

## **Statement on Emerging Africa**

Barcelona, 28 June 2010

Mr. Chairperson;

Ladies and Gentlemen;

It's an honour and privilege for me to participate in this important gathering and address such a distinguished audience. I would like to seize this opportunity to congratulate IESE Centre for Emerging Markets, The Barcelona Chamber of Commerce and the Africa House for organizing the meeting. I'm confident this opportunity for dialogue between Spanish Leaders and Businessmen, with their Sub-Saharan African counterparts will result in a better understanding and knowledge of the African continent and its potential, leading to mutually advantageous partnerships between Spain and the African countries some of which are here represented. I would like to thank Dr. Sanjay Peters for bringing the existence of this institution to my knowledge and for encouraging me to participate in this meeting.

Mr. Chairperson;

Ladies and Gentlemen;

I have been requested to talk about Emerging Africa. There is unfortunately, very serious misconception about the African Continent. The African continent is frequently regarded around the developed world as a continent of political, economic and social instability, of civil wars, coups d'état, ethnic rivalry, unconstitutional changes of government, corruption, hunger, famine, malnutrition, desertification, HIV/AIDS and other pandemics, failed and beggar states. However, there have been profound changes in the continent, as visionary African leadership has led to the strengthening of democracy, rapid growth and economic stabilization.

These changes have resulted in an ever increasing interest on the continent that has become more attractive to Foreign Direct Investment. Africa, with its huge untapped

natural resources has indeed become an increasing destination of FDI. With globalization raging around the world, Africa cannot afford to be outside the process. African leaders are conscious that the process of integration demands from African countries the creation of the necessary conditions to reap the benefits of globalization. For that, they are endeavouring to improve their infrastructure and technological capacity, develop their human capital and improve their business environment. Africa is thus positioning herself to fully participate in the global business revolution.

The emerging Africa I am going to talk about is not an Africa coming into maturity or into existence, but an Africa that has already come to political maturity and is deploying concerted efforts to create an enabling environment to allow for optimal tapping of its economic potential to eradicate poverty and promote economic growth and development. It is an Africa that is coming into view in the struggle to create wealth and to eradicate poverty. It is an Africa that is coming into view in a global business revolution as it grapples with the designing of appropriate macroeconomic policy frameworks to bridge the gap between wealth and destitution.

Against this background, emerging Africa is, therefore, an Africa that is emerging from a heavy legacy of colonialism, a history of inter-state and intra-state conflicts. It is a continent that is emerging from a history of ethnic rivalry, wars and coups and counter-coups d'état to multi-party democracy and good governance. It is a continent that is taking its rightful place in the global economy and putting at the disposal of investors its abundant natural resources for the benefit of its people and the global community, as it strives from economic stagnation to economic growth and development.

Mr. Chairperson;

Ladies and Gentlemen;

We can thus speak of an Africa that has come to political maturity through a democratic dispensation and better macro economic management and performance. Furthermore, African leaders are increasingly aware of the importance of political stability as a necessary condition for attracting investments and in the overall efforts to bridge the gap between wealth and destitution. It is an emerging Africa that recognizes its formidable economic potential.

I should, therefore like to submit that Africa can be categorized as economically promising, with largely untapped markets; a continent that is now making the necessary changes and adjustments to attract investment. These measures include the strengthening of political stability, improvement in macro-level management and performance, legal and institutional framework and sustainable investment policies, including the establishment of one-stop investment promotion agencies. The ultimate objective is a sufficiently high return from new emerging market countries. Indeed the majority of African countries are successfully pursuing credible macroeconomic and social policies as well as appropriate institutions for rapid economic growth and poverty reduction.

The fundamental issue is to ensure that investment leads to development. It is the prospects for development that provides incentive for the internal decision-making process to focus on meeting the prescribed conditions to attract investment to ensure faster economic growth and development. African countries do understand very well that there is no alternative to investment; that investment is just the first step leading to the development of their societies.

