



Remarks by
Under Secretary Wendy R. Sherman
The Next Decade:
Seizing Opportunities from a Transforming Africa
U.S. Institute of Peace
March 28, 2012

Good morning everyone. It is a pleasure to be with you today and to have the opportunity to share some perspectives about Africa's future, which were stimulated and reinforced by my first official trip there a few days ago. I'd like to thank Tara for her kind words of introduction as well as the Institute for hosting this event.

Africa has changed substantially over the past decade and it is past time to recognize the positive developments that are occurring and the enormous potential that they represent - - for Africa, the United States and the global community. Africa is a continent on the move and has begun to realize some of the economic gains that have eluded it in the past. Six of the ten fastest-growing countries in the world are in Sub-Saharan Africa and the IMF predicts over the next five years that number will reach seven of the top ten. I visited two of those fastest-growing countries - - Angola and Nigeria as well as three others - - Zambia, Malawi, and Kenya - - and it is clear that dramatic changes are happening in Africa. As we look at Africa, it is important to look beyond the headlines or we will miss the changes - - and the opportunities they represent.

Prior to returning to government service last year, I spent a decade in the private sector, looking at investment opportunities around the world. My recent trip and my past experience have convinced me that Africa is in a period of rapid economic transformation.

Africa is now closer than ever to transforming its economic potential into self-sustaining growth. For many years we devoted our efforts, as we still are, to resolving

conflicts, improving health outcomes and establishing responsible, civilian democracies to create a foundation for the developments we are now seeing. Real economic growth, the fruit of our long-standing investment in Africa, which promises to lift millions out of poverty and foster long-term stability, **is happening in large and small countries across the continent.**

The facts support this assessment. Africa has the highest rate of return on Foreign Direct Investment (FDI) of any developing region, with returns for U.S. investors hovering around 29 percent since 1990. In the next eight years, the consumer, resource, agricultural, and infrastructure sectors could be worth an estimated \$2.6 trillion in annual revenue. By 2020, the largest sub-Saharan African markets—Cape Town, Johannesburg, and Lagos—will each hit \$25 billion a year in household spending. We are seeing the development of the next big economic frontier, and the United States has much to gain, and much to offer, by recognizing and supporting Africa's just and sustainable economic growth.

We have much in common with the people of Africa, and a great deal of relevant expertise to share. For example, agriculture is one of Africa's most promising sectors. Approximately 60% of the world's uncultivated arable land is on the African continent, covering over 600 million hectares, an area roughly the size of the Democratic Republic of the Congo. And no one knows agriculture better than Americans. Working together with African partners to develop profitable and sustainable agriculture is a natural for the U.S.

Production of natural resources on the continent, principally oil, gas, and minerals, is likely to continue its steady growth of between 2 and 4 percent annually, raising the value of resource production to \$540 billion in the next eight years.

New technologies are creating 21st century opportunities for Africa. For instance, mobile phones and their applications are revolutionizing lives on the continent. In the past decade alone, we have seen approximately 500 million new mobile phone subscribers in Africa, which has allowed Africa to forego the installation of costly land lines and helped introduce banking services where none previously existed.

These technologies are being used in innovative ways, particularly by Africa's younger generation, to monitor elections, help prevent violence in places like the eastern Congo, and to share market data to ensure farmers get the best prices for their goods. Connecting rural areas to urban centers, and Africa to the rest of the world, new technologies have helped raise awareness throughout the continent and are helping to re-shape societies.

Sustaining economic growth over the long-term, however, will not be easy, and it will take an integrated approach that must include the establishment of good governance and strong democratic institutions. Vibrant institutions are absolutely essential. As President Obama said in his eloquent speech in Accra in July 2009, *“development depends on good governance.”* *“That is the ingredient which has been missing in far too many places around Africa.”* And that is the ingredient that pulls everything together, that provides order, structure, and a reliable legal framework in which economies can grow. Good governance and the rule of law protect individual human rights as well as corporations. Good governance will root out corruption, and will protect the rights of labor as well as intellectual property. Secure environments, sustainable poverty reduction, better infrastructure, transparency, accountability, vibrant civil societies, and effective and accountable security forces are also elements essential for success. The United States understands these realities and we are working closely with our African partners to help define, initiate and establish the necessary reforms and policies to accommodate local values while acknowledging international standards for increased growth and investment.

In significant measure, Africa is developing stronger government institutions capable of delivering vital services, effective legislative institutions capable of providing oversight, and responsible judiciaries committed to upholding the rule of law. These developments offer great promise for the future.

