

Keynote address for the LSE Africa Summit 2017
“Built for Africa”

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Your Excellencies

Distinguished Panelists

Distinguished Guests:

Ladies and Gentlemen

INTRODUCTION

Good morning.

1. I am delighted to be in your esteemed and prestigious company here today. I would like to thank the London School of Economics, on my own behalf and that of the people of Mauritius, for inviting me to share with you my perspectives on Africa - a continent that is vast, complex and rising to a brighter future.

2. The London School of Economics, with one of the most impressive list of alumni who are current and former heads of states, heads of governments and ministers responsible for finances and economic development, has no doubt contributed

significantly in shaping the political class and economic structure of several countries, including Mauritius.

3. It is highly commendable on the part of the LSE to associate itself with the continent with a view to supporting its growth and development by organizing this Africa Summit. It would be fair to say that we all here share the vision of an African Continent where there would be greater equality of wealth and opportunity, where freedom as a birthright would be duly respected, where sustainable and inclusive development would flourish and where democracy would be consolidated. The fact that you have responded in large numbers to this summit is heartwarming and stirring. I say stirring because it strengthens our resolve as Africans to put even greater effort, knowing that we are united and determined. We have for some years now been witnessing the evolution of a new world order which calls upon us from Africa to adopt new approaches to deal with our developmental challenges.

4. This 4th LSE Africa Summit 2017, thus comes at a particularly opportune time for the UK, for Europe and of course for Africa. Attendance at the Summit by some of the brightest and most informed minds, many with the ability to positively influence

their countries today and in the future, will surely contribute to our dialogue on how to take the Continent forward.

5. The theme “Built for Africa” is very well-chosen, especially as discussions are expected to focus on innovative ways of addressing issues facing Africa, in an effort to find African solutions to African problems. This endeavour I believe should strive to put the African people at the heart of our deliberations as the ultimate beneficiaries.

6. I will use the opportunity given to me to present my perspective on today’s theme, highlighting the challenges, the opportunities, achievements related to trade and regionalisation and some of the successes. Yes, we do have success stories! - which we need to share. During the course of my address, I will share with you some of the initiatives taken by my own country, Mauritius.

7. Many will remember headlines such as “The Hopeless Continent” which appeared in *The Economist* in the year 2000, portraying Africa as the continent that is helplessly witnessing war and intra-state conflict, famine, natural disasters, corruption, lack of democracy, poverty, etc...It is very true that we still have a lot to do in order to change this into more positive narratives. But we

would surely agree that there has been a lot of progress achieved over the years. Otherwise, how do we explain titles such as “Africa Rising” (Time Magazine’s, 2012). The truth is, we are today living in an Africa with a diversity of situations but what is important is that the rising trend is growing stronger and stronger.

CHALLENGES

8. Let me highlight some of the main challenges facing the continent.

9. The continent continues to face conflicts and challenges such as political instability, inadequate infrastructure, the need for financial assistance and issues related to investment protection, taxation and fiscal uncertainties all of which continue to be major stumbling blocks to economic growth and development.

10. True it is that the delay in strategic planning has stymied growth and put the continent at a competitive disadvantage with the rest of the world. Improving infrastructure has become a *sine qua non*. We will not be able to achieve what we have sought to achieve if we do not have appropriate means to do so. Road networks, modern transport systems, more efficient ports and greater air connectivity remain essential prerequisites to attract business and take the continent forward.

11. Africa is today a massive construction site with mega infrastructure projects, such as the Lamu Port, South Sudan; the Ethiopia Transport Corridor; the Konza Tech City housing universities; research facilities and IT centres; and the Grand Ethiopian Dam. But still, there is a big gap in investment that will need to be filled. That's another challenge. In fact, the World Bank estimated in 2009 that the amount of capital required to close the infrastructure gap in Africa would be in the region of US\$93 billion annually until 2020.

12. While Foreign Direct Investment now exceeds foreign aid, which is a sign of confidence in the continent, illicit-capital-flows out of Africa remains a big issue. It is estimated that every year, more than \$ 192 billion leave the continent in the form of flight-of-profits, tax evasion or other illicit-financial-flows. This is more than 6 times the amount of aid received every year from the countries to which these flows are going. It is important that there are concerted efforts to ensure that these funds remain within Africa.

13. The challenge is to use our own networks and our own entrepreneurs to make the most of what we have. Some countries in Africa have the resources, some have the manpower, some the know-how, and some the connections. If the countries in Africa

manage to develop the right synergy and a common approach towards the pursuit of an overarching objective, success will follow. That would definitely be a case of African solutions to African issues.

