A Ten-Year Strategy for Increasing Capital Flows to Africa

Commission on Capital Flows to Africa
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Foreword

More than one in eight people on earth live in Africa. More than half of these men, women, and children live in abject poverty. The continent attracts less than 1 percent of global capital flows and accounts for less than 1 percent of world trade. Africa's economic isolation has deep implications for world stability, commerce, and, indeed, humanity. While these challenges are daunting, with appropriate action and commitment, global capital flows into Africa can be enhanced significantly. This potential reaffirms that Africa's challenges do indeed have solutions. The obstacles are rooted not in questions of global capacity but of global will.

Recently, increased attention has been paid to Africa's plight. Numerous efforts are underway to address the HIV/AIDS pandemic. Many learned opinions exist for enhancing support to Africa from multilateral institutions and the wealthiest nations. Yet very little work has been done on how to increase private-sector capital flows to Africa. Given the relative paucity of effort in this crucial sphere, the Commission on Capital Flows to Africa chose to focus on this essential and largely missing link to the region's stabilization and long-term economic security.

This commission represents a unique effort to unite high-level leaders from top economies and Africa, including individuals with significant experience in government, nonprofit organizations, and the private sector, to focus specifically on attracting sustainable and adequate capital investment.

After a year's work, we are pleased to make our recommendations in this report. We find several reasons today to support Africa's development. One of them is the New Partnership for Africa's Development that represents a broad and growing commitment among African leaders to establish the indispensable preconditions for investment. Also, leading countries around the globe are pledging greater economic and development assistance, including the Bush Administration's Millennium Challenge Account, which proposes to increase US global bilateral assistance by about 50 percent. This commission endorses these efforts and believes that if African leaders are successful in their attempts to build an environment conducive to attracting capital, then the United States, the G-8, and OECD governments are duty bound to respond with significant new public investments. Private investment will then follow.

The commission is well aware that increased private capital flows are but one of the many challenges that Africa faces. We are confident, however, that increased capital flows can contribute significantly to Africa's development and that the US government, together with the G-8 and OECD nations, could do much to stimulate and facilitate these flows. The budgetary costs to the United States of what we have suggested would be modest and more than offset as Africa becomes a stronger trading and investment partner. Moreover, we believe that these proposals would pay major dividends in terms of advancing US humanitarian, foreign policy, and national security interests.

This report represents the shared effort and commitment of 28 African, European, Asian, and American men and women, who are leaders in commerce and government, who gave freely and generously their time and collective wisdom, and who personify the promise of a world more closely bound together by commerce and capital. While we did not agree on each recommendation, our report is stronger for the vigorous dialogue that it produced.

I am grateful to the members of this commission for their dedication to this effort and for the excellence of their work. Now, time is of the essence. Africa can be an attractive destination for investment if real steps are taken both in Africa and in leading economies. Capital flows are a powerful force for global stability and for creating opportunities. They can and should be unleashed today to the benefit of Africa and, through its renewed stability and health, to the benefit of our world.

James A. Harmon
Chairman
Commission on
Capital Flows to Africa

Acknowledgments

This report represents substantial work by many partners. C. Fred Bergsten, director of the Institute for International Economics, was not only critical to the initial planning of this effort but also a true partner throughout the process. The vice chairman of the Commission on Capital Flows to Africa and founder of Apax Partners, Alan Patricof, made the initial commitment to support this project, and the advice he provided and specific expertise on small and medium enterprises that he shared were invaluable. The Corporate Council on Africa and its president, Stephen Hayes, provided the platform for launching this commission. Leslie H. Gelb, president of the Council on Foreign Relations (CFR), advised us on the membership of the commission. The CFR and the Joint Center for Political and Economic Studies provided further institutional support for this work.

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This commission brought together an extraordinary group of talented and experienced people. Participation was excellent, but a few individuals should be singled out for exceptional commitment and outstanding contributions as they devoted considerable time and effort between commission meetings: Susan Rice, senior fellow, the Brookings Institution, and former assistant secretary of state for African affairs; Debora Spar, Spangler Family Professor of Business Administration, Harvard Business School; Gayle Smith, former special assistant to the president and senior director for African affairs, National Security Council; K.Y. Amoako, executive secretary, United Nations Economic Commission for Africa; Michael Froman, president and CEO, CitiInsurance (Citigroup, Inc.); and Nancy Birdsall, president, Center for Global Development.

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We are grateful to many experts from the Institute for International Economics and the Center for Global Development who prepared and presented background papers and discussed issues with the commission. In addition, other experts from the International Finance Corporation, the financial community, and Africa presented papers on subjects critical to the commission's work.

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This was a group effort by many talented and dedicated individuals, all of whom have one important common motivation—a desire to contribute to the welfare of Africa.

James A. Harmon
Chairman
Commission on
Capital Flows to Africa

A Ten-Year Strategy for Increasing Capital Flows to Africa

A Report from the Commission on Capital Flows to Africa

Executive Summary

Africa is a vital region of the world. With more than 800 million people and vast natural resources, the region's opportunities and accomplishments are frequently overshadowed by crises, conflicts, and chronic poverty. As a result, Africa is not a primary destination for global, especially American, capital. But without significant amounts of capital, Africa's development objectives will not be achieved. To address this challenge, the Corporate Council on Africa and the Institute for International Economics, together with the Council on Foreign Relations and the Joint Center for Political and Economic Studies, assembled a high-level Commission on Capital Flows to Africa. James A. Harmon, former chairman of the US Export-Import Bank, is the commission's chairman. The commission has 28 members from North and Central America, Asia, Europe, and Africa with leadership experience in business, banking, policy research, government, academia, nongovernmental organizations, and international institutions.

The commission was launched in September 2002 and has held seven meetings in Washington, DC, and New York City as well as a briefing session at the US Sub-Saharan Africa Trade and Economic Cooperation [AGOA] Forum in Mauritius in January 2003. (The forum is an outgrowth of the African Growth and Opportunity Act, AGOA.) The members received formal papers and presentations from a number of experts from the Institute for International Economics, the Center for Global Development, the World Bank, the International Finance Corporation, the African Development Bank, and the Economic Commission for Africa. **The result of the commission's intensive deliberations is a Ten-Year Strategy for Increasing Capital Flows to Africa.**

This report does not make recommendations on issues that are better addressed by others, even though the commission comprises members with an extraordinarily broad range of skills and experience. The HIV/AIDS pandemic, for one, has profound and far-reaching consequences not only for those living on the continent but also for companies doing business there. Nevertheless, the role that the private sector might play in combating the disease needs to be addressed more carefully and thoroughly than this commission has the capacity to do. The commission tried to maintain a focus on immediate steps that the US and other governments should take to spur foreign direct investment as well as other capital flows to Africa.