Strong, vibrant civil societies are a critical element of a democratic framework. Civil society plays a critical role by holding African governments and elected officials accountable. In most of the countries I visited, I met with representatives from across civil society, including human rights advocates, religious leaders, and women’s groups, who are dedicated to rooting out corruption, promoting transparency, and ensuring that their governments follow through on promised reforms. Due to the demographic realities facing Africa, where one in five of the planet’s young people will reside by 2040, youth will play an increasingly important role in these societies. I was struck, for example, that 43% of the entire population of Angola is under 14 years of age.

We have also seen how civil society organizations can advocate and press for change on behalf of marginalized communities. For instance, during my trip to the continent, I had the opportunity to hold discussions with several women’s advocacy groups, all of whom are dedicated to securing greater human rights and economic opportunities for women.

I also saw many encouraging signs of Africa's political changes. In Kenya, I witnessed first-hand the importance citizens are attaching to good governance. As all of you know, just over four years ago, Kenya experienced horrific political violence in the wake of its 2007 election, threatening to push one of Africa's most promising democracies and a regional economic powerhouse over the brink. But the Kenyan people joined together to reject the politics that were dividing their country, and in 2010 voted to approve a new constitution that brings with it the promise for a new era of accountable and truly democratic governance.

In Nigeria, a country with a dynamic civil society, I was deeply impressed by conversations with parliamentarians, social activists, business people, and clergymen – among others – who were actively debating the challenges facing Nigerian society – from the threat of Boko Haram and the economic neglect of northern communities to the recent Presidential election and management of the oil sector. Even with the problems facing them, there are powerful forces that bind Nigerians together and the passion and commitment I saw among the people with whom I met will help them address the challenges ahead.

So, what are some of the steps needed to help consolidate and further the continent's growth? One critical component of Africa's long-term growth will be increased regional integration. According to the African Development Bank, intra-Africa exports represent a paltry 9.6 percent of the region's total exports, compared to 20 percent for Latin America and 48 percent for developing Asia. Regional trade can boost the continent's industries by creating economies of scale, establish and strengthen product value chains, and facilitate the transfer of technology and knowledge via spillover effects. Such activities can promote infrastructure development and attract foreign direct investment. I saw that this is particularly true in southern Africa, where the strength of the South African economy, coupled with the natural resources of neighboring states such as Zambia, Angola, and even Malawi could unleash enormous economic activity, if these markets were linked by regional road, rail, port, and energy infrastructure in addition to liberal regulatory regimes to facilitate the free movement of goods and services throughout the subregion. To paraphrase what the Secretary said in her speech to the African Union last year, it's not sufficient to only focus on development work. The Secretary said, in the past our development work *"provided only temporary aid and not the foundation for lasting change that helps people permanently improve their lives and communities. But the Obama Administration is taking a different approach. Our goal is to help countries' economies grow over time so they can meet their own needs. Ultimately, we believe that the most effective*

development programs are the ones that put themselves out of business because they spark economic activity, they help create strong institutions, (and) they nourish a private sector that, unleashed, will create more jobs."

And that is why we need a dynamic private sector that will equally contribute to realizing Africa's economic potential. No one should doubt Africa's abilities in that arena. There are approximately 20 African companies with revenues of at least \$3 billion, and in 2010, consumer spending in Sub-Saharan Africa equaled nearly \$600 billion, accounting for almost eight percent of all emerging-market spending. Africa also has enormous intellectual capital that is on the verge of being unleashed. I witnessed firsthand the drive for innovation and entrepreneurship on the continent when I visited the iHub in Nairobi, where members of the Kenyan tech community and entrepreneurs are coming together to develop new technologies and products for consumers in Africa and beyond. In support of this trend, the State Department joined with software developers to launch our Apps4Africa program to address local challenges like climate change, good governance, health, and education through the use of innovative mobile technologies.

Another important element is economic diversification, a key to sustained economic growth in Africa. We have seen too many cases where countries focus on a handful of commodities, with minimal job creation and spillover outside that sector. To take full advantage of the continent's natural resources, countries need to encourage fiscal transparency, responsible use of revenue for economic development -- including spending on education, health, and infrastructure -- and development of laws and regulations, which facilitate creation of new businesses. I was pleased, for example, to hear from senior Angolan officials of their desire and intention to diversify their economy beyond the petroleum sector, which has brought much wealth to Angola but which has yet to significantly improve the economic circumstances of the average Angolan.

