Development,
Donald F. McHenry Chair in Global Human Development
Director of the Global Human Development Program, Georgetown University

AMADOU SY
Senior Fellow and Director, Africa Growth Initiative
The Brookings Institution

* * * * *

P R O C E E D I N G S

MR. SY: Good morning everybody. Thanks for coming to this panel and presentation on the IMF Regional Economic Outlook and for making it on time. I don't know what's happening with the traffic today but I see we have a full room so thanks.

At this current juncture there are lots of questions about Africa and about the narrative of Africa rising and all the positive messages that we have had during the previous decade or so. So I think it is very timely that we're having this event today because it will help us really separate fact from fiction and take a realistic look at what is happening on the continent. For us that don't have the capacity and the budget of the IMF the regional economic outlook is really a Godsend because it's really a treasure of facts, data analysis that we can use to leverage our work on Africa.

So today we have Ms. Antoinette Sayeh, director of the African Department who will make a presentation about the latest issue of the regional economic outlook. This is the semiannual report and it's also available on the internet. If just go on the IMF website, you will access to it. Incidentally also the IMF has also published a new report of their magazine called Finance and Development and it's also on Africa and it also has an article by Mrs. Sayeh. So Antoinette is the director of the IMF African Department and since July 2008 after two and a half years as a minister of finance of Liberia. Before joining President Ellen Johnson Sirleaf's cabinet she worked for the World Bank for 17 years including as country director for Benin, Niger and Togo and various roles in Africa and South Asia regions. But I'll stop there so to give her the time to make her presentation and especially to give you the time to ask questions because after all that's the reason why we're here is also to hear from you. I will let Steve present the panelists. Welcome Steve.

MS. SAYEH: Good morning. Good morning to all. Thank you very much Amadou for that introduction. Thank you for the invitation today. We very much welcome the opportunity to share our recent work on Sub-Saharan Africa with you and to get your feedback on what we'll be saying and the issues you see from your perspective in the region and questions you have for us. So thank you very much.

I'll first start by giving a bit of a context for the recent region wide economic developments and then talk about the policy challenges that the region is facing, what needs to be done we think to restore the earlier growth momentum that was very much the story on Sub-Saharan Africa.

So in the decade I think as many people who follow the region know in the decade and a half since 2000 the region experienced very strong growth averaging some six percent per annum. Since late 2014 though that growth has really weakened markedly. It reached only some three and a half percent in 2015 which was the lowest level we've seen in 15 years and that's just about the population growth rate. This year we expect it to be around three percent probably somewhat a little less than three percent even. That's an average of course and it looks different in many countries and we'll come back to that.

So just to talk a bit about why that was the case, why the region was able to grow so rapidly in that period 2010, 2014 and how much was achieved, let's talk a bit more about that. Basically we see three factors that supported that high growth. Perhaps the most important of them was the vastly improved environment macro policies much better, macroeconomic environment overall much better and in a number of countries the business environment also much better and all of that welcoming higher and supporting and higher investment. So that's the first important factor.

I think the second one of course as we all talk about so much these days because of what has happened since is high commodity prices which certainly had a central role especially among the oil exporters. But also the hard metal exporters as well benefited from high commodity prices.

I think the final and the third factor we see supporting that robust growth was the highly accommodative global financial conditions that boosted capital flows to many countries in the region. And that of course facilitated higher private and public investments.

So the combination of those factors certainly delivered broad based growth across the region and over the 1995 to 2014 period about two-thirds of the countries experienced 10 or more years of uninterrupted growth. Indeed, nearly a third of the countries enjoyed two decades of uninterrupted growth which is remarkable, a remarkable achievement when you look further back in Sub-Saharan African economic history and know what the performance was back then.

In the 20 years or so since their growth take off, countries such as Mozambique, Rwanda, Uganda, Tanzania those countries really achieved growth rates pretty much comparable to the fastest growing and emerging frontier markets in Asia as you see from this chart. But of course the challenge will be how to actually sustain those growth rates over a much longer period, twenty to thirty years if countries really are to meet many of their objectives of moving squarely into middle income status.

So it's important to say because there's a lot of discussion about this sometimes and assertions about it but it's important to look at the facts and to say that favorable growth outcomes were in fact also good for poverty reduction in many countries. Nearly three-quarters of the countries experience an increasing per capita incomes together with a decline in poverty. But unfortunately of course there were a number of countries maybe a quarter of them where increases in incomes went hand in hand were also associated with increased poverty.

But the decline in poverty also went hand in hand with improvements in non-income dimension, infant mortality for example those rates have declined substantially and the prevalence of malnutrition has also receded. So some very good outcomes also on the non-income side.

But difficult developments recently and of late of course has been elements of external environment in particular that have become much less supportive. And since 2014 since the middle of 2014 commodity prices have fallen very sharply, financing conditions have become more difficult and a good bit of the region in the more recent period has been affected by a very significant drought especially in east and southern Africa.

The commodity price shock of the last couple of years has been of historical magnitude. From peak to throw crude oil prices in the 18-month period through the end of 2015 declined more than in any other 18-month period since 1970. Reflecting these countries highly concentrated in oil production those countries such as Angola, Republic of Congo, Equatorial Guinea, Gabon they've all experienced a cumulative decline in their commodity terms of trade since 2011. That decline ranging between 25 percent to 45 percentage points of GDP.

So quite a decline. Other commodity prices have also fallen sharply since 2013 although with the notable exception of iron ore generally less than oil prices. But some metal exporters like DRC the Democratic Republic of Congo, Sierra Leone, Zambia all of those countries have seen their commodity terms of trade drop significantly as well by about 5 to 10 percentage points of GDP since 2011. That reflecting of course a large decline in iron ore and copper prices.

So in recent months though as we've heard in the press and elsewhere commodity prices have climbed back up somewhat but they still remain far below the levels that prevailed in recent years and our current projections also point to the shock been long lasting. By 2020 many energy and metal prices are expected to recover. It is only about half of the 2013 peak levels. So commodity prices lower for longer is certainly the case even with the recent increase we've seen in recent months.