The commissioners are aware that Africa's circumstances are not homogenous, and one approach will not work everywhere. Nevertheless, the steps outlined here provide the basis for encouraging new capital flows to Africa and can thus contribute to fighting poverty and encouraging economic growth across the continent. The most salient elements of the Ten-Year Strategy for Increasing Capital Flows to Africa are as follows:

- The US African Growth and Opportunity Act should be extended for ten years beyond its current expiration date of 2008 and allow for **all** products from Africa to enter the United States duty and quota free;
- The United States should seek to complete a free trade agreement (FTA) with Africa in ten years. Following the completion of an FTA with the Southern Africa Customs Union—and as Africa accelerates its efforts to create subregional markets—the United States should negotiate more FTAs with other subregional organizations;
- The US Congress should reduce to zero the tax on repatriated earnings on new investments by US companies in Africa during the ten-year period;
- The Overseas Private Investment Corporation (OPIC) should be permitted to support investment in all sectors in Africa for ten years, including sectors currently categorized as "sensitive," such as textiles and apparel, electronics, agribusiness, and industrial products;
- OPIC should be permitted to support investments that promise to provide net benefits for the US economy rather than prohibiting it from supporting projects in which US jobs are lost;
- The United States should encourage the Organisation for Economic Cooperation and Development (OECD) to enable export credit agencies to allow 20-year repayment terms (instead of the current ten years) for African projects and to raise the ceiling for local costs from 15 to 50 percent of the export value;
- A portion of US ODA funds should be devoted to the establishment of long-term, low-rate financing vehicles for small businesses in Africa as well as to the provision of related technical assistance;
- The United States should support an appropriate process to review the Heavily Indebted Poor Country (HIPC) initiative and to consider whether it is desirable to pursue debt relief proposals that go beyond HIPC;
- Working with the New Partnership for Africa's Development (NEPAD), the United States should (1) encourage an acceleration of privatization, (2) emphasize technical assistance for training African professionals to manage the complexities of the privatization process, and (3) explore the means to mitigate the risks for African investment including, but not limited to, the more complex privatization of infrastructure enterprises.;
- The African Peer Review Mechanism, together with the NEPAD secretariat, should be encouraged to publish a set of "best practices" for African governments seeking to increase foreign direct investment, and all African countries should be encouraged to seek a sovereign credit rating by an international credit rating agency;
- A significant portion of official development assistance (ODA) should be invested in strengthening the environment for growth in Africa's private sector, especially because it relates to the development of Africa's human capital; and
- The United States, in conjunction with other OECD governments and private-sector entities, should create an African Financial Fellowship Exchange Program that would send professionals with financial, capital markets, corporate finance, or economic policy experience to African countries to work in public and private institutions for a certain period. In exchange, each participating African country would commit two individuals for training for up to two years at qualified investment or commercial banks in the United States or other OECD countries.

Introduction

Africa is a continent with great challenges, tremendous opportunities, and unappreciated accomplishments. Since 1990, for example, 42 of the 48 countries in sub-Saharan Africa have held multi-party elections, and most Africans today have the right to choose their leaders at the ballot box. On the other hand, Africa has fallen behind the rest of the developing world in many dimensions of development. Life expectancy has decreased with the rise of the HIV/AIDS pandemic. The average African is poorer today than he or she was two decades ago, and the number of people living in poverty has increased steadily during the past 20 years (although the share of Africa's population living in poverty has remained largely unchanged).

These broad trends, nevertheless, mask significant differences across the continent. While some countries remain mired in conflict and economic stagnation, nearly a dozen have achieved economic growth rates of 5 percent or more in the last five years, including Mozambique, Tunisia, Senegal, and Uganda. Senegal and Uganda, among others, have made major strides in combating HIV/AIDS.

An increasing number of these countries have successful, profitable, and export-oriented private investments. These include mango exports from Senegal, cut-flower exports from Uganda and Kenya, electronic data entry services from Ghana, aluminum smelting in Mozambique, and back-office services from Mauritius. Due to the African Growth and Opportunity Act (AGOA), more people today work in Lesotho's private sector as opposed to the public sector.

These successful investments suggest that Africa provides many opportunities for external capital to generate attractive returns and for some African countries to emerge as examples—both political and economic— for the rest of the continent to follow. Nevertheless, despite this important progress in some parts of Africa, the continent is still perceived as risky, and that perception in many cases is higher than warranted. As a result, even those African countries that have significantly improved their investment climates experience difficulty in attracting substantial new investment.

Africa's economic progress and political stability are vital both for its citizens and for the rest of the world. Its success will depend primarily on actions that Africans themselves take to establish strong economic, legal, and political institutions and policies. But it will also depend on supportive steps taken by the United States, the G-8, and other partners around the world. A success strategy has many components, and undoubtedly one is to encourage greater capital flows and investment in the region. For this reason, the Commission on Capital Flows to Africa was formed to develop specific recommendations for the United States, the G-8, the OECD, and African governments, which if implemented, would lead to increased capital flows throughout Africa, which is both critical and eminently feasible. The United States should take the lead among the G-8 and OECD countries in responding to this challenge.

No country or region in history has achieved sustained development without effective participation in the world economy. As UN Secretary General Kofi Annan has remarked, the problem in Africa is not too much globalization but too little. Taken together, the commission's proposals could help integrate Africa more fully into the global economy.

This report takes into account (but does not replicate) the many studies on Africa's investment environment or development challenges, produced by the United Nations, the International Monetary Fund, the World Bank, the African Development Bank, and many bilateral donors. Its primary purpose is to focus on specific and immediate actions that the US and other governments can take to encourage substantial additional capital flows to Africa. The commission's recommendations are intended to create an awareness by, and incentives for, investors who might otherwise pass over Africa for opportunities elsewhere.

The report is divided into two main parts. Part I provides an overview of the key dimensions of Africa's importance to the United States and the rest of the world, the link between capital flows and economic growth and development in Africa, and other important initiatives underway to help support this process. Part II contains the commission's specific recommendations on the key policy changes needed in several important areas.