The United States recognizes both the opportunities and the constraints and is fully committed to assisting our African partners as they work to put into place holistic approaches to achieve greater economic growth, strengthen democratic institutions, and bring about a more peaceful and prosperous Africa. We are already implementing a host of programs with our partners to help achieve these goals. I want to highlight some of them here.

One of the most important new initiatives is the **Feed the Future** program, which is currently active in 12 countries in sub-Saharan Africa. Through Feed the Future, the U.S.

government is renewing its commitment to agriculture as a vehicle for sustainably reducing hunger and poverty. Feed the Future harnesses the power of the private sector and research to transform agricultural development in sectors with high potential to increase incomes among smallholder farmers, especially women farmers that traditionally have fewer resources. In Malawi, I visited Bunda Agricultural College, where that country's next generation of agricultural experts is being trained in Malawi, no longer abroad. Built in large measure with USAID funding over 40 years ago, Bunda College is not just training its students in the fundamentals of farming, they are learning the dynamics of international agribusiness - - skills they will need to make Malawi's agricultural sector competitive in the 21st century.

The **Africa Growth and Opportunity Act – or AGOA** – remains the centerpiece of our economic and commercial partnership with Africa. AGOA promotes free markets, expands U.S.-African trade and investment, stimulates economic growth, and facilitates sub-Saharan Africa's integration into the global economy. AGOA currently provides forty countries with duty-free access for 6,000 diverse product lines. Since its enactment in 2000, two-way trade has grown to \$82.1 billion in 2010, and AGOA exports to the United States have increased to \$44.3 billion.

This year's **AGOA Forum** in Washington, scheduled for June, will focus on improving the provision of infrastructure as a critical requirement for a growing trade relationship. We will then host a follow-on business conference in Cincinnati that will continue these themes in the context of concrete activities aimed at facilitating trade. We expect robust participation from the U.S. and African private sectors, as well as government officials, where we will underscore the priority of addressing Africa's infrastructure and energy needs.

Through the **African Women's Entrepreneurship Program, or AWEP**, we are working directly with African entrepreneurs to accelerate the growth of women-owned businesses and export capacity, foster leadership for women's business organizations, and support women's advocacy roles as "voices of change" in their communities. Across Africa, an increasing percentage of businesses are being started and run by women – and those businesses are growing as a measurable force in the world economy. To quote World Bank President Robert Zoellick, *"...giving women greater earning power and greater control over resources within their households could boost children's health, could increase girls' education, could leverage entrepreneurship and economic productivity and could take us closer to that world beyond aid."* The United States is committed to this vision by bringing

leading African women entrepreneurs together through AWEF. Let me say, in my many years as a diplomat and businesswoman, I have met many, many women's groups but I have never seen the level of dynamism, passion, and courage that I saw in the women's groups on this trip.

Just as we are working to empower women entrepreneurs through AWEF, we are also launching initiatives designed to engage directly with African youth, who, as I noted previously, make up an increasingly large proportion of the continent's population. Two out of three Africans are under 30 years of age, and an average of 10 million Africans enters the job market each year, and so robust engagement with the youth sector is absolutely critical. This is an effort in which both the President and the First Lady have been personally involved. Both have hosted Forums with Africa's young leaders – the President in Washington, DC in 2010 and the First Lady in South Africa a year later. The U.S. government is working to develop initiatives to support and engage Africa's young leaders. In support of these efforts, the State Department intends to launch a **U.S. Public - Private Mentoring Partnership for Young African Leaders**, which is a mentorship and networking program created to partner 75 young African entrepreneurs with U.S. business professionals to foster innovation, corporate investment, and corporate social responsibility activities in Africa.

At a speech I gave at the University of Zambia, I was deeply impressed by the intelligence, worldliness, and vitality of the student body. They questioned me about American foreign policy and expressed both hope and concern about Zambia's future. Judging by their level of sophistication, I am certain that the future of Zambia will be in very capable hands.

It is also worth noting that two of the four **Partnerships for Growth** countries are in Sub-Saharan Africa. Rooted in the President's 2010 Policy Directive on Global Development, we are partnering with both Tanzania and Ghana through this initiative to address the constraints and barriers to growth and developing plans of action to address these. Through this partnership we hope to expand both country's access to international markets, promote flows of domestic and foreign investment, and improve the effectiveness, transparency and accountability of both country's public institutions.

As this broad range of initiatives and programs illustrates, Secretary Clinton has placed economic diplomacy at the center of U.S. foreign policy. We are actively promoting our **Economic Statecraft Agenda** throughout the world, including in Africa, by attracting

U.S. companies to invest in Africa's agriculture, infrastructure, and energy sectors. The State Department recently led a delegation of ten U.S. companies to promote U.S. business interests in Western, Eastern, and Southern Africa's energy sectors as a means to support infrastructure development on the continent. In our diplomatic push to link business interests to development, we are working to see concrete deals made which spur economic growth and job creation in Africa and the United States.