But beyond the sharp commodity prices of course a number of the regions frontier market are being affected by substantially tighter global financial conditions. Most notably the regions frontier market spreads have widened significantly more than for the global emerging market group. It seems to be the case that the financial markets are discriminating between the regions' borrowers with higher premiums reflecting more country specific vulnerabilities. The increase in the average Sub-Saharan Africa spread has been driven by a few countries in fact. And prominent among those countries are some of the hardest hit commodity exporters. Among them Gabon, Ghana, Nigeria and Zambia but also Tanzania. And spreads for other especially Cote d'ivoire, Kenya and Senegal have remained broadly stable. So certainly a difference in the evolution of spreads in different African countries reflecting the respective vulnerabilities. And that paten appears to hold true also for other frontier markets in the world not just in Sub-Saharan Africa. There is a significant increase that is evident for example, in a country like Mongolia also a significant commodity exporter. But for example, not the same in a country like Vietnam, Bolivia or Honduras.

The final shock I want to talk about a little is the severe drought that's really affecting eastern and southern Africa. We think that the 2016 growth of those regions will be and those countries will be significantly impacted. In particular, in Ethiopia, Malawi and Zambia and the drought will have of course broader economic impacts on inflation and fiscal and external balances in all the affected countries. But beyond the economic impact of the drought of course if having a very heavy toll on the livelihood of people and it's by some estimates about 40 to 50 million people are likely to be at risk of adequate food supplies by the end of this year so a very significant drought with a huge impact.

So all of these shocks have had the most severe impact on the regions resource intensive countries. As this slide shows you see the distribution of the average growth over the 2010 to 2000 period across the regions 20 resource exporters. And as you see from the leftward shift of this distribution represented in red there the growth rates have really declined significantly since 2014 for those 20 resource exporters.

But on the other hand if you look at much of the rest of the region and that's 25 other countries in the region the picture is one of the high growth rates of recent years being sustained and that's certainly the case represented here. And that's particularly for countries like Senegal, Cote d'ivoire and the East African community in particular where we are forecasting growth rates of some six percent this year. And growth continues to be rapid in many low income countries in the region still benefitting from low oil prices of course.

So with the shocks affecting among the largest economies in the region, Nigeria, Angola, South Africa as well to some extent the growth rate for the region as a whole has been pulled down. As you see in this chart the red bubbles here represent the resource exporters and are typically among the largest in size pointing to the greater weight of course of those countries in the region's GDP. They generally lie far below that diagonal denoting of course a significant drop off in 2016 growth from the average that we saw in 2010 to 2014.

So let me now turn to how countries have responded to these formidable shocks. What have they done and what do we think about that policy response. Broadly we think that countries their response so far has been behind the curve and that's I'll come to a more detail later quite a bit more needs to be done. But the resource intensive countries in particular for the oil exporters they've experienced of course a substantial reduction in their commodity related fiscal revenues. And responding to that a number of countries moved to enact spending cuts of varying sizes and some very large expenditure cuts in countries such Angola and Chad for example. But those cuts as large as they have been have still not matched the magnitude of the decline in revenues. As a result, fiscal balances have widened they have deteriorated very significantly since 2013 in nearly all of the resource intensive countries.

That is an appropriate response of course in the aftermath of a massive shock to try to sustain growth rates. It is reasonable for policy makers to respond that way. The problem is the scope of gradual adjustment is really severely limited for most resource exporters for a number of reasons. For one of course in most cases buffers are very limited both in terms of government deposits and in terms of reserves that these countries have to draw on some of that reflects the fact that they were not working hard enough in the course of the better times to really replenish a reserve that had been used also in the course of the 2009 financial crisis.

The second problem is that new sources of financing are really severely constrained. And so that these wider deficits are really exacerbating macroeconomic tensions and very much so in acutely in a number of cases. So in their policy response to the shocks some of the severely affected countries have allowed the exchange to absorb part of the shock but in many instances the adjustment has not been sufficient given the size of the shock once again. And that's led to a sharp loss of reserves in some places in Angola for example in the Central African Monetary Union Region and in Nigeria as well. Countries like Angola and Nigeria have also introduced restrictions on the foreign exchange market to try to smooth the exchange rate depreciation that has in turn led to a widening of parallel market spreads and you see that in the green bars in this chart and that has had disruptive impact on economic activity in those countries.

Finally, the pass through of the nominal exchange rate depreciation that we've seen in a number of countries and in some countries compounded by the impact of the drought on food supply that's pushed up inflation in some countries. And in this slide represented in the red bars this increase in inflation. Sorry while the green bars of course represent inflation at the end of 2014 and you see the change since. Many monetary policies have of course responded to this by tightening monetary policy try to mitigate the inflationary pressures, preserve macro stability and but that of course has also added to the headwinds against growth because that tightening of monetary policy making financing for private sector investments much harder to come by.

Tighter monetary stances have also and the public sectors greater recourse to domestic financing have increased borrowing costs for the private sector. Credit growth as I was just saying is decelerating and all of that having an adverse impact on economic activity and what is also of concern is that indicators of financial soundness such as non-performing loans and capital adequacy are also deteriorating. So careful monitoring of the financial sector is really critical at this point.

So after all of that in talking about all the recent developments and the policy response let me now turn to talk a little bit about what we take away broadly from this situation. I think the first thing to really stress and this goes to what Amadou was mentioning earlier about the discussion about whether or not Africa is still rising or not and whether we were too optimistic in the past. I want to stress that what is really a rough patch for the region, a very rough patch we remain very optimistic that the region's medium term growth prospects are good. Specifically, there is quite a bit of room for catch up growth to come back. So underlying drivers of growth over the medium term including the favorable demographics and the improved business environment is still there and countries stand to gain from managing those underlying drivers well and moving quickly to deal with the current difficulties.

By 2030, 2035 or so the number of new entrance into the labor force in Sub-Saharan Africa will exceed that from the rest of the world combined and that is a huge potential upside for the region. It is also a huge potential downside if not managed well in particular if job creation is not adequate. But it is development of unprecedented dimension that can really help create huge growth opportunities for the region.

But to realize the potential that we see in the medium term of course countries and commodity exporters in particular need to very quickly move to a policy reset. That's delayed we think and the urgency is very much there for commodity exporters to respond. For natural resource exporters and oil exporters in particular they really need a robust, prompt policy response. As I was saying earlier a number of countries have taken certain measures but still to be seen a more comprehensive, coherent package in a number of countries. And that will include fiscal adjustment especially on the revenue side. We think it's lagging in a number of countries and for countries outside of monetary unions of course to allow more exchange rate flexibility.

For resource intensive countries in currency unions like those in the Central African Monetary Union and in that monetary union five of the six countries are oil exporters. They don't have an exchange rate too of course because they're in a monetary union so fiscal adjustment is even more critical for those countries. And it is also extremely important that they really avoid excessive monetary financing in response to the shocks they're facing.