Part I: Why We Need a Ten-Year Strategy for Increasing Capital Flows to Africa

Africa's Importance to the United States

The United States has significant economic and national security interests in Africa, which underscore the rationale for and urgency of this commission's recommendations. US interests in Africa extend well beyond historical and cultural ties or the humanitarian and moral imperative to help lift the most underdeveloped region out of poverty. While the United States shares many of these interests with its fellow G-8 and OECD members, US leadership is essential for ensuring that these interests are secured. Two broad areas of interest are worth highlighting: economic and security.

Economic Interests. Four out of every five new consumers now come from the developing world. Soon 1 billion of them will live in sub-Saharan Africa. In 2002, US exports to sub-Saharan Africa were 46 percent greater than those to the former Soviet republics (Russia included), 47 percent greater than to India, and nearly twice that to Eastern Europe. US exports to South Africa alone were larger than those to Russia whose population is more than 3.5 times as large.[1] These numbers are even larger when the countries of North Africa are added.

Over 100,000 US jobs are tied to exports to sub-Saharan Africa, which already buys at least $6 billion of American products annually. Yet, the US share of the African market is small—only 7.9 percent, suggesting significant growth *potential* for the United States in the years to come. For this market to reach its potential, not only must the US share grow but also the market itself. Such growth can be enhanced through increasing capital flows to Africa.

In addition to Africa's potential as a consumer market, US economic interests include access to Africa's valuable resources. Africa supplies over 16 percent of US imported crude oil, and it is estimated that within the next decade 20 percent will come from Africa. Africa accounts for nearly half of the world's production of bauxite, chrome, and diamonds; more than half of its cocoa and platinum; and nearly three-quarters of its cobalt.

Security Interests. Even more important and immediate are US national security interests in Africa, which are also shared by our OECD and G-8 partners. Africa is the world's soft under-belly for global terrorism. Porous borders, weak law enforcement and security institutions, plentiful and portable natural resources, disaffected populations, conflict zones, and fragile and failed states have made some African countries increasingly attractive safe-havens and breeding grounds for al Qaeda and other global terrorist organizations. The 1998 US embassy bombings in Kenya and Tanzania, the 2002 attacks in Mombasa, Kenya, and, most recently in Morocco are vivid reminders of the penetration of such groups into the continent.

Africa's fragile and impoverished states are among the weakest links in the US war on terrorism. Without increased stability, economic opportunity, and democratic progress, these states will grow increasingly vulnerable to exploitation by terrorist and criminal organizations and will remain substantial security liabilities for the United States. The American people, therefore, have a compelling national security interest in strengthening African economies and democratic institutions to increase the will and capacity of African countries to be strong partners in the war on terrorism.

[1] "US-African Trade Profile," prepared by G. Feldman, Office of Africa, International Trade Administration, United States Department of Commerce, Washington, DC, March 2003.

Capital Flows, Growth, and Development

Africa needs dramatically increased volumes of capital, especially investment capital, if it is going to achieve the sustained economic growth necessary to alleviate poverty and establish the institutions necessary for political stability. A substantial body of research suggests that there is a correlation between foreign direct investment (FDI) flows and economic growth, especially when there is an educated work force and hospitable conditions for investment.[2] The experience of Hong Kong, Singapore, Ireland, Mauritius, China, and Costa Rica suggests that if there is a positive environment, FDI will flow and contribute to sustained growth. The most important ingredients for a strong investment environment include sound macroeconomic policy management, political freedom and stability, physical security, reliable legal frameworks, an open trading environment, competent institutions, and no corruption. A good contract law, capable courts, and regulatory regimes based on transparency, predictability, and fairness are also important.

Africa has not done well in attracting FDI, and the facts are sobering. In 2000, global flows of FDI soared to a record $1.3 trillion but dropped by 43 percent to $735 billion in 2001. During this period, FDI flows to Africa increased from $9 billion to $17 billion due to partial privatization in Morocco and the unbundling of cross-share holdings of companies listed on the London and Johannesburg stock exchanges. Apart from these two transactions, FDI flows to Africa were about 1 percent of global flows.[3]

In sub-Saharan Africa, the situation is even bleaker. The volume of capital inflows fell from $8 billion in 1999 to $6.5 billion in 2000 and remained relatively stagnant in 2001, the South African stock transaction notwithstanding. As a result, the region's portion of global FDI flows is about 0.7 percent. The largest portion of this investment went to Africa's extractive sectors (mainly oil and minerals), which tend to have a less pronounced impact on productivity and income growth than investments in other sectors such as manufacturing and services.

The Challenge Ahead

African governments must implement changes required to attract a substantially greater share of global capital flows. Many African leaders in government, business, media, and other sectors have taken up this challenge and begun to take the necessary steps to create these conditions. In fact, the New Partnership for Africa's Development (NEPAD) reflects the recognition by African governments that they must improve governance, transparency, and stability to induce donors, international businesses, and others to bridge the tremendous gap between Africa and the rest of the world. In this respect, the commission members support the efforts of the architects of NEPAD to create a Capital Flows Initiative.

It is too soon to know whether NEPAD will succeed. Nevertheless, the Commission on Capital Flows to Africa strongly endorses NEPAD's vision of a *compact* predicated on the idea that as Africa undertakes critical political and economic reforms, the West must respond with substantial new public and private resources. Indeed, this vision was endorsed by the G-8 during its June 2002 summit in Kananaskis, where it agreed to support the Africa Action Plan and committed to provide by 2006 an additional $6 billion annually to African countries undertaking significant economic and institutional reforms.

However, official development assistance (ODA), including World Bank lending, will not be sufficient to facilitate Africa's integration into the global economy.

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[2] Theodore H. Moran. 2002. "Attracting Non-Extractive Investment to Africa: Challenges, Success Stories, and Lessons for the Future." Institute for International Economics Discussion Paper for the Corporate Council on Africa, October 17.

[3] *World Investment Report* 2002. New York: United Nations Conference on Trade and Development.

Africa needs more *private* capital, more investments, and more linkages to global markets to achieve its development goals and to free up development assistance for other pressing issues.

In this context, the Commission on Capital Flows to Africa has devised a Ten-Year Strategy for Investing in Africa, including both ODA and private capital flows, especially FDI. This strategy is broad in its coverage, ranging from trade, tax, and investment policy to debt relief, peer review, and exchange programs. At the same time it includes specific steps that governments can take immediately to encourage increased capital flows and investment to Africa. In making these proposals, the commission recognizes that one approach will not work everywhere in Africa. Greater attention needs to be paid to subregional initiatives recognizing that subregions differ and that within each subregion there are commercial and economic drivers in different sectors. Nevertheless, the proposals that follow provide broad guidance on some of the most important issues for African countries.