While investors are looking for countries with high level of macro-economic management and attractive regulatory frameworks, most African countries are grappling with efforts to facilitate and ensure political stability and reduce risk to investment, perceived or real. Significantly, the trend that characterizes the emerging Africa reflects real progress in economic reforms, governance, and democratization. I agree with those who have suggested that for the first time since

the period of independence the possibility of an economic takeoff in Africa is conceivable. Indeed, that is the nature of emerging Africa.

What is happening in Africa today cannot be described in any other way than the rising of a sleeping giant. The key question is how to make optimal use of the potential of the continent to create wealth and eradicate poverty. Both National and Foreign Direct Investment are critical for the success of this objective. To create wealth, eradicate poverty and establish a conducive environment for investment and business requires sound macroeconomic management and regulatory framework, in a stable and peaceful country, as already mentioned.

My own country Mozambique has reached that level of macroeconomic management and performance, by pursuing over the years a consistent, balanced and forward-looking development strategy and rolling plans, and it is on the path to becoming an emerging market economy country in Africa. This is just one of the shining examples that I wish to use to demonstrate that Africa is indeed emerging.

Mr. Chairperson;

Ladies and Gentlemen;

The Government of the Republic of Mozambique has embarked on a process of reforms since 1985, despite the war of destabilization it had to confront. These reforms led to the Structural Adjustment Programme introduced in 1987, to balance the country's accounts and build a strong macroeconomic foundation for development, investment and business.

In 1990, the country adopted a new constitution that introduced the multiparty system, market economy and an improved system of governance by clarifying and strengthening of the fundamental rights of the citizens, the role of various state institutions, as well as the separation of powers and their complementarity in the process of governance.

Far-reaching legal and judicial reforms are also being carried out and are playing a major role in the strengthening of the rule of law. In the legal and judicial reforms it is worth mentioning the creation of a special centre for the training of judges and the establishment of an Anti-Corruption Bureau within the Attorney-General's Office, to tackle the thorny issue of corruption.

Macroeconomic reforms were also pursued to promote economic growth, poverty reduction and a conducive climate for foreign direct investment, and the development of a national private sector to ensure rapid development of the country. A new investment code was adopted to promote, attract and protect investments, including the right to repatriate capital and investment returns. The Government also introduced an annual dialogue forum with the private sector, both national and foreign, with the participation of the Head of State, Prime-minister and the entire Cabinet, to constantly sharpen the business environment in Mozambique.

As a result of a decade of that close dialogue and interaction, the business environment has improved significantly and it continues to do so. Outcomes of this dialogue include simplified procedures for business incorporation, simplified industrial and commercial licensing, a new labour law and a new code of fiscal benefits. Still ongoing are tax reforms, customs reforms as well as reforms of the public sector in order to render better quality services to the public and to the business community, and galvanize the fight against corruption. In addition to these measures, civic education is being undertaken in order to get a change in the attitude of civil servants and the society at large, in relation to this evil.

These reforms, together with peace, economic stability and the regular holding of credible multiparty elections every 5 years since 1994 are playing a positive role in the establishment of a conducive environment for economic development based on a strong macroeconomic foundation that resulted on a significant influx of national and foreign direct investment, an average 8% GDP growth and single digit inflation.

The new investments have been focused on the sustainable exploitation of the country's strategic resources, including natural resources such as coal, heavy sands and natural gas, development of industry notably aluminium smelting, power generation, tourism, agriculture, transport and communications as well as the services sector.

Things have since then been improving visibly on the ground. Quite a number of features could be mentioned. For instance we have seen the remarkable expansion of the electric power grid of the country, the development of a telecommunications network including mobile phones, TV and radio coverage, housing projects as well as the growth in the construction of roads, railways and bridges.

Social development has been a reality in the country, with an extraordinary increase in the number of schools, health facilities, as well as in the school enrolment rate and access to education, particularly of girls, and health care. Access to clean water and sanitation is also growing with the consequent declining rates of endemic diseases such as cholera.