I think the third take away really applies to countries that do not export commodities. They're generally more favorably placed to weather the current shocks we're seeing. But in those countries fiscal deficits have in fact widened as many of them have sought to ramp up their infrastructure.

As I explained earlier a number of them were hoping to finance that by access to international financial markets and those have of course tightened. So they and other non-resource countries should really take advantage of the benefits from lower oil prices and their benefitting from that to actually build their buffers and reduce their vulnerability so that should there be a sudden and worsening of circumstances down the road they can help to mitigate the impact of that on their economies.

And central banks should certainly be ready to tighten monetary policy to prevent the inflationary pressures that arise from exchange rate depreciation. But they should also of course limit the use of advances to governments to situations where short term financing constraints really need to be mitigated rather than starting to rely on central bank financing to respond to a persistent shock. That is not something that will lead to good results as we've seen in Sub-Saharan Africa's history in the past.

I think my last take away is that this shock is really an opportune moment to really reflect on the need to reinvigorate the substantial structural agenda that the region still faces. I'll talk a little bit about two areas in that regard. First, the need to mobilize domestic revenues and create a sustainable base from non-commodity sectors. The second issue I want to talk a bit about is the need to really advance the economic diversification agenda.

On domestic revenues it's good to start by saying of course that the region has done quite well in increasing the tax to GDP ratio over the past two decades. And that increase has been broad based and stronger actually than in other regions. But because it was from a very low starting point the region still has significant untapped potential to increase its tax revenue. And this was of course a lot of the discussion that we all those of us her were in Addis had in the Financing for Development Conference the need to really ramp up efforts on domestic revenue mobilization.

The medium in the country in Sub-Saharan Africa might have based on the recent work we've the potential to increase their tax revenue by about three to six and a half percent of GDP from an average medium for the region that is around 15 percent of GDP currently. So we see a potential to increase substantially. We think that the unexploited tax potential is particularly significant in a number of countries some of those being Angola, Ghana, Nigeria and Tanzania. In continuing to of course strengthen their revenue mobilization efforts countries also should explore raising tax rates where they're particularly low and there are some countries where that is the case for example the VAT in Nigeria is particularly low. But also expanding both the tax base and tax compliance are also extremely important. All that with a view to not overburdening a given category of tax payers.

So given the importance of natural resources of course in the economy of many countries the fiscal regimes of the extractive industries also deserve particular attention and countries need to pay attention to the international tax treaties they have to really avoid base erosion and profit shifting which can really have a detrimental impact on producer countries.

Of course in an environment where we see significant constraints or reductions in development assistance and external financing, private external financing has become more scarce. Boosting domestic revenues will be one of the most important ways that countries can urgently sustain the needed spending on social and physical infrastructures. So domestic revenue mobilization again to underscore the importance of that.

Beyond fiscal revenues another structural area of importance is of course economic diversification talked about a lot these days. It is often at times of shock of course that countries talk about diversification but of course it is a long-term endeavor and so the focus of that has to outlive the very current shock. So the years of strong growth have actually masked the fact that over that period many countries in the region actually became more dependent on commodities and that has to be reversed if those countries are to be able to experience sustain growth again and to be more resilient to future shocks.

We think one area for helping to do this is a strong potential in trade integration. As this chart shows Sub-Saharan Africa really lags far behind other regions in terms of integration into global value chains. Of course to help to change that investment in human and physical capital is really essential for progress to happen. For example, the cost of shipping goods from the reason remains the highest in the world, access to electricity of course remains very poor in the region. Many countries have of course focused quite a bit on infrastructure developments to respond to those short comings.

But beyond infrastructure further efforts of course to eliminate the regions high trade barriers would facilitate access to high quality imports that are really crucial for joining global value chains. So trade reform tariff reducing high trade barriers are very important. And of course we've talked about the efforts to improve the business environment where the region still lags. It's potential competitive especially in places like Southeast Asia, those are extremely important as well.

Let me conclude then by reiterating that really now is the time to work quickly to resent policies to address the current challenges and to ensure that the continuation of Africa's success on the growth side in the past 15 years can be assured. But the required measures may of course come at the expense of slower growth in the short term but that will prevent what could otherwise be a very disruptive, disorderly adjustment down the road. So to try and manage that adjustment is our advice to countries rather than have that adjustment be very disorderly. So we think with all of that countries will certainly be in the position to reap the substantial economic potential that we still see very much there in Sub-Saharan Africa. Thank you very much for your attention.

MR. KRAMER: Well thank you Antoinette for that presentation and now that I can see the room I can see what Amadou was referring to. I'm glad to see it's full and I know there are lots of questions out there. We're supposed to do a few things first but we'll be sure to get to you. Amadou said I was to introduce the panel. Two of them you've already met so that just leaves me with one. You have Steve Radelet's bio so I won't repeat it. Many of you know that he's a voice on development that we all pay attention to those of us who follow the issue and he's a distinguished professor at the School of Foreign Service at Georgetown and he's first up to respond to the presentation.

MR. RADELET: Great thank you. Good morning everybody. It is great to be here. I am honored to share the stage with my dear friend Antoinette Sayeh. Some of you may have heard that yesterday the IMF announced that she will be stepping down from her position at the end of August. She has done a remarkable job through difficult times for 8 years. It probably seems like 100 years. Through many, many difficult challenges, the ups and downs and what I heard was that because GDP growth rates are falling she decided this was a really good time to leave. I don't think that's true but that's the rumor going around. Anyway I just wanted to ask all of you to join me in thanking her for great service to the IMF over the years.

So let me just make a few points to follow up on her comments. First in 1997 I was working in Southeast Asia in Indonesia and the world was falling apart, beginning in the summer of 1997 the beginning of the Asian financial crisis. And the stories and the mood from everybody was the Asian miracle was a hoax, it was hollow. Obviously we had been way to optimistic, obviously there was nothing there. Paul Krugman wrote an article called the Myth of Asia's Miracle, called it a mirage and guess what it wasn't a mirage. There was a lot more to it and what happened after 1997 was a period of four or five or six very difficult years. A lot of mistakes were made. Things got worse than they should have and mistakes were made both within those countries and around the world. But there were fundamental forces in play that had been introduced earlier on that led those countries to for the most part get out of it after four or five years and here we are now many years later and it almost seems like a blip on the screen. Not quite but in the grand history of Asia's great progress it is clear that that was the outlier rather than longer term trends. It's important I think to keep that experience in mind as we think about what's happening in Sub-Saharan Africa right now. I don't think that we've been too optimistic about the countries that have made progress but that optimism and the progress does by no means guarantee that it's going to continue. It's going to take tough decisions, it's going to take sacrifice, it's going to take courage and the question is open as to whether those decisions are going to be made by people within those countries and by people around the world. So I don't think it's about optimism or pessimism I think there's a lot of reality to what's happened but that does not guarantee that progress is going to continue. That's one.