Part II: Specific Recommendations

Trade Liberalization

Two major dimensions of current US trade policy affect Africa: US domestic agricultural subsidies and AGOA. To help stimulate investment and economic growth in Africa, farm subsidies in the United States and other G-8 countries should be reduced or eliminated as quickly as possible, and AGOA should be extended and strengthened.

US agricultural subsidies are a major impediment to African agricultural exports, which would otherwise be a significant source of economic growth on the continent. These subsidies run counter to US claims that it favors a more open and fair global trading system and seriously undermine the economic livelihood of African farmers. The 2002 farm bill significantly increased US farm subsidies, creating even greater nonmarket advantages for US farmers. The increased subsidies led to large drops in commodity prices, especially cotton, much to the detriment of African farmers. European farm subsidies do even more damage. If the United States is serious about its desire to help Africans help themselves and to create opportunities for Africans to connect with global markets, it should work closely with the G-8 to expeditiously reduce agricultural subsidies.

AGOA, on the other hand, which was designed to stimulate light manufacturing in Africa, has achieved early success. Between 2001 and 2002, all AGOA imports to the United States increased 10 percent, while apparel imports more than doubled. Transportation equipment exports from AGOA countries increased 81 percent over 2001, and agricultural products grew 38 percent. Unfortunately, the benefits have not been evenly distributed, with Nigeria, South Africa, Gabon, and Lesotho accounting for more than 90 percent of AGOA duty-free benefits. Accordingly, the United States needs to reenergize its efforts to broaden the benefits of AGOA by working more intensively with a broader range of African governments and businesses to help them take advantage of the legislation.

There is also concern that AGOA's benefits will be diluted as the US government seeks to negotiate free trade agreements (FTAs) with other regions such as the Middle East and Central America.

The current structure of AGOA has at least four major limitations that inhibit countries from benefiting from the legislation:

- Each country's eligibility must be reviewed annually;
- The regime expires in 2008;
- Imports of apparel remain subject to tariff rate quotas (TRQs), or duty-free caps, as well as certain restric-

tions on the source of fabric; and
- Textiles are excluded from AGOA benefits.

With regard to the first limitation, the commission recognizes the rationale for annual review, as the problems of governance and conflict have obstructed sustained economic growth in sub-Saharan Africa. At the same time, an annual review creates an unduly "short leash" that adds uncertainty to any potential investor's decisions. An important improvement would be to **assure eligibility for ten years** once a country has qualified, while preserving the president's authority to review a country's eligibility in extraordinary circumstances.

Second, AGOA's term should be extended through 2018—that is, for ten years after its current date of expiration in 2008. This decision should be enacted as quickly as possible to remove the current investment disincentive created by the 2008 terminal date.

Third, the TRQ on apparel imports should be removed. Currently AGOA sets a ceiling for quota- and duty-free apparel imports at 3 percent of overall US apparel imports, rising to 7 percent by 2008. Although these limits, adopted in the August 2002 revision of the law, are twice the original ceilings, they continue to create uncertainty for investors, which in turn reduces investment.

A related impediment to trade and investment is the scheduled expiration of the Special Rule for Lesser Developed Beneficiary Countries (defined as countries with 1998 per capita income less than $1,500) by the end of 2004. Countries qualifying under the special rule have duty- and quota-free access for apparel made from fabric and yarn from any source—that is, qualifying countries are not constrained to exporting apparel with fabric made from yarn sourced only from the United States or other AGOA-eligible countries. This special rule applies to 30 of the 38 AGOA countries. It should be extended for ten years to allow the majority of AGOA countries sufficient time to develop yarn and fabric manufacturing capability. Such an expansion would reduce uncertainty and create incentives for significant new investments in Africa's yarn and textile manufacturing capability.

Fourth, AGOA benefits currently apply to approximately 6,500 items on the Generalized System of Preferences (GSP) list. Far greater benefits would accrue to Africa if all African products were eligible for duty- and quota-free access to the US market.

The original AGOA legislation enacted in 2000 envisioned an eventual FTA with Africa. The commission applauds the Bush administration for beginning negotiations for an FTA with the five nations that comprise the Southern Africa Customs Union (SACU). **However, the administration's vision should be bolder and should extend beyond the SACU countries.** Other subregional organizations such as the Common Market for Eastern and Southern Africa (Comesa), the Southern African Development Community (SADC), and the Economic Community Of West African States (Ecowas) have also begun to create free trade areas to expand regional markets and facilitate the movement of goods, capital, and services. These efforts should be accelerated, both by intensified negotiations among nations and increased support from their trading partners.

The United States can support this process in two ways. First, it should increase the amount of technical assistance aimed at supporting the emergence of regional markets. Second, it should begin to negotiate FTAs with subregional organizations such as Comesa, SADC, and Ecowas, in addition to SACU. These regional FTAs could lay the eventual groundwork for a US-Africa free trade area.

Recommendations

- The United States should extend AGOA benefits until 2018. The decision should be enacted as soon as possible so that the current 2008 terminal date does not act as a disincentive to investment;
- *All products* coming from Africa should enter the

United States duty- and quota-free. Alternatively, if this is not possible:

- All TRQ limits on apparel imports should be lifted immediately to give Africa a head start on the global elimination of quotas in 2005; and
- The rules of origin permitting apparel exports from AGOA-eligible African countries made from textiles manufactured outside Africa or the United States, which have been critical to AGOA's initial success, should be extended for ten years to 2018.

- African countries should be exempted from US safeguard actions that restrain imports in sensitive sectors (as Canada and Mexico are under the North American Free Trade Agreement);
- Country qualification for AGOA should last for ten years rather than being subjected to the current annual review process, which discourages investors. The president should retain authority to revoke a country's AGOA benefits under extraordinary circumstances;
- The United States should seek to accelerate the reduction or elimination of agricultural subsidies in industrialized countries, such as those contained in the US farm bill and the EU's Common Agricultural Program, even before the conclusion of the Doha Development Round. The United States should also work to speed the conclusion of the Doha Round;
- The United States should seek to complete an FTA with Africa in ten years. Following the completion of an FTA with SACU—and as Africa accelerates its efforts to create subregional markets—the United States should negotiate more FTAs with other subregional organizations; and
- The United States should increase technical assistance to regional organizations to strengthen their capacity to negotiate and implement FTAs.