Freedom of press and expression has been continuously improving with more media outlets established, including newspapers, radio and TV stations, both public and private. With these in hand, the level of public debate has improved dramatically as more citizens have access to ways and means to voice their opinion on political, social, economic and cultural issues of the country, through the multiple media.

In the development of democracy, besides the holding of regular elections at national and local levels, the parliament has functioned normally with a strong role played by women MPs. It is also worth mentioning that in the sitting parliament we have a female speaker, while the two major parliamentary groups are led by women. The same pattern of increased role of women is also patent in the government.

In Mozambique there is also a very dynamic civil society, while religious people are free to profess the religion of their choice, in a country where there is no religious

conflict. The religious groups and the civil society are playing a critical role in the consolidation of peace, civic and moral education of citizens, dissemination of good practices as well as the fight against poverty, ignorance, endemic diseases and crime.

The decentralization of powers through municipalities and districts, including the decentralization of budgetary allocation to fund local development programmes have played a major role in extending development into the rural areas. These local development initiatives are increasingly enhancing income generation and improving living conditions in the countryside. This is, indeed, a long-term process with failures here and there, but the results are very encouraging. Now a new attention is being given to the peri-urban poor, without losing sight of the rural areas.

An important element for success in Mozambique has been a constant dialogue between the government and the people; between the government and the private sector; between the government and workers grouped in trade unions; between the government and populations from rural areas, between the government and NGOs; and, between the government and the civil society at large.

Other important elements for success include the building of strong macroeconomic foundations and an able management capacity, the design and implementation of credible and forward-looking development strategies, plans, programmes and projects, as well as the building of a functional infrastructure network to serve the development needs. This is done with the active participation of national and international partners.

A critical element in this process has been the building of a compact between the Government of Mozambique and its development partners that allowed the establishment of a fluid relationship and a climate of mutual confidence and trust. This compact has been instrumental in ensuring the external financial backing that Mozambique needs to pursue its development agenda.

In order to ensure the long-term development of the country, Mozambique has invested heavily on education, and it continues to do so. For instance, in 1992 when the war ended, the country had only three institutions of higher education, all in the capital city, Maputo. Today, 18 years on, there are 38 higher education institutions that cover all provinces, including some districts.

Mr. Chairperson;

Ladies and Gentlemen;

Efforts for reform and the development of the country that are underway in Mozambique can also be witnessed in a number of other African countries, in different ways and levels. In Africa we do share experiences and the continent is emerging as a whole, despite the different levels of development and implementation of reforms. The economic integration of Africa is on the move, starting from regional integration, merging of regional economic blocks to form a bigger market. This emerging big market will speed up further economic and social development and amplify the voice of the continent in the global economic development.

Any setback that may occur should neither discourage nor be taken as the definitive image of Africa, cast in stone forever. The overall positive trend of Africa's development in all fronts should not be overshadowed by negative events and natural difficulties faced here and there. We have to see these as challenges that are in different stages of resolution and should not discourage us from participating in a process that will bring benefits to all of our countries.

I remember quite well the very negative things that used to be said about China years ago. Today, they are reaping the benefits of their courageous persistence to implement their strategies and from investments by visionary and far-sighted entrepreneurs.

If there was more mutual trust between African and Western minds, changes in Africa would indeed be bold and bolstered. Those who cultivate Afro-pessimism are part of the brake which is slowing down the enormous efforts African leaders and their people are deploying to promote change. Africa and its development partners should work hand-in-hand to make sure that change and reforms in Africa not only are irreversible but also crystallized.

It is therefore of paramount importance that the relationship between Africa and its development partners be of mutual trust and respect, free of arrogance, paternalism and other negative behaviours. Diplomacy should be conducted in a truly diplomatic manner. Europe, in particular, should be aware of the deep wounds left by its colonial relation with Africa. It is in everybody's interest that these wounds are given time to heal and concerted efforts are made to build the professed new partnerships.