The second thing I want to point is the importance of always, always, always, stressing the diversity of experiences within Sub-Saharan Africa and staying away from any broad generalizations. This report the Regional Economic Outlook does a great job of that and Antoinette's presentation did as well. But still I always hear people talk about Sub-Saharan Africa as a whole and it is wrong to think about it that way and if you do you're lazy and you mix up the oil importers with the oil exporters and it doesn't mean anything at all. Over the last 20 years there's close to 20 countries in Sub-Saharan Africa that average that doubled their incomes, average growth sufficiently that their incomes have doubled since 1995. There are another 20 or so countries in Sub-Saharan Africa where income today is the same as it was in 1995. Just a huge divergence of experiences and we see that in governance and democracy and conflict and all kinds of measures. So keep that in mind.

Second, one of the things that Antoinette said early I want to emphasize is the importance of the policies and institutions. This was not just a commodity boom. There were very fundamental changes that took place in the countries that made progress around governance, around a shift to democracy, around better policies, around far better capacity and skills within the leadership, the political leadership, government leadership, private sector leadership, NGO leadership and that's important to emphasize because those are not going away because commodity prices went down. They will be tested but they are not going away. So there are these fundamental factors that have been built over two decades that remain in play which should give us some hope for the coming decades as well. So that's the second point.

The third point the game has changed however and part of the progress over the last decade since 2002 has been the rise of commodity prices in many countries and that's over and I don't think it's going to change any time soon. China's growth has slowed down quite markedly that's a market and a partner for many countries and that is a permanent shift. China is going through long term structural shifts as well as some short-term problems on their finances but long term structural shifts that means their growth rate is not going to rebound ever I don't think. It's not going to rebound to what it was. It will stay at I think 5, 6, 7 percent for a long time to come which is pretty good but it's never going to go back up to ten. So that's changed.

What else has changed? The impacts of climate change are beginning to affect countries in Sub-Saharan Africa. The drought that Antoinette pointed out is one indication of that. In the next decade or two decades there will new stresses, additional stresses on the ecosystem particularly across the Sahel but other places on the continent. And whereas that over the last ten years we've talked about that as a future threat I'm increasingly convinced that this is a current threat that's going to get worse going on. So that's a big change.

And we have demographic change going on with the youth bulge coming along, a shift towards urbanization. That is both a risk and an opportunity. It's a risk if it's not handled particularly well because it can lead to lots of unemployed people and lots of unhappy people but it's an opportunity and this is something that many Asian countries did very well, it's an opportunity if you can shift the economy into ways that can take advantage of that growing labor force and put them to work in manufacturing and services and use that as a resource rather than a burden, so it's an open question. But all of these big shifts are happening so there's no guarantee that because this progress has happened over the last 20 years that it's going to continue especially with these things that have fundamentally changed.

So what to do? Antoinette already outlined many of the reforms and actions that are necessary and I just want to underline a few. The test is going to be how Sub-Saharan African countries reform particularly in those that are tested by the commodity price shocks. Again however, there are big differences in the oil exporters the outlook for economic growth is lousy as it is in countries that are concentrated in their exports in copper, in iron ore, in rubber and other highly concentrated exports.

For the oil importers the drop in the price of oil is a boom, it's a help, it's a big help actually in many countries that offset this. And in a few countries like Cote d'Ivoire they're getting lucky their export prices cocoa are going up and their import prices on oil are going down and they'Sre looking at eight percent growth. But if you look at the oil importers in Sub-Saharan Africa excluding South Africa which has its own issues to deal with which is a big exception the growth rates over the next two years are projected to be five or six percent. Pretty good, actually really good. So again this diversity of experiences matters a lot. But the challenge will be how to respond. Getting the macro policies right is really important. Those of us that are macro-economists that have been shunted to the side for 20 years, macro is back and it's really great. We can think about exchange rates again. But macro-economic policies are going to be central to this, exchange rate management, budget management.

Diversifying the economies over the next 10 years is absolutely central. This progress cannot continue if countries fail to make the investments to diversify their economies and move away from a dependence on commodities and get into labor intensive manufacturing and services. And that entails investments in infrastructure, oil, electricity, power, roads, it entails investing in education and health systems to continue to build that human capital. And it's going to require specific kinds of policies in improving the business environment for investors and entrepreneurs. It's going to involve a lot more than that but it's not going to happen automatically. That movement towards diversification and those investments in physical capital, human capital and getting the business environment right are going to be central to this going on.

My last point is that the United States and other international organizations and entities have a role to play here. It is in our great interest to make sure that this progress continues from our own security perspective, from our own perspective about fighting pandemic diseases that can cross borders, from our own perspective about fighting international crimes networks, for all kinds of selfish reasons

Africa's progress is in the great interest of the United States as well as progress in other developing countries, developing regions as well. So we the international community not just the United States need to step up.

The IMF has done a great job. They've stepped up faster and bigger than anybody else in the Ebola crisis and didn't get credit for it frankly. They've stepped up in many ways in the past. That's going to have to continue but part of this is donor money from the Unites States other, part of it is leadership in cementing governance. Helping the democracies to consolidate their institutions, to consolidate transparency, to consolidate the rules and mechanisms around democratic governance which will lead to better governance in the future. And the United States and others have role to play in continuing to push on that agenda. We have a big role in continuing to push on a goal in trade openness which is very hard in the United States these days. But part of this is going to be a roll for us.

And our final roll over the next couple of decades is going to be to invest heavily in technologies that can help us but can also help developing countries around the world. Technologies and alternative energies so we can more off grid power so that more people can get into the growth system. Investments in water, desalinating water and brining the cost curve down on that. Investments in new seed varieties that can be heat resistant and drought resistant to fight against climate change. Investments in new vaccines and other kinds of things that can help fight diseases. Those kinds of big investments in technologies have huge payoffs but those investments are not going to come from Sub-Saharan Africa it can't be done it's got to come from places like in the United States. And we have to think about a bit of a paradigm shift with the world changing in those many ways that we can invest in the kinds of technologies that are going to allow progress to continue in spite of the big obstacles that are ahead. I'll stop there.