Tax Policy

The United States should increase incentives for US firms doing business in Africa and at the same time encourage African nations to reform their own tax systems with a bold but not costly change in US tax laws. **Congress should provide an exemption from US taxation for *bona fide* FDI income earned by a registered subsidiary or branch of a US company doing manufacturing or service business in any African country.**

Congress established a precedent for such an initiative in the Puerto Rico Tax Incentives Act of 1998. A similar incentive would increase the return on US investments in Africa and lower the risk that many potential investors now perceive. Because many OECD countries do not tax their companies on foreign earnings, a zero tax on repatriated earnings would make US companies more competitive in Africa. Given that bilateral tax treaties take an average of five years to negotiate, this tax exemption should be provided by an amendment to AGOA.

The cost of tax exemption legislation for the United States could be modest. Total repatriated income derived by all US firms in Africa in 2000 was $3 billion. US multinationals generally do not repatriate income when the residual US tax (after the foreign tax credit) is large. At an outside estimate, US tax revenue on the repatriated income would not exceed 10 percent of the $3 billion, or about $300 million annually. This amount would be considered a revenue loss. If the exemption was limited to the nonpetroleum sectors (which had total repatriated income of $700 million in 2000), the revenue loss would be approximately $70 million per year, far less than the $1 billion in development assistance that the United States allocates to Africa in one year.

For this measure to have its maximum impact, it would have to be taken in conjunction with tax reform in the recipient countries. By cutting corporate and withholding taxes and otherwise simplifying the tax system, African countries can attract more FDI and boost economic activity in a variety of manufacturing and service activities. The response to tax reform has been particularly strong from export-oriented firms, countries that operate open economic systems, or countries with low barriers to trade and investment. A 10-percentage-point cut in business taxes can increase economic activity by 20 to 40 percent, especially if it is accompanied by tax reform in the African countries and an improvement in complementary factors such as a more skilled workforce.

Thus, US tax exemption on FDI earnings could significantly spur manufacturing and service investment and economic activity in Africa, if taken in conjunction with African tax reform. If the US tax exemption combined with tax reform succeeds in reducing business taxes by just 10 percentage points, the US nonpetroleum FDI stock could increase by 20 percent. The additional FDI stock could reach $800 million to $1.6 billion (20 to 40 percent of the 2000 base level of $4 billion). The new FDI could boost African GDP by $320 million to $640 million annually.[4] In other words, on plausible calculations, the payoff ratio in the nonpetroleum sectors could exceed 5 to 1, meaning $5 of additional African income for every $1 of revenue loss to the US Treasury.

Recommendation

- Congress should change to zero the tax on repatriated earnings on new investments by US companies in Africa.

[4] See Gary Clyde Hufbauer and Yee Wong. 2002. "Tax Relief for Investment in Africa." Background paper for this report. Washington: Institute for International Economics (October) .

Investment Policy

African investment suffers from lack of equity financing. The Overseas Private Investment Corporation (OPIC) is the principal US government instrument that supports non-extractive FDI to Africa. However, OPIC is prevented by statute from playing this role effectively.

OPIC was originally established to promote development by insuring FDI against political risk. However, over the years OPIC's authorizing legislation has become increasingly restrictive to the point that the corporation does not—and currently cannot—insure FDI in labor-intensive manufacturing and assembly projects of the kind that would be most beneficial to African countries.

Under existing statute, OPIC is forbidden from supporting "runaway investments" that result in the loss of a single job within the United States. It is restrained from providing insurance or financial guarantees to investments in "sensitive sectors" such as textiles and apparel or agribusiness. Mindful of congressional guidance, OPIC has judged all projects in the electronics industry or the automotive industry (including auto parts) to be too "sensitive" to support.

Contemporary research shows that outward investment from the United States increases the flow of US exports to the economy where the investment is located and thus leads to a greater number of higher-paying, export-related jobs at home. Clearly, this positive relationship does not occur in every case. But OPIC could deal with individual investments on a case-by-case basis, measuring the likely impact on the US economy of any particular outward investment. In making its calculations, OPIC should consider whether the *net* impact on the US economy is positive, rather than whether a single US job might be lost. This new approach would permit OPIC to facilitate FDI in the most promising sectors in Africa and other developing countries.

Moreover, to address the lack of equity capital in developing countries, OPIC has supported the creation of privately owned and managed investment funds that make equity investments in private companies. These funds have a regional or sectoral focus and provide the long-term capital that can serve as a catalyst for private-sector economic activity in developing countries.

To induce private investors into these funds, OPIC historically has guaranteed debt equal to twice the amount of private investment in the fund so that the aggregate capital available was three times the equity capital of private investors. Currently, OPIC is marketing a fund that reduces this leverage from two to one to one to two. Such a reduction would make it more difficult to attract US investors into these funds, especially those directed toward Africa.

Recommendations

- OPIC should be permitted to support investment in all sectors in Africa for ten years, including currently "sensitive sectors" such as textiles and apparel, electronics, agribusiness, and industrial products;
- OPIC should be permitted to support investments that promise to provide net benefits to the US economy rather than prohibiting it from supporting projects if there is any US job loss whatsoever; and
- OPIC should be permitted to increase its support to private investment in Africa to a level that will be sufficient to attract institutional and private US investors to commit equity capital to the African funds.

Export Credit Agencies

The availability of long-term debt capital is essential to the growth of the private sector in Africa. In recent years, the export credit agencies (ECAs) of OECD countries have collectively provided approximately $70 billion per year in long-term credit to developing countries to purchase goods and services from OECD members. Less than 5 percent of this amount has gone to Africa; in 2002, only 1 percent went to sub-Saharan Africa.

Under the current OECD Arrangement on Guidelines for Officially Supported Export Credits, ECAs can finance local costs for African projects only up to 15 percent of the export value. This limit constrains financing for many important projects, especially in infrastructure activities with significant local costs. As part of the general effort to update the OECD Arrangement and bring its processes in line with WTO principles, the Norwegian government recently proposed eliminating the ceiling on ECA support for local costs. Other ECAs did not support the proposal since most agencies are opposed to taking more exposure per dollar of exports. However, since local costs are so important in Africa, this proposal could have a big impact on infrastructure projects in Africa.

Under current IMF restrictions, HIPCs can only borrow from ECAs under concessional terms. The only concessional financing instrument available to the US Export-Import Bank (Ex-Im Bank) is tied aid, which must have a minimum 35 percent grant element. However, the Ex-Im Bank is severely constrained in its use of such aid, offering it only to match offers from other ECAs. These joint constraints have prevented the Ex-Im Bank from extending concessional finance to HIPCs in Africa.