We recognize that health is a critical issue for sustained economic growth and long-term economic stability. As a part of our holistic approach, the Obama Administration launched **the Global Health Initiative**, which commits U.S. support to fight disease and improve health systems with our African partner countries. Through this initiative, the United States is improving the health of women, newborns and children in the areas of infectious disease, nutrition, safe water, and maternal and child health. It builds on the successes of **the President's Emergency Plan for AIDS Relief (PEPFAR)**, **the President's Malaria Initiative**, and **the Neglected Tropical Disease** programs. Through the work of PEPFAR, the U.S. is directly supporting life-saving anti-retroviral treatment for nearly 4 million individuals, the vast majority of whom are in Africa. The United States is also the first and largest donor to the **Global Fund to Fight AIDS, Tuberculosis, and Malaria**, having provided more than \$5.8 billion to this powerful multilateral partner in our global health efforts. I saw this work first hand at Bwaila Hospital in Malawi, where officials from USAID and the Centers for Disease Control were working hand in hand with their Malawian counterparts to prevent mother - to - child transmission of HIV, ensure access to adequate pre-natal care, and provide basic pediatric services to some 200 mothers and their children each day.

Finally, sustained growth requires peace and security. The last element of this holistic approach that I want to highlight today is effective and accountable security services. Political tension, conflict and violence stifle the continent's ability to develop a vibrant economy, destroying export infrastructure, and slowing or even reversing regional integration. African militaries and security forces have played both a positive and negative role in the development of government institutions. In West Africa, African peacekeepers contributed importantly to the rebuilding of the war torn countries of Liberia and Sierra Leone. But as we have seen most recently in Mali, militaries can threaten decades of democratic gains. That is why a critical component of our engagement with Africa is to help African countries develop professional militaries to provide for the national defense of sovereign states and the safety of the populace while respecting civilian authority. Likewise, we support the creation of effective coast guards and maritime security forces to enforce

exclusive economic zones and cut down on illegal fishing, as well as professional border security forces to cut down on illicit trafficking.

I have spent much of this time discussing Africa's immense potential and how we are helping our partners on the continent to harness it. However, I fully recognize the significant challenges that remain to be overcome in many African countries. We remain focused on finding a long-lasting solution to the ongoing dispute between Sudan and South Sudan. Likewise, the conflict and instability in Somalia remains unresolved. Nevertheless, the Transitional Federal Government with whom I met in Nairobi and the African Union Mission in Somalia (AMISOM) are making significant strides in the fight against al-Shabaab. Political gains have been difficult to achieve and the Somali people continue to bear the brunt of the violence. And unfortunately, Somalia continues to be a source of regional and global instability. During my visit to Kenya, I traveled to the Dadaab Refugee Camp in northern Kenya, which is equivalent to the fourth largest city in Kenya. Meeting a 20 year-old refugee who was born in the camp and has never had an opportunity to leave, was a stark reminder for me of the human toll of the ongoing conflict in Somalia. My visit to Nigeria underscored the serious issues and insecurity confronting that regional powerhouse, including the problem of Boko Haram in northern Nigeria and criminal groups in the Niger Delta. In northern Nigeria, it is critical that the government address the social and economic disparities that have contributed to the Boko Haram crisis. Many of the challenges facing the continent know no borders. Despite our best efforts through Feed the Future and other programs, food insecurity remains widespread across the continent and the effects of climate change risk undercutting the tremendous progress we have made on this front. All one has to do is look at the top of Mount Kilimanjaro to see how much the snow-cover there has been reduced in recent years to see that climate change is having a significant impact. Weak infrastructure is another major challenge, even though African governments and private sources combined are investing about \$72 billion a year in new infrastructure. The lack of sufficient power, water, and transportation infrastructure still seriously impedes growth.

Despite our realistic assessment of the scale of these challenges, I remain confident that by pursuing a holistic approach to encourage economic growth and stronger democratic institutions, we can contribute substantially as partners for Africa to harness its full potential and become a stronger and more effective member of the international community. There is no doubt that a difficult road remains ahead but if we can look beyond the headlines to

what is happening on the ground, we will recognize the signs of economic growth and emerging democratic institutions that bode well for Africa's future.

Once again, I want to thank USIP for its generous hospitality in hosting this discussion here today. I look forward to taking your questions.