MR. KRAMER: Thanks Steve. Amadou.

MR. SY: Yes thank you. Thanks Antoinette for a very, very informative and useful presentation. Again this is all available on the internet and I recommend that you can answer a lot of questions, lots of data you can find just by looking at this report. Steve's intervention is a good segway for mine because I will try to focus on the issue of governance.

So we did a quick study looking at basically the importance of external shock in explaining output fluctuation in Sub-Saharan Africa. For data reasons we only focus on the seven largest economies in

Sub-Saharan Africa. But the result we had was pretty encouraging. We find that about 50 percent output fluctuation in the region can be explained by external factors. By external factors we looked at oil commodity prices, we looked at Chinese economic growth and we looked at U.S. interest rates for the cost of borrowing. This to us is very encouraging because it means that at least half of the problem is in African policy makers hands. The solutions are really in their hands. By the way the biggest shock we found the permanent shock was for China. So that gave us reason to still be optimistic about the region.

Another reason why we were optimistic we saw that, you know, it might be easier to adjust when you have a shock right when times are bad for policy makers. But now we're having doubts about that, that second part. That's why I think this political economy of reform, this political economy of adjustment is really critical because policy makers face tough tradeoffs. But as Antoinette said, you know, you want to avoid a disorderly adjustment. But we see in many countries some hesitation, some fear of really taking a decisive or a rapid adjustment. But we have to put ourselves in the shoes of these policy makers. Take Nigeria right it would make sense right now that we have a parallel exchange rate to think and also as policy buffers are being really limited and are decreasing to think about exchange rate also as a policy tool. But it's clear that the President is also worried about the impact on the poorest segment of the population. He's worried about inflation. And it's important also to go back and understand what happened when President Buhari was toppled down by President Babangida who went on to implement a reform adjustment that was pretty hard also on the Nigerian population.

So right now we have a shock. We were very happy when the elections were successful or peaceful and Nigeria is the number one economy in the region so we were like this is really heartening, this is a good time to show what African policy makers can do. But right now I think it is evident that these trade-offs are there and there is some hesitation and it can be costly.

Let's take domestic revenue mobilization. So Nigeria has one of the lowest value added taxes in the region, in the world and it would make sense to increase them also but it's a regressive tax. Again it will have impact on the poorest segment of the population. I think it is important to look at these trade-offs and when we're trying to really push for policy measures to avoid disorderly adjustment to really emphasize the trade-offs and show that yes we will have a very tough adjustment but there are costs and benefits right to show it very clearly. That's the sense I have when I talk to Nigerian policy makers that they're still not convinced about a lot of issues and I think we have to work on that.

And going back again on this political economic reforms if you take South Africa for example a very good institution emerging market and so on but we see the price that they're paying because of the issues in the political economy again. And the need to have business and unions and policy makers all have basically a common goal and really work together to achieve that. So that's one issue.

I think really as we go ahead Africa has been there before. We've had these terms of trade shocks before in the seventies, in the eighties. We managed the 2008 Global Financial Crisis pretty well because we had the policy buffers but those policy buffers were depleted and now we are at a stage where the policy buffers are depleted and the policy makers are hesitant again to make these decisions.

This brings me to another point which has to do again with the management of material resource wealth. Again another policy issue there right. In good times it makes sense to, you know, take some of the revenues that we had thanks to this commodity super cycle to have these policy buffers again. A good example right now is Chile which thanks to a couple fund is managing the shock I think pretty well compared to many other countries. In Nigeria the goal was there to have this oil fund but we know what happened it was difficult to even constitute the oil fund. The geology of Africa is such that natural resource will still be a big picture in spite of this boom and bust cycle I think going forward natural resources will still be part of the picture in Africa. We still again have to go to these policy decisions, these tough policy choices of how do you manage this natural resource wealth right? How do you build your policy buffers? How domestically do you, you know, manage that process so that it's done efficiently like other countries have done it. Even going beyond this policy buffer how do you constitute these funds for future generations like other countries have done like Norway has done.

By the way if you look at the political economy of Norway the first time they got the oil they did not use it very, very efficiently. They increased the salaries of civil servants, they made a mistake. But then they were lucky to again find more oil and the next time they got it right. And now the Norwegian pension fund is one of the biggest.

So there's this process basically that all countries have to go through but here the problem is that we don't have the luxury of time right. We have all these demographic trends coming in, we have the young population coming in the labor market, we need to create jobs. So I think it is too important to just leave it to policy makers. International community of course but internally businesses, civil society and so on have to really push right and it has to be an informed discussion with all the trade-offs out there but we don't have the luxury really to make a lot of mistakes and end up with disorderly adjustment when we've worked so hard to have these growth dividends that we have achieved.

Again coming now to the domestic revenue mobilization I agree fully that it was also clear in Addis that this was really a priority. Less than one percent of official development assistance goes to helping African countries really raise more domestic revenues. There are some pledges by the U.S., by the (inaudible) and so on to increase and make it happen and that will be very welcome.

But another often overlooked issue is also the fact that we also have an addition to the government there are some domestic revenues in pension funds in insurance companies. Best example is South African PIC which now invests outside South Africa. Botswana's pension fund also very huge and these are Nigeria very interestingly it took I think three presidents to reform the Nigerian pension fund. But they did it. Now the money is there and they're even thinking of getting money from the informal sector too. But what do you do with that money? You still have to, you know, reform the capital markets, create securities, create instruments, work with the investment policy committee of these pension funds to also again show them the benefits of investing in something else then real estate. And it's possible especially when we have this huge infrastructure gap that we have to fill. Because right now typically when you adjust cutting investment is one of the first thing you do because again of the political economy it is easier to cut investment then cutting wages and that's at risk because we need those infrastructures.

And then finally I think this issue of structural transformation I think we should not let these temporary shocks as important as it is to manage them steer us away from this agenda of structural transformation. Agriculture is still not the engine of growth that it should be. We haven't had the green revolution that happened in Asia and that freed up this labor to go into manufacturing sector, we haven't had that in many African countries. We see some good signs, Cote d'Ivoire again in the agriculture currently 2.5 tons per hectare now is happening. Cote d'Ivoire is now I think the number one cashew nut exporter in the world. So it is happening but not enough. Industrialization agro processing, we don't see that. Services is booming but we have to really understand better the services. In many countries services has a lot of informality. So that's right now one of the key engines of growth that we have. But is that enough? Is that sustainable? Can technology play a role there? And I've already talked about natural resources.