Recommendations

- The United States should encourage the OECD to allow 20-year repayment terms (the current limit is ten years) for African projects. It should likewise consider extending special term flexibility to African states in the form of longer terms and more freedom to shape the repayment profile to cash flows;
- The United States should urge the OECD to raise the credit ceiling for local costs for African projects from 15 percent (the current maximum) to 50 percent of the export value. This would provide a substantial

increase in funding for local costs at a time when only limited and costly funding is available for African projects;

- The United States should encourage OECD ECAs to offer guarantees and loans in local currency in Africa; and
- The United States should create a pilot program to allow the Ex-Im Bank to initiate tied aid for Africa. This would provide an important source of low-cost financing for qualifying projects.

Development Assistance

The United States has proposed two major aid programs during 2002–03: the president's Emergency Plan for AIDS Relief and the Millennium Challenge Account (MCA). The AIDS relief program will provide up to $10 billion in new funding over the next five years to 14 countries, including 12 African countries, for comprehensive programs encompassing prevention, care, and treatment. The MCA is aimed at providing $5 billion per year (after a three-year ramp-up period) to a small number of countries that the administration determines are "ruling justly, investing in their people, and establishing economic freedom." Perhaps even more important than its size is that the MCA provides the US government the opportunity to vastly improve the way it delivers assistance. Together, the AIDS relief program and the MCA, if fully funded, would represent a nearly 70 percent increase over the current US foreign aid budget.

While the commission recognizes the importance of investing aid dollars in the so-called "good performers"—as the MCA intends to do at least initially—there is also a significant need to make investments in Africa's moderate performers and weak states so that they can achieve political equilibrium and sustainable economic growth. Investments in human capital are critically important, including formal education, health systems, and training programs.

One of the challenges facing the United States and other donors is how to improve and expand existing programs without crowding out market forces, creating dependencies, and introducing new subsidies. Targeted actions are required to leverage foreign assistance in helping government efforts to remove the constraints to private investment and strengthen national legislative, administrative, and legal processes.

At the same time, private investment does not necessarily follow even when governments succeed in creating the appropriate conditions for investment. Many potentially profitable investment opportunities are not marketed to the outside world and, as a result, remain unknown to potential investors. Businesses and governments may lack the expertise to package such transaction deals, and investors may be discouraged that Africa is not a hospitable place to do business. **To bridge these critical gaps, Africa needs more development assistance, especially assistance focused on strengthening the investment environment.**

Recommendations

- The bulk of US economic and development assistance should be carefully targeted toward the critical challenge of developing Africa's human capital. This requires substantially increased and targeted investment by the United States and other donors in Africa's education and health sectors, including financing of the operating costs of scaling up effective health and education programs in the poorest countries;
- US ODA should also be made available to assist local public and nongovernmental organizations in selecting, training, promoting, and motivating local staff. Such measures will reduce potential investors' start-up costs and enhance investment returns by improving labor productivity;
- The United States and other members of the G-8 should urge the IMF, the World Bank, and the African

Development Bank, together with the Economic Commission on Africa, to review the progress and results of programs aimed at strengthening Africa's investment environment, and report on the progress at the 2004 G-8 meeting;

- Grants should be made available to finance not only health and education programs (including their recurrent costs) but also rural feeder roads, generators, wells, and other largely public goods. Grant funding could be replaced by concessional loans and ultimately by official nonconcessional and commercial loans as national infrastructure improves; and
- ODA should be used to extend loan terms beyond the abnormally short maturities available in underdeveloped local markets and thus make available sorely needed local capital.

Privatization

The 1990s witnessed a substantial increase in privatization of state-owned enterprises (SOEs) in developing countries. In Africa, privatization was an important source of external capital between 1990 and 1998, accounting for an estimated 15 percent of FDI inflows. Yet African states have still privatized a considerably smaller percentage of their SOEs—about 40 percent—than has been the norm in Latin America or Eastern Europe.

Moreover, much of the African divestiture has been of smaller and less valuable firms, clustered in a handful of countries. Of the roughly 2,300 privatizations in sub-Saharan Africa between 1991 and 2001, for example, only about 66 involved high-value, economically important firms. A third of the total revenues raised by these sales came from South Africa, and another third from Ghana, Nigeria, Zambia, and Côte d'Ivoire.

The accumulating experience with privatization bears witness to its many benefits. For example, while HIPC governments are restricted to concessional finance, privatized firms in HIPCs can borrow from ECAs. They can access external capital markets, attract highly skilled workers, and often sell goods and services more efficiently than their state-run predecessors. By the same token, however, experience also shows that privatization is most likely to succeed when it is embedded within the legal and economic institutions that support development of the larger economy. Without these institutions—property rights, contract enforcement, regulatory capacity, and so forth—privatization may well produce negative outcomes. More often, however, privatization leads to an acceleration of reforms. Private owners are driven to maximize shareholder values that reflect a perception of fairness in the market.

Recommendations

- The NEPAD secretariat, working with development banks, private investment banks, and local governments should undertake an organized effort to construct long-term plans for privatization in each country. Such plans must be process- and time-specific;
- The United States and other donors should support technical assistance for training African professionals to manage the complexities of the privatization process; and
- The United States and other donors should work with the NEPAD secretariat to explore the means to mitigate the risks for African investment including, but not limited to, the more complex privatization of infrastructure enterprises. Political risk insurance would be especially important; partial risk mitigation with guarantees from the World Bank and the African Development Bank should also be considered.

Debt Relief

Africa's indebtedness is an important issue, and debt relief has the potential to increase the availability of real resources to the beneficiary countries. While issues such as corruption and the strength or weakness of legal systems have a more dispositive impact on private-sector capital flows to Africa, a country's debt profile and the effect that it has on the creditworthiness of entities inside that country can influence the willingness of foreign sources of capital to extend loans.

The HIPC program has relieved 20 African countries from debt service payments of $1.4 billion per year. (Thirty-three of the 44 countries in sub-Saharan Africa are eligible for the HIPC program.) However, there is a debate, including among members of the commission, about whether HIPC has achieved its objectives, whether the international community ought to go further than HIPC and, if so, how. (See the appendix for an alternative view and recommendations on debt relief.)

One of the proposals in this regard involves capping debt service to 2 percent of GNP rather than tying it to a debt-export ratio of 150 percent. Another is to provide additional debt relief when a country's debt situation worsens due to circumstances beyond its control, such as a fall in the price of its primary product exports. A third is to establish a special debt relief program for those countries emerging from conflict or undergoing a transition from authoritarian to democratic rule.