Mr. Chairperson;

Ladies and Gentlemen;

Clearly, the advantage Mozambique has over a good number of other African countries is political stability. The key issues in the risk-analysis undertaken by investors are to determine the level of political stability and the level of economic stability. The assumption is that there is a very strong correlation between political stability and economic stability. These elements are followed by the level of macro-economic management, combating corruption, safeguarding integrity and credible legal and institutional framework, the existence of the minimum necessary infrastructure, low cost labour and vibrant local markets.

In my view these are key considerations in the decision-making process to invest and today's African leadership is keen to promote these elements. This positive attitude makes Africa an emerging continent.

Mr. Chairperson;

Ladies and Gentlemen;

Investing in Africa remains in Afro-pessimist circles a high risk for many reasons, including poorly developed markets and political risk. Indeed there may be countries in Africa that remain unstable and with poor macroeconomic framework for doing business. But the bulk of African countries has liberalized their economies and is trying to develop their capital markets. As a result of these efforts, most investors running businesses in Africa have been reaping significant dividends from their investments, and in many cases the rates of investment return have been higher than those from other regions.

While much of the West continues to regard Africa as risky, the continent has eager aspirants elsewhere, notably China, which has been multiplying its businesses and investments in Africa. In return for Africa's natural resources and raw materials, Chinese investment has indeed revitalized large parts of Africa that gained much better infrastructure than they did just a few years ago.

By 2010 China-Africa trade is expected to exceed 100 billion dollars. In terms of FDI China is today present all over Africa. In Mozambique, China is the sixth largest source of FDI. My view is that western countries should try and do better than China in contributing to Africa's development, rather than wasting time trying to find out shortcomings in the way China is conducting its relations with Africa.

Mr. Chairperson;

Ladies and Gentlemen;

The severity of any situation depends on the angle one looks at it. Don't be fooled by the outdated negative reporting of the continent. Please take a closer look of Africa and try and grasp the numerous positive undertakings that are happening in the continent. Africa is full of hopeful and enterprising people, with self-esteem and confident of a better future.

The Africa of today is no longer the Africa of the last decade. African Governments are increasingly adopting credible, forward-looking development policies, plans, strategies and programmes that try and respond to societal changes and to the needs of the people. African governments are striving to deliver quality public services to their people, while ensuring that their actions and decisions are consistent with the agreed upon development policies, plans and programmes.

African Governments are striving to ensure that the rule of law applies equally to everyone, and that their actions, decisions and the decision-making processes are open to public scrutiny. Today, we can safely say that African countries have embarked on a path of delivering good governance to their people. Thing emerging Africa in the global business revolution is the continent of the future.

I believe that investing in social and economic development should be seen as leading to the strengthening of democracy, respect for human rights and the rule of law, and not the other way round. Forcing political reforms without improving at the same time the living standards of the citizens will not bring peace and stability to Africa. The experience suggests that if the overall economy of a country is not improving, citizens will continue to see the control of political power as the only way to achieve a decent living standard. They will therefore fight for it, even resorting to illegal and illegitimate means.

The political reforms in Africa mean that Africans have more freedom to participate in the political, social and economic life of their countries, express their concerns and engage in dialogue with their governments. However, contrary to expectations their living standards are improving at a lower pace, primarily due to a less than expected influx of financial resources to fund the development of Africa. This situation is dangerous as it can lead to an erosion of popular support to the new political dispensation prevailing in the continent, and even reverse gains brought about by this democratic order.

When Africa was encouraged to embark on political reforms at the end of the cold war, the deal made was that development partners were to increase Official Development Assistance and Foreign Direct Investment. Almost 20 years after and many international summits and conferences, the net results of the pledges made remain disappointing to say the least.

Let us make concerted efforts to avoid that democracy is perceived in Africa as a mere game of empty debates and elections, without a real meaning for the well-being of the people. Africans and their development partners should live up to their responsibilities, and I see this conference as an important step in the right direction.

I thank you for your kind attention.