But even in that we need really to take in addition to the sectoral view that we are having we also need to look at the mega trends and all these trends and see how they fit together. Let me give you a simple example. Mozambique huge discovery of gas but what do you do with that gas. You could keep it underground where it's for the people and the future generations too. If you keep it in the ground the children and the grandchildren benefit from it or you can sell it. Or you can transform in energy and sell the energy or you can use some of it to manufacture fertilizers like Gabon did with its gas. Phosphates and fertilizers and phosphates and natural gas you can have fertilizers and then it can fit into the structural transformation agenda and help your agriculture and so on right.

So again let's look at the demographic trend. What do we do? How do we create jobs? Where will these jobs come from and the skills? How are we going to have the skills that are needed but for what type of jobs? We need to talk with the business community, we need to talk with the education ministers, we need to think about vocational training, we need to think about technology. Will the plans of the future just be 3-D printing and robots and so on? If so then we have all these young people, well let's train them for the skills that are needed for the future plans. Or if it isn't too optimistic and we still have the third revolution type of trend or second revolution well let's train them. But we need to have this conversation and all stakeholders have to be part of right.

And just to finish, you know, take urbanization, again another mega trend. How does urbanization fit in this picture right? You can see again the political economy coming in there where in many countries there is a fear of strong mayors. You see the former mayor of Jakarta is now the president of Indonesia. I think the former mayor of Buenos Aires is now the president of Argentina. So a strong mayor for many politicians is something that, you know, maybe. But where is the money. Many of our cities aren't even able to raise the money to implement the needed infrastructure projects and so on. And then we have this gap in our cities if we're not careful might not end up as the cities that are useful to take us where we should be. So basically my main takeaway is that we really need to spend more time understanding the political economy of adjustment of reforms and it is useful that institutions like IMF, the World Bank and academics like Steve are putting our bear that thwarts the data and so on. But we need to take it to another step and take it to the countries, the stakeholders and so on and hopefully to push for this agenda, thank you.

MR. KRAMER: Thank you. Thank you all three for mind boggling presentation of lots of information. I know there are lots of questions. I'm going to exercise a hard to kick habit of a journalist and prerogative of being the moderator to ask one follow up at least. All three of you talked about the necessity really for tough decisions to be made by policy makers as well as the youth bulge which you've described as opportunity as well as a challenge. So my question is how do you balance the need for fiscal responsibility to people like us just means cutting the budget right? That's an oversimplification. With the need for you all talked about diversification, investment in infrastructure education how does it come out in the end?

MS. SAYEH: Well I think these constraints and these shocks of course underscore the need for countries not to just cut expenditure but to actually look at the quality of what they're spending and be much more exacting in demanding higher quality investments and other expenditure. That is certainly one of the tools you can use to actually work toward the fiscal space you need to maintain, to safeguard for investing in priorities liked you've underscored. So better public expenditure management and certainly more attention to what value added this particular project will permit.

A lot of the talk about cutting investments sometimes fail to focus on the fact that some countries have gone about of course with the objective of really trying to ramp up infrastructure sometimes prematurely investing in certain projects without really studying them carefully enough. Certainly without asking the hardest questions about how effective this can be in removing the obstacles to agricultural production for example. But perhaps a particular road is decided because it certainly facilitates more entrance form the president's village to the rest of the country. So one has to be a lot more exacting about what you're spending on.

As I was saying in my presentation there's a huge potential in domestic resource mobilization area. It comes not just from raising taxes it comes from actually applying taxes that are already in effect reducing exemptions from those taxes because of connected people and because of thinking that in exempting taxes you get more investments, that has not been proven to be the case in many countries. You talk to the typical private sector investor they're more concerned about energy, the availability of electricity, all kinds of difficulties in just starting a business and importing inputs. They're not so much concerned about the tax level that they're faced with they're concerned with actually being able to get their products through the port for example. So one has to really look beyond just the global numbers and ask what you're actually spending things on, whether you're actually collecting all that you can collect.

Another area of underutilized taxation revenue capacity is property taxes. Property taxes are hugely underutilized in Sub-Saharan Africa. We see good prospects there for doing more. And I would say also to make sure that when we talk about regressive taxation or not to look at the regressivity or progressivity of the fiscal as whole not just on the tax side. Ask how the taxes whether they're progressive or not but ask whether the expenditure is progressive or not. Look at the net of that to determine whether there are times it is more efficient to mobilize particular revenues this way but how you use them is also hugely important to the impact net on the poor.

So just to underscore the need to really go beyond global numbers in helping countries to really intelligently make that fiscal space they need to safeguard poor spending.

MR. RADELET: Just a couple of things to underline. Antoinette is exactly right on prioritizing expenditures. I think that almost goes without saying. That's going to be a tough test to do that. She's also absolutely correct on mobilizing more resources. There is huge scope to increase resources within countries that can make a lot of money.

One particular thing that I wanted to mention is with oil prices falling their scope right now is to take advantage of that as an opportunity and put some kind of excised tax or fee on oil. And the price of oil has fallen sufficiently that you can actually put a tax on it and the market price will still be lower than it was. Some countries actually have subsidies on fuel, it is a good time to get rid of those. So that actually, that fallen oil price actually creates an opportunity on the revenue side. Liberia has done this and a couple of others and the amounts of revenue involved are actually huge. So you can do some things on that.

But the other point I want to make is that to get to where you want to go to this youth bulge and to diversify the economy it is more than just the budget. Your question was about the budget but it's also about creating that environment for investment and for business so that investments are more efficient and more productive. To get rid of a lot of the red tape and the regulations bring down the business costs and make it more profitable for investors to make those investments into services and to labor intensive manufacturing and exports. And part of it is on the expenditure side but part of it is taking the steps to reduce some of the cost burdens associated with that to make them more competitive. So there is another dimension to it as well.

MR. KRAMER: So you mentioned, Steve the need to not over generalize about Sub-Saharan Africa. I want to bring you down to one specific country that the two of you know very well, Liberia. How much both as a case study and as a specific, how much flexibility really is there to do much for the part of the Liberian government which has not only post conflict but post Ebola and as you mentioned the iron ore prices which is one of its principle exports has dropped way, way down. So what can a country like that do as an example?