All these proposals merit further study. However, the commission is not endorsing any particular policies in this area.

- The commission recommends that the US government support an appropriate process to review HIPC and consider whether it is desirable to pursue proposals that go beyond HIPC, including those mentioned above; and
- The commission urges the international community to support the planned 2004 conference on African debt, as was agreed by the Economic Commission on Africa Conference of African Ministers of Planning, Finance, and Economic Development at Addis Ababa on June 1, 2003.

NEPAD, Peer Review, and Corporate Governance

NEPAD provides the framework and guiding principles for a partnership that can yield an increase in private capital flows to Africa. The commission believes that the African Peer Review Mechanism (APRM) approved by African heads of state and government of the NEPAD Implementation Committee will provide an important opportunity to promote self-monitoring, peer learning, and the establishment of best practices. The commission also endorses the decision by 15 African countries to sign the memorandum of understanding of the APRM.

Specifically, the commission welcomes the APRM's inclusion of economic governance, management, and corporate governance. NEPAD's inclusion of review indicators such as autonomy of the central bank, effectiveness and enforcement of competition regulation, enactment and enforcement of effective anti-corruption and anti-money laundering laws, effectiveness of protection of property and creditors' rights, effectiveness of private-sector regulation, level of compliance with reporting and disclosure requirements, among others, will enhance Africa's ability to attract the private capital that is crucial to long-term sustainable development and to Africa's full participation in globalization. Domestic and international private sectors should support this process.

Finally, the commission would find it useful for APRM and the NEPAD secretariat to publish a set of "best practices" for African governments seeking to increase FDI. All African countries should also be encouraged to seek a sovereign credit rating by an international credit rating agency.

Recommendations

- Resident private-sector entities should participate fully in the planned country-level consultative processes;
- Foreign investors and private-sector organizations

should support NEPAD's peer review process by sharing its practical experience and insights into those conditions, policies, regulations, incentives, and other measures that can most effectively increase Africa's competitiveness and ensure that it is seen as an attractive target for FDI;
- The commission endorses the decision by 15 African countries to participate in the APRM. It strongly urges these countries to move quickly to implement peer reviews and other governments to sign the APRM memorandum of understanding in order to signal to the international community Africa's serious commitment to taking steps that can lead to better governance and increased investment; and
- The APRM, together with the NEPAD secretariat, should be encouraged to publish a set of "best practices" for African governments seeking to increase FDI, and all African countries should be encouraged to seek a sovereign credit rating by an international credit rating agency.

Small and Medium Enterprises

Small and medium enterprises (SMEs) are a critical sector for growth, employment, and poverty alleviation in Africa. SMEs account for a substantial amount of employment in many African countries, mostly in the informal sector. If these enterprises were to enter the formal economy—maintaining proper accounting standards and paying taxes—they would have far better access to global markets and international sources of capital.

To bring these firms into the formal sector, however, requires sustained and coordinated action by African governments, donors, and the investment community. The US government can play an important role in generating concerted action on this issue by dedicating significant resources and skilled personnel to strengthen the ability of SMEs to contribute to economic development in Africa and attract higher levels of investment.

Recommendations

- ODA funds should be made available for the provision of technical assistance to SMEs and the establishment of long-term, low-rate financing vehicles for small businesses; and
- The US government should provide ODA funds to develop national small business institutions, similar to the US Small Business Administration, that coordinate comprehensive programs for SME support in select African countries. It would be desirable, where possible, to have such national small business institutions be a partnership between the public and private sector. These small business institutions would provide streamlined access to: 1) assistance programs that address the technical and managerial weakness of SMEs; 2) financing programs including loan guarantees, equipment and export finance; 3) coordination of linkages to multinational corporations (MNCs); 4) basic information on market and export opportunities; and 5) "one-stop-shopping" for licensing, taxation, and other regulatory matters.

This program should be implemented in conjunction with all key players in the SME area, including African governments, local investors, multilateral donors, and MNCs.

African Financial Fellowship Exchange Program

Building human capital is critical to the long-term growth and prosperity of Africa. Without adequate human capital, FDI is of little value. Economic management training of and financial experience among Africans are in too short a supply.

The commission proposes the creation of an African Financial Fellowship Exchange Program whereby individuals with financial, capital markets, corporate finance or economic policy experience, from the United States and other OECD countries, would be sent to virtually all African countries to work in public and private institutions for a certain period. If two financial experts were sent to almost every African country each year, in a very short time the United States and other OECD countries would have provided hundreds of experts in economic planning, capital markets, and international finance to African nations.

In exchange, each participating African country would commit two individuals for training for one to two years at qualified investment institutions or commercial banks in the United States or other OECD countries. Upon completion of their training, these individuals would be required to return to their home country for a predetermined period.

The exchange of qualifying fellows could be financed by the private sector in the OECD countries. For example, the 20 leading investment and commercial banks in the United States could each send one person to Africa in exchange for one person from Africa. In essence, this initiative would be a high-impact training program. Over ten years, approximately 1,000 future African financial leaders would have been trained by the international financial community, and 1,000 future financial leaders from other parts of the world would be more knowledgeable about Africa. Furthermore, the benefits of this program will extend beyond the initial ten years, as the 2,000 fellows, upon completion of their training, will undoubtedly share their knowledge with others.

Recommendation

- The United States, in conjunction with other OECD governments and private- sector entities, should create an African Financial Fellowship Exchange Program that would send professionals with financial, capital markets, corporate finance, or economic policy experience to African countries to work in public and private institutions for a certain period. In exchange, each participating African country would commit two individuals for training for up to two years at qualified investment or commercial banks in the United States or other OECD countries.

Conclusion

Africa is a diverse continent with heterogeneous legal systems, currencies, and rules governing investment, trade, and finance. African states eager to attract foreign investment must embark upon many of the reforms that investors, foreign and domestic, will prize: privatization, tax reform, legal and administrative transparency, and bureaucratic streamlining. In the process of attracting foreign investment, they must also take measures to improve the domestic environment more generally and make it easier for Africa’s own entrepreneurs to succeed. As investment flows to Africa, particularly in the manufacturing and assembly sectors, it will bring jobs and technology with it. Capital flows will be enhanced, and prospects for growth significantly improved.

This dynamic requires a multi-sided bargain. Clearly, the greatest responsibility for Africa’s growth lies in its own hands. If economic prosperity is to be achieved, African governments will have to accelerate the reform process. They will need to liberalize their economies, reduce their debt, and regenerate their health and education systems. If African governments fail to tackle these challenges, then no amount of foreign capital will suffice.

