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## Event Report

# From Arsenal to Africa: Developing a Continent

MARCH 26, 2010

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*The seventh annual African Economic Forum, held at Columbia University in March, was entitled “Africa Turning Golden: How a Continent is Moving Forward.” To articulate and define a continent one billion people strong and over 53 nations broad is a herculean, if not impossible, task. Perhaps no one was better suited to attempt the feat than Dr. Obiageli “Oby” Ezekwesili, World Bank Vice President for the Africa Region, former Nigerian Minister of Education and former member of Nigerian President Olusagun Obasanjo’s economic team.*

From the Saharan sands to South Africa’s Robin Island, from the jungles of the Democratic Republic of Congo to the Swahili Coast of Mozambique, from Egypt’s Abu Simbel to Victoria Falls, all that unites Africa, quipped Dr. Ezekwesili, is a love of English football clubs, whether they be Manchester United, Arsenal or Chelsea. These are the jerseys requested by her three boys. As a mother, she provides, but she hopes that one day she will replace these with the jerseys of African teams.

Dr. Ezekwesili highlighted that Africa is on the cusp. The continent is at an inflection point experienced by China 30 years ago and by India 20 years ago. It has the ability to escape the enduring trap of underperformance, but it does not yet have the luxury to expect that transformation is inevitable.

This year 17 African countries will celebrate 50 years of independence. Much has changed in that time, but much has yet to be completed before Africa develops into a market fully ready for foreign investment. Last year \$57 billion in private capital inflows dwarfed the international aid intended to bring infrastructure and services to the continent. Additionally, over \$20 billion in remittances came onshore from Diaspora communities abroad. Yet despite public and private

capital inflows, growth remains slow. In some parts of Africa, economic growth is outpaced by population growth; therefore, in real terms, the relative impact on poverty is negative. Only via inclusive growth that provides pan-demographic employment opportunities and that outpaces the race of population expansion can the challenges of poverty alleviation be met.

Poverty alleviation will improve the lives of one billion Africans, but economic growth will also build and ensure an environment conducive to business investment. For example, while many cite the figure that 25 percent of Africans have access to electricity, the figure is only 1 percent for Liberians, 16 percent for Ugandans and 20 percent for Rwandans. This makes business investment near impossible.

In certain sectors such as information communications technology (ICT), Africa has made insightful, forward-thinking decisions. Over a decade ago, Africa began to invest in the right technologies, the right frameworks and the right regulatory structures; 60 billion investment dollars later, they have realized quantum leaps in capability. Looking at what has been done in ICT, Dr. Ezekwesili jokes, “We must look around and say: Surely there are things more important than platinum, diamonds and gold...Today the most important asset in Africa is the cell phone.” With the mobile phone, the poor can influence the economic dynamics of the continent. The poor farmer who can now look up prices has leverage over the formerly exploitative middleman, and the Senegalese fisherman can know the market price in Europe.

Dr. Ezekwesili explained that if public-private partnerships can be leveraged to address the current dearth of infrastructure, roads and rails, Africa can reclaim 2 percent of lost GDP growth and 40 percent of potential productivity. She recounted the story of truck drivers who had reduced waiting times at the Ugandan-Kenyan border from three days to three hours, thanks to customs coordination and improved roads. While selling risk-reward propositions to attract private capital to Africa is no small feat, Oxford’s Paul Collier has observed that investment in African capital markets earns 65 percent more than investment in Asian markets. Alluding to the recent financial crisis, with a broad smile and a nod, Dr. Ezekwesili noted that “risk is not African.”

Public sector investment creates a groundwork on which the private sector can build, and Dr. Ezekwesili agreed with the perspective that politics trumps economics, but added that the concept of blended capital is important to note. Today, private equity is a centerpiece of the capital inflows to Africa, but its name is misleading. Most private equity funds raise capital from a number of limited partners, some of whom are private institutional and personal investors, but

many of whom are foreign governments and development finance institutions. As such, the capital invested via “private” equity firms could be coming from Californian pension funds, the International Finance Corporation, or, as in the case of the spin-off Actis Fund, the British government. The spectrum of investment is complex, and while private capital providers receive the onus of concerning themselves with profits, all general partners concern themselves with providing returns to limited partners, public and private. Thus, while normative aid versus investment questions can be raised, they are pragmatically eclipsed by the notion that, in many contexts, public and private capital is indistinguishable.

Summer 2010 is the harbinger of the FIFA World Cup, a beacon of hope to many. Private equity panelist Graham Sinclair advised, “Come for the World Cup, and stay on,” underscoring the centrality of human capital needs in Africa’s tomorrow. Dr. Ezekwesili added, “In the past, many have voted with their feet and went abroad. Those opportunities are drying up. It’s a good thing. Now we can get you home...If anyone is listening to me, your destination ought to be one of those beautiful countries on the continent.”

Whether Dr. Ezekwesili’s sons currently support Manchester United, Chelsea or Arsenal, her clear hope is that tomorrow they support an equally spirited but economically developed Africa.

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