MS. SAYEH: Liberia I try to stay away from.

MR. KRAMER: Okay you can pass it to Steve.

MS. SAYEH: Let Steve start and I'll say a little bit maybe.

MR. RADELET: I can't wait until the end of August when she can't use this escape hatch. So Liberia has made more progress than almost anybody expected between 2006 and 2014. But it has been hit by multiple shocks actually. One is Ebola and the obvious public health tragedy and personal tragedy and community tragedy that it was but it has big economic implications as well because a lot of investors went away and they haven't come back.

But then the second is commodity prices falling particularly iron ore and rubber, the two biggest exports and that has hurt a lot. Offset a little bit by oil prices falling which is actually helping them at the moment but that's the second shock.

The third is that the United Nations Peace Keeping Force UNMIL the UN Mission in Liberia is continuing to draw down its forces from a height of 16,000 I think in 2004, 2005 down to three or four thousand now and continuing to draw that down and that has two consequences. One is that it creates some uncertainty as to whether around stability but the second is economic. They spent a lot of money, the Peacekeepers do.

And the fourth shock or the fourth level of uncertainty is that there's a major political transition on the horizon with the elections coming up next year at the end of October where President Sirleaf will complete her second and final term and so there will be a transition to a new president. So the four of those together are huge. And so it's not particularly surprising that growth has come way down.

Now to your question look there's no way that in the short run you can get growth back up to six or eight percent. So part of this is communicating to people and getting expectations right. But part of it is to use the crisis as an opportunity to get the budget in line, to get stuff out of the budget that really is a waste of money, to make these efforts on domestic resource mobilization that can carry forward when things begin to recover, to go through the regulations and red tape and business environment to try to clean that up. So you take advantage of it in any way that you can when the need is great to go forward on those kinds of advances.

When economies are booming there's no pressure to take the tough decisions to weed out the inefficiencies and with strong leadership you realize that a crisis is the time that you can weed those out and it doesn't make your job any easier now but it has a payoff later. It has some payoff now but it has a big payoff later when things begin to improve on the external environment. But it is a very, very tough situation.

MS. SAYEH: Indeed and I would simply add to what Steve has said that of course in this very difficult circumstances that's where us in the international community also have a role to play in helping countries like Liberia manage and transition through a very difficult patch.

But to make a convincing case to (inaudible) financial institutions and others that the resources they can bring to the table will be best used and are really going to be effective in (inaudible) towards that objective. Countries like Liberia have to clearly demonstrate that they're doing the best they can to make hard choices and to actually use the limited resources they have much more effectively. And I think there's some questions about whether Liberia is doing that and really needs to focus on mitigating the urge to do too much sometimes amidst the political pressures of course. And as Steve mentioned the election is coming, huge political pressures there. And to really focus on being even more exacting about asking hard questions about how we're using limited resources. There is work to do on that account in

Liberia we think at the IMF in any case.

MR. KRAMER: Amadou let me direct my last question before I go to the audience to you and others can comment if you will. Do you see a role in this time when we're talking about fiscal constraints and the need for new sources of funds to try to really get a hold of the elicit financial flows out of Africa that we've been hearing about a bit more lately?

MR. SY: Yes so I think it's a very relevant question. So I think it deserves a lot of attention. It is not just up to -- it's a problem that can be solved really with a genuine collaboration between African countries and also richer countries. But I would say two things. First of all, I think it is doable but my hunch is this will take time. It is not a silver bullet and it will take time. You need lots of lawyers involved and when lawyers are involved you can ensure that it will take a lot of time.

And I would say I would just broaden the problem to looking at all sorts of financing sources. Just think about a two by two matrix where you have private, public, domestic and foreign. I think given the financing gap that we are facing in Africa we have to look at the four quadrants at this very seriously in addition to elicit financial flows.

And also when we're thinking about multinational companies another issues which is not also discussed a lot is the issue of local content regulation. It is true if you look at the South African budget for example there isn't one, there is a section there that talks about realistic financial throws and it is relevant and they will try to do it. But my hunch is it will take time.

How about other issues also like local content regulation? So you see countries like Brazil for example having very detailed local content regulation. The idea is when these multinational companies come you try also to have transfer of skills, transfer of technology and so on right. So the money, the transfer pricing and all of that is one issue.

But I think another issue now that we are going to face lots of people entering the job market is to have these companies also help train and help transfer the technology. Now in there we have to also be careful. On the one extreme it is very easy to go like in Zimbabwe and have the indigenization but you can have a counterproductive basically reaction there. Then it is very easy sometimes I think if I'm a company and you're asking me that I should have 50 percent of my management locals I can just stick boxes and higher people who I might not even see right. So I don't want that type of local content regulation. I want local content regulation where, you know, you have engineers that are being trained or engineers that are being exposed to best practice and so on. So you have think.

So incidentally there was a World Bank report that was very interesting looking at I think at the oil sector and looking at for example that upstream it might be difficult to have too much local content regulation because so, I mean a friendly force certain things you need even to fly people from Texas. They're the only people that can do it in the world I heard. So there it is difficult but downstream there are lots of opportunities to have local content regulation. And so it's a dialogue and you need to create jobs, you need to have, you know, skilled labor, that's one thing. On the other hand, you need to talk to the multinational companies. So I think we have to take a holistic view not just elicit financial flows.

MR. KRAMER: Antoinette do you have anything to say about the elicit flows in this context?

MS. SAYEH: Well, you know, there's been quite a bit of focus on that issue recently and certainly the Fund in our areas of work have certainly provided support to strengthening tax (inaudible) support and encouragement to governments to really improve the business environment. Because there is a tendency sometimes to conflate what may be capital outflows in response to an inappropriate economic environment or uncertainties in that economic environment or problems that investors see in investing properly in those places versus outflows due to illegal activities. One has to really look more carefully at what the outflow is about to be able to I think formulate appropriate responses to try to stop that. Some of those may just be continuing to work on improving the enabling environment for private investment but some of it may be strengthening your tax administrations and really make sure you're better at stopping or mitigating the impact of transfer pricing and all of those things. So one has to be more careful I think in looking what the problem is.

But certainly that has underscored the need for governments to continue to work to improve their tax administration and we do a lot of that and to also work on issues around anti-money laundering and that sort of thing that the Fund also provides support on. So we're certainly happy to continue to provide good support to countries to strengthen their ability to deal with these issues. But it is not an easy fix to say elicit flows is why we're not prospering. You have to work that to really improve things so that people don't want to take their capital out of their country.