By the same token, if African governments take further significant steps toward the fulfillment of these tasks, then there is a great deal that outside partners can, and should, do to help. The United States, the G-8, and OECD governments can provide increased debt relief and a more aggressive and directed foreign assistance program. They can support NEPAD more actively and encourage the formation of substantially greater regional markets. Moreover, through the types of policy changes the commission recommends, they can also help to spur greater inflows of private capital, a powerful catalyst for growth.

The commission urges that all these recommendations be adopted for at least a period of ten years. Implementation of these policies, combined with a ten-year infusion of substantial private capital, would help integrate Africa into the world economy, boost its growth, and reinforce its movement toward greater transparency and democracy. This ten-year initiative would also provide Africa with special advantages to help jumpstart its development. At the same time, it would provide a clear target date for resuming Africa's equal treatment with other poor regions and serve as a constant reminder that the continent will have to take the steps necessary to enable it to ultimately compete on an equal footing.

The commission is well aware that increased private capital flows are but one of the many challenges that Africa faces. It is confident, however, that increased capital flows can contribute significantly to Africa's development and that the US government, together with the G-8 and OECD nations, could do much to stimulate and facilitate these flows. The budgetary costs to the United States of what the commission has suggested would be modest and more than offset as Africa becomes a stronger trading and investment partner. Moreover, these proposals would pay major dividends in terms of advancing US humanitarian, foreign policy, and national security interests.

The Commission on Capital Flows to Africa commends these proposals to Congress and the president of the United States as well as to governments in Africa, the G-8, and the OECD and urges that they be adopted as quickly as possible. This will require committed and sustained leadership. In the United States, major elements of the program will require new legislation on trade, tax policy, OPIC, foreign assistance, and debt relief. The commission looks forward to pursuing implementation of these initiatives with the executive and legislative branches of the US government as well as officials and individuals of the G-8, the OECD, and Africa.

Appendix

Debt Relief: Alternative Views

Despite the good intentions and substantial efforts of bilateral and multilateral creditors to ease Africa's debt burden, HIPC has not enabled African countries to achieve debt sustainability. HIPC has not gone far enough fast enough to allow many deserving African countries to escape the crushing burden of debt and to invest more of their limited resources in health and education. The Conference of African Ministers of Planning, Finance, and Economic Development in June 2003 in Addis Ababa underscored the failure of HIPC to fulfill its promise.

Several factors account for this failure. HIPC alone is insufficient to counter the loss in income that occurs when commodity price fluctuations, weather, terrorism, and other external shocks adversely impact African economies. Important countries with significant economic potential but substantial debt burdens and low per capita incomes, like Nigeria and Kenya, do not qualify for HIPC. And there is no provision for countries making the transition from conflict or dictatorship to achieve urgently needed relief on a faster track.

According to private-sector members of the commission, debt burdens adversely impact capital flows, at least on the margins. Clearly, debt relief can enable resources to be freed to support critical domestic investments, including in human capital, which can also improve the investment climate.

This commission should make strong recommendations on debt relief. While a majority of the commission members shared this view (though there were differences on the substance of those recommendations), a few commissioners objected to making any recommendations in this area.

While all the commission members enthusiastically endorse the contents of the report, a few also support the following additional recommendations regarding debt relief:[5]

- Debt service from all sub-Saharan nations should be capped at 1 percent of GDP;
- The US government, together with other G-8 nations, should support the creation of a contingency facility that would make supplementary relief available in the event that a HIPC encounters a severe debt deterioration due to events outside its control, such as a collapse of its export earnings, weather shocks, or sustained terrorist threats, which diminish GDP and increase perceptions of risk;
- The Paris Club and multilateral institutions should provide a quick debt-relief response, such as a temporary moratorium on payments, for countries in transition to democratic rule from conflict or a despotic government; and
- The G-8 and the international financial institutions should review HIPC urgently to ensure that the public debt burdens of HIPC-eligible countries are ultimately eliminated. This review should consider the cancellation by public-sector creditors of all remaining debt, multilateral as well as bilateral, upon reaching completion point.

[5] Commission members K.Y. Amoako, Susan E. Rice, Gayle E. Smith, and Mahesh K. Kotecha support these recommendations.

List of Background Papers

The following are the background papers for this report. The authors alone are responsible for the content of the papers. The drafts of these papers are on file with the authors. Final versions will be posted on the Web site of the Institute for International Economics (www.iie.com).

Leveraging ODA for Private Investment in Africa
K.Y. Amoako
Economic Commission for Africa
and Fayez Omar
World Bank
Addis Ababa, Ethiopia

U.S. Trade Policy and Economic Development in Sub-Saharan Africa
William R. Cline, Senior Fellow
Institute for International Economics and Center for Global Development
and Jeffrey J. Schott, Senior Fellow
Institute for International Economics
Washington, DC

Peer Review
C. Randall Henning, Visiting Fellow
Institute for International Economics
Washington, DC

Tax Relief for Investment in Africa
Gary Hufbauer, Reginald Jones Senior Fellow
Institute for International Economics
and Yee Wong, Research Assistant
Institute for International Economics
Washington, DC

Reducing African Investment Risks Through Risk Mitigation
Mahesh Kotecha, Adjunct Senior Fellow (1999–2002)
Council on Foreign Relations
President, Structured Credit International Corp.
New York, NY

Further Development of Africa's Securities Markets Will Drive Increased FDI
Thomas Mims and Christian Johnson
Emerging Africa
Washington, DC

Attracting Non-Extractive Investment to Africa: Challenges, Success Stories, and Lessons for the Future
Theodore H. Moran, Marcus Wallenberg Professor of International Business and Finance
Georgetown University
Washington, DC

Privatization in Africa: What Has Happened? What Is to Be Done?
John Nellis, Senior Fellow
Center for Global Development
Washington, DC

The Success Stories of Asia: Lessons for Africa
Marcus Noland, Senior Fellow
Institute for International Economics
Washington, DC

Overview of Government Support Programs for SMEs and Their Relevance for Africa
Julie Sunderland
Independent Oriane Consulting
Washington, DC

Further Debt Relief as a Way of Providing Capital to Africa
John Williamson, Senior Fellow
Institute for International Economics
Washington, DC

Proposed System of SME Quasi-Equity Funds in Africa
Tom Gibson, Executive Director
Institute for SME Finance
Washington, DC

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Stanley Fischer
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Vice Chairman, Citigroup, and President, Citigroup International
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