14. Over reliance on foreign markets is not sustainable, as we are left to depend on the whims and fancies of exogenous factors, especially as Africa remains very dependent on commodities in a period of high currency risks. Market volatility, political instability, and unanticipated events like Brexit can have disastrous impact on African economies, especially when the correcting mechanisms are not promptly put in place. Boosting intra-African trade, as well as cross border investment within the continent, will go a long way towards building resilience.

OPPORTUNITIES

15. But Friends, ladies and gentlemen, on the other hand great opportunities are knocking on our doors. We are slowly, but surely, rising to these challenges with a keen eye on the future.

16. Africa is attracting attention for good reasons. Let me mention some trends and facts that are very encouraging indeed and which will surely sustain Africa's growth in the long run.

17. Democracy is taking strong root and good governance is progressively being firmly established. We witnessed the recent peaceful elections in Cote d'Ivoire, Ghana, Gambia and Seychelles. In fact, the peaceful resolution of the Gambian post-election crisis through the sustained efforts of the Economic Community of Western African States (ECOWAS) has demonstrated that Africans can indeed resolve their problems on their own. In fact, during the recent African Economic Platform held in Mauritius, the Prime Minister of the Republic of Mauritius rightly echoed that very fervent desire for us to find African solutions for African problems.

18. Another major achievement is the African Peer Review Mechanism which is a premier home-grown innovative tool for sharing good governance practices. More than two-thirds of African Union Member States have engaged themselves to implement this exercise.

19. African countries are now joining hands in addressing the scourge of terrorism and violent conflicts which are having huge economic and social costs to the continent in general. The success achieved by the Multinational Joint Task Force in reducing the capacity of Boko Haram may well serve as a model in the fight against terrorism and threats to peace, security and

stability. They have also recently resolved to silence the guns in Africa by the year 2020.

20. The continent has some of the fastest growing economies in the world. The IMF has forecast that Africa will be the second fastest-growing region in the world between 2016 and 2020 with annual average growth of 4.3% and Foreign Direct Investment reaching more than \$70 billion in 2015, up from a mere \$14 billion in 2004.

21. Moreover, although the continent's economies are often seen as being dependent on commodities and natural resources, about one-fifth of Africa's GDP comes from countries such as Côte d'Ivoire, Ethiopia, Kenya, Morocco and Rwanda, that are actively reforming their economies by diversifying and increasing competitiveness.

22. Our continent is today home to no fewer than 20 billionaires with a combined net worth of around \$ 70 billion.

23. Africa represents a market of more than a billion people - the majority of whom are young. The literacy rate has risen substantially in many countries. The consumer purchasing power

is increasing as the proportion of middle class population is growing.

24. It is estimated that Africa is the world's richest continent, with 50% of the world's gold, most of the world's diamonds and chromium, 90% of the cobalt, 40% of the world's potential hydroelectric power, 65% of the manganese, millions of acres of unexploited farmland, important oil and gas reserves as well as other natural resources.

25. Diseases and epidemics such as AIDS and malaria are being kept in check.

TRADE

26. I would now like to address one of the key elements in the economic progress of countries, which is Trade.

27. Intra-Africa trade is still at around 14% compared to more than 50% in other regions and the continent's share of global trade revolves around *only* 3%.

28. It is however encouraging to note that over the past two decades, most of the African countries have been adopting a

more liberal trade policy with the view to promoting and increasing trade within the region.

29. Just like trade in goods, trade in services are also very important to ensure growth, development, gender equality and job creation for all countries in Africa.

30. Over the recent decade, Africa has witnessed widespread flows in informal services ranging from hairdressing, construction and housekeeping, to education, health and finance. Trade flows of these services seem to be flourishing on the African continent despite the many challenges such as domestic regulatory hurdles which continue to hamper these services markets, thereby increasing the cost of trading in services. Without burdensome regulations, the government, the suppliers and the consumers would all be better off. It is therefore imperative that we address such impediments.

I will now turn to REGIONALISATION

31. IN recent years, a new momentum has started building up following regionalism in Africa. Member States have realised that the continent requires a great leap in its economic performance that will be sustainable, inclusive and transformative. To achieve

this, Africa indeed needs to be more **integrated** in order to benefit from the enormous potential that the region has.

32. The regional integration agenda will to a large extent cater for this goal. The African Union's Agenda 2063 emphatically states, I quote:

33. *“The Vision of the African Union is to become an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the global arena.”*

34. With this in mind, several initiatives have in fact been launched on the regional and continental front. The need to enhance intra-African trade among African countries led to the formation of the SADC-EAC-COMESA Tripartite Free Trade Agreement (TFTA) and the Continental FTA (CFTA).