MR. SY: I just forgot to add that we hosted recently President Thabo Mbeki and his group working on elicit financial flows which has a very, very good report on the issue. And we summarized some of the discussion on our website too. And, you know, they're coming up with concrete and also rapid proposal. For example, one proposal was that when like in the case of Nigeria and other countries where illegal money has been identified and it has to be repatriated often it ends up in some kind of banking account and it is used by those banks. So they are proposing to create I think an escrow account where that money at least could be placed and used while waiting for the final decision to bring it back.

MR. KRAMER: Thank you. So we have a few minutes left. Let's get a few questions in from the audience. We'll start right there in the back.

MR. RYNTJES: Hi. I'm Daniel Ryntjes and I work for Feature Story News. We provide broadcast news to three different African networks and we have broadcast news on African affairs from Europe, U.S. and several African countries where we're training African journalists at the moment. I just wanted to ask you about the role of the United States which Steve touched on. In this difficult environment where you both want investments and there is less money to go around what kind of roles can the United States now play in helping these African countries to achieve their potential? Thank you.

MR. KRAMER: Antoinette do you want to take it first?

MS. SAYEH: Well certainly the U.S. is an important development partner for a significant number of countries in Sub-Saharan Africa. And we hope that even through this very uncertain political year that the U.S. will continue to remain committed to supporting Sub-Saharan Africa, address the huge needs it has and certainly through the MCC and the resources that are being provided there USAID, all of the sources of financing that the U.S. has to support productive investments and activity in Sub-Saharan Africa we hope can continue. The U.S. is also a very important of course member and shareholder in the international financial institutions and has a huge role to play there in terms of having the policies of our institutions and our response be more focused on Sub-Saharan African needs. We hope that despite a very heated political environment they continue to remain committed to supporting Sub-Saharan Africa.

MR. KRAMER: Steve you mentioned the importance of technology do you have some thoughts?

MR. RADELET: Yes so there will be a new president here next year. Unfortunately, she is very knowledgeable about (inaudible). But a couple of things. One, more seriously actually in the run, you know, I've mentioned governance and democracy and I'm more and more convinced that in the long run better governance and functional something like democracy is key to long term progress here and elsewhere. And the United States still stands out as an example that other countries look towards. And so one of the things that we need to do here is do a better job of making our democracy function as an example for the rest of the world and that's important. Obviously for ourselves but it also is important in continuing to sustain this great wave towards democracy that started after the end of the Cold War. So that is actually one thing that I think is less obvious but important to measure.

Second, you know, we provide a lot of foreign assistance but we've got to do a better job of upgrading how we do it. We're not going to get more money; I'd love to see that but it's not going to happen. But we can use that and the money we've used has done a lot of good. But we can use that money much more effectively. We've got to think more about how we can leverage bilateral foreign assistance to encourage private investment and do this in a cooperative way. And the conversation on that is really just in the very early stages around things like power but also supply chains and other kinds of things. And we're going to have to move into new models of thinking about using foreign assistance to leverage private investment rather than as something separate from it.

And then third as I say new models in terms of again we're stuck in these bilateral relationships of how we provide aide, we've got to move back to at least some of that money being reallocated for global public goods and by that I mean investments in technology and other kinds of things the way that we did with the green revolution. The green revolution which is probably foreign assistances greatest success didn't happen through bilateral programs. It happened by funding research into technical research centers that then was adapted to countries and I think we're going to need to do more of that on investments in health technologies, investments in agricultural technologies, alternative energies, those kinds of things which are going to be applicable in so many countries. We're going to have to think of different models of how we invest in those new technologies.

MR. SY: So we have all these programs like traditionally like (inaudible) have issues, MCC which puts a lot of focus on governance and so on. But I think I would agree we don't expect much more U.S. taxpayer money going to Africa. But I think what the U.S. policy makers can do is really as Steve said help leverage their knowledge of the country, of the continent to bring in more private investment into Africa. There's a big gap between the perception of risk and the reality of risk in Africa. Companies that operate in Africa have a different perception of the risk then companies who have never been there. Given the size of the U.S. private sector it is so huge that I mean even a small share of investment, of direct investment can make a big difference.

A second point where I think the U.S. can play a role is really help support regional integration. They are doing a lot in the Eastern African community but I think it should be also -- I think there is so much upside in regional integration in Africa. We're talking about global value chains but regional value chains can also be an engine of trade and investment integration in Africa. So investing in regional integration and supporting these regional institutions.

And finally U.S. of course plays a big role in multilateral institutions and so on and we have other parties that are interested in Africa like China, like India as you may know. But Nigeria now because of fracking and so on is not exporting oil to U.S. anymore it's exporting it to India. Apparently it is the number one exporter of oil in India. So I think having a common view, a common position, weave of course the African policy makers on how best to work with Africa would also help.

MR. KRAMER: I see that we're at the end of our time. Do we have time for one more question or do we need to shut it down? One more, all right.

MR. DILLON: Ken Dillon CNC Press. Why is it so difficult to find a good Africa growth fund? If you look for investing in African stocks, you'll find there are several growth funds that purport to be Africa growth funds but what do they have? They have very cautious South African stocks, they have Egyptian stocks and they've got plenty of stocks that aren't African at all. So why is it so difficult.

MR. SY: One issue obviously is the size, you know, I mean if you are a 300-billion-dollar fund one percent is a lot and our stock markets that capitalization outside South Africa isn't that great. There is investability also. Can you really invest those? The liquidity issues and so on. So South Africa is difficult to find it but it's happening. But where you see the action is in the private equity funds. There, you know, you see a growth in a private equity fund going to Africa sitting on the board of companies and, you know, playing a long game and of course hopefully if stock markets are more liquid it helps them get out but you see more actions there. So private equity funds would be the place I think if you want to really invest in more African countries.

MR. RADELET: Yes just to reinforce that I don't think the problem is the absence of a fund it is the absence of liquid deep stock markets to invest in. And there are not very many of them, there is a handful. The reasons why those don't exist are much deeper but it is not the fund itself. So given the fact that there aren't many deep and liquid stock exchanges the better way to go I think at this point is equity funds rather than stock funds.

MR. SY: We have the IFC too.

MR. KRAMER: Well please join me in thanking Antoinette in particular and Steve and Amadou for a great presentation.

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.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2016