35. Several initiatives to boost intra-regional trade have been undertaken by these three regional economic communities that are now coalescing to form the TFTA. When fully implemented, the TFTA will create an Africa-wide market of more than one billion customers and a combined gross domestic product of more than US \$3.4 trillion. At the same time, it would represent a large

supply of young, dynamic, and potentially very productive labour force.

36. Negotiations are on-going at the regional front such as within the SADC region to ensure that barriers to trade in services are reduced.

37. Access to low-cost but high-quality services helps African countries achieve social development objectives and allows them to effectively participate in the local, regional, and global value chains. As inputs to downstream activities, services also help increase the competitiveness and performance of other economic sectors—especially in agriculture, food processing, and manufacturing activities, such as textile and apparel exports.

38. The continent has the necessary resources to sustain its own development, be it in terms of natural endowments, labour, and markets. However, the challenge is to be able to translate these factors into value-added products and services. Many businesses have come, and many are getting into the continent to use its resources. But unfortunately, in most cases, the gains from such exploitations are not accruing to the people of Africa.

Now what about that vital ICT sector

39. The Information, Communication and Technology sector is one where we still have a lot to learn, comprehend and adopt. Internet penetration in Africa stands at 26.9 % today. The rest of the world has a penetration of 53.6%. In Europe, this figure is around 80%. Africa in fact has the lowest international connectivity of all regions: there is twice as much bandwidth per inhabitant available in Asia and the Pacific, four times as much in the Commonwealth of Independent States of the former Soviet Union ie the CIS region, eight times as much in the Americas and more than twenty times as much in Europe. Lack of international connectivity is a major bottleneck in the Internet infrastructure of Africa, and without improving connectivity, the continent will not be able to reap the full benefits of the internet of things or industry.

40. There are however young innovative Africans and initiatives from certain Governments who are trying to be ahead of the game this time. I noted that the Summit website makes mention of M-Pesa. AS most of you know the M-Pesa (*is a mobile phone-based money transfer, financing and microfinancing service launched in 2007*). M-Pesa is the perfect champion of the intent of Africa to become a technology-driven continent.

41. Since its beginnings, M-Pesa has undergone explosive growth. Kenyans have made 4.1 billion transactions through the service in 2015 alone. There are many more such initiatives that can significantly bolster commercial activities in the region through the adoption of mobile payments and e-commerce. Whilst being able to reach untapped markets, they will also reduce costs and make African businesses more competitive.

42. The influence of technology needs not be limited to the business world. Recently I have been made aware of communities using Whatsapp to reach families affected by the famine.

43. But the digital divide should be further bridged to increase access to digital technologies, to bring even greater choice, convenience, efficiency and to allow the African population access to opportunities that have been hitherto out of reach.

44. I would like to point out here that the diaspora also has a preponderant role to play in the development of the continent. African nations need to give more consideration to the network of ambassadors at their disposal, in the people who have left the continent to study and work abroad. Many of them are eminent

business persons or researchers today. As many of you are today.... It is imperative that we reverse the brain drain plague and get the diaspora back with their expertise, their capital and their ideas.

45. At the same time, we need to develop the knowledge base in the continent to cater for businesses that will flock to the continent. There is no dearth of projects in Africa. Recent discoveries of oil and gas on the continent, with Uganda, Kenya and Tanzania looking to commercialize their products, the increasing interest of large retailers such as Walmart and Carrefour prospecting Kenya, or the massive potential for developing the Telecommunications in several African economies where mobile penetration is still quite low, all provide interesting causes for consideration.

THE AFRICA ECONOMIC PLATFORM

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46. Under its Agenda 2063, Africa has come up with the African Economic Platform (AEP) which is the equivalent of The World Economic Forum of Davos. The inaugural session of the AEP was held in Mauritius from 20 to 22 March this year. The AEP constitutes a great and laudable initiative that cuts across Government, Business and Academia and its launch was a

defining moment in the history of the continent as well as a step in the right direction in the implementation of Agenda 2063.

47. The AEP was attended by 9 distinguished Heads of state and Government, 10 Member State representations at the Ministerial and Ambassadorial levels, 3 representatives from the Regional Economic Communities, 55 from the Private Sector and Academia and 5 young entrepreneurs and members of Civil Society, as well as officials of both the African Union Commission and the African Union Foundation.

48. The first meeting has been an inspiring success that demonstrated a shared vision, commitment and determination among African leaders for a paradigm shift in shaping the future of Africa.

SUCCESS STORY – MAURITIUS

49. I will start the final part of my speech to showcase one African country – that’s my own country, Mauritius. Latest available economic indicators place Mauritius at a relatively successful level.

At the time of our independence in 1968, an economic study was commissioned and it was Professor Titmuss and Professor James

Meade who was Professor at the LSE from 1947 -1957 and won the 1977 [Nobel Memorial Prize in Economic Sciences](#). These two experts painted a very gloomy picture of the island's economic future, saying, I quote:

“Heavy population pressure must inevitably reduce real income per head...That surely is bad enough in a community that is full of political conflict...the outlook for peaceful development is poor.”

50. Fortunately, time has proved their relative pessimism was not totally well placed. Mauritius has demonstrated in no uncertain terms that African countries can escape from the low income trap if they focus on the right policies and actions.

51. At the time of independence, Mauritius was a monocrop economy based on sugar. It was a tropical country constantly at risk from adverse weather conditions. We also had to contend with a dire lack of infrastructure and an overpopulation issue.

52. How did we overcome all these challenges and came out successful. We successfully negotiated preferential access of our sugar to the European market, which allowed windfall gains from exports of sugar to be reinvested into the newly set up manufacturing sector, especially in textile. We opened the economy for investors, and our people successfully learned the tricks of the trade to set up their own manufacturing plants. Along with the sustained success in our export processing zones, we developed the right framework to attract tourists into Mauritius. At the same time a successful birth control strategy was put in place and great importance placed on education and health of the masses. In addition, the public private partnership was also given

great importance and NGOs were given full assistance and the freedom to complement the work of government.

53. Our economic diversification strategy was up and running. In the 1990s, we gambled on the development of the financial services sector, in particular offshore activities, to create a new pillar. Since the early 2000s, growth has been driven through ICT and BPO activities. Strong institutions, political stability through unflinching 5-yearly elections, adherence to the rule of law and preferential access to markets, have allowed us to develop new sectors without reducing the importance of others.

54. In 1960 the per capita income was around \$200. Today, it is around \$ 9,600, which places us in the upper middle income bracket in economic terms. We are still not satisfied, however. The ambition of the present government is to take the country to the higher income bracket.

55. We have recently embarked ourselves on an Africa Strategy, which aims at positioning Mauritius as the preferred platform for Multi-National Corporations to structure their investments into Africa. We can be to Africa what London is or has been to the EU, what Hong Kong and Singapore are for Asia. We are consolidating our credentials as an international financial centre of good repute.

56. Mauritian investors have already established a presence in Africa. The continent is the preferred destination for our investors and it is the destination of 60% of our investment outflow for the

amount of around USD 45 million (in comparison to Europe – 20% and Asia – 13%). There are currently some 120 Mauritian companies that have invested in 24 countries of the continent in 16 sectors. These include professional services, financial services, business services, agri-business, logistics and distribution, and manufacturing.

57. In order to support our Africa Strategy the Mauritian Government has taken a number of steps:

a. The first step is the setting-up of the **Mauritius Africa Fund** – an amount of \$ 14.2 million has been allocated to the Fund for a period of five years. The MAF's objectives are:

- i. assistance in the development of joint ventures/partnerships between businesses in mainland Africa and Mauritius,
- ii. steering development of integrated projects, such as setting up of Special Economic Zones, Technology Parks, Logistics Parks, etc. We are already at an advanced stage in the process of setting up SEZs/Parks in Ghana, Senegal, Cote d'Ivoire and Madagascar
- iii. participate in the equity financing of businesses investing in viable projects in any African country

b. The second step is Supporting Mauritian enterprises seeking to expand their exports into the African market. A subsidy of 25% of freight cost on containers is provided for exports in Africa. A 50% subsidy on the cost of Credit Guarantee Insurance for exports into Africa is also provided.

c. The third step is working with African countries to set up the necessary framework for businesses. For instance, we are continuing to expand our network of DTAAAs and IPPAs with African countries. We are also setting up permanent joint commissions with a number of African countries.

58. We are reviewing our air access policy to transform Mauritius into a regional aviation and tourism hub, and engaging in negotiations for the conclusion or review of Bilateral Air Services Agreements with a view to improving air connectivity between Mauritius and the continent.

59. Mauritius, along with countries participating in the Accelerated Program for Economic Integration (Mozambique, Malawi, Seychelles and Zambia) signed a MoU to facilitate the movement of business people.

60. Finally, every year we are offering 50 scholarships to African citizens to study in our tertiary education institutions.

CONCLUSION

Ladies and gentlemen,

61. To conclude, I would emphasise that the future of Africa is bright, it is a continent blessed with so much more than natural resources. As you dig deeper, you will find a continent full of life, pride and courage. We certainly have made progress. Nonetheless, we still have a long way to go. All in all, friends, our intentions are subsumed in this statement by the President of Rwanda, His excellency Paul Kagame,

‘Africa’s story has been written by others, we need to own our problems and solutions and write our story.

With this in mind, I wish you very fruitful deliberations and a successful Africa Summit.

Thank you.