Africa

The panel focused on new investment opportunities in Africa. These included collaborative investment in infrastructure, particularly in the area of energy, and an Africa infrastructure fund. Panelists also discussed the possible roles for finance in facilitating economic and political transition, particularly in relation to the Arab Spring, and the importance of developing the right domestic interface with external finance.

Elyès Jouini, Professor and Vice President of Dauphine University, presented an overview of the Tunisian experience and introduced the Ajyal ("generations") Fund Project. While he noted that there are a number of opportunities in Tunisia following the transition, the country faces some challenging conditions. There are social and economic disparities between the coastal regions and the south and central parts of the country. High unemployment is an issue that is particular important to the latter region. To begin the address these issues, Tunisia is focused on five priorities: better public governance; upgraded infrastructures; fostering human capital; integrating with international markets; and developing a modernized, growth-oriented financial sector.

The $3.5bn Ajyal Fund Project is an important component of the Tunisia's development strategy. The Fund aims to be a significant job creator. Seed funding is from privatization proceeds, and future sources will come from portfolio company re-investments, future privatizations, and other (co)-investors. Professor Jouini noted the importance of developing appropriate governance arrangements for the fund.

Dr. Erik Berglof, Chief Economist of the European Bank for Reconstruction and Development, provided insight into the current and extremely diverse transformations in North Africa by drawing on the lessons learned from the Eastern European economic and political transition. He noted, for instance, that appropriate sequencing of reforms can militate against reform fatigue; institutional reform is an essential prerequisite to any liberalization and privatization efforts; and it was critical to reorient the state's role towards the end of supporting markets.

In looking at the Egyptian experience in particular, Dr. Berglof noted the general and difficult problem of unseating entrenched elites. In particular, Dr. Berglof noted, the EU perhaps is required to perform the role of outside anchor. Today, Egypt is more like the Ukraine in 2011 than Poland in 1989.

Dr. Mthuli Ncube, Chief Economist of the African Development Bank, emphasized the need for energy investment, skill development, and private sector investment to sustain and augment existing development levels in Africa. He noted that recent growth across the continent has been strong and not only resource-based. Robust East African (Tanzania, Uganda, and Kenya) growth is linked, for instance, to a strong middle class and new technologies. Economic development in Africa might remain uneven, but the middle of the income pyramid has been growing, with 30% of the population now earning between $2- $20 per day. Despite such improvements infrastructure and energy in particular, remain underfunded, with only 45 percent of total infrastructure demand currently being met. Dr. Ncube thus proposed the creation of an infrastructure fund for Africa involving partnerships between sovereign wealth funds, development banks including ADB, EBRD, etc., and other long-term investors.

Juan Yermo, Head of the Private Pension Unit of the OECD, emphasized the infrastructure investment opportunities available to institutional investors, and pension funds in particular, in Africa. While agreeing with Dr. Ncube that the power grid presents the greatest infrastructural challenge, he also drew attention to the importance of poor transport links and the vulnerability of many African nations to climate change.

Given the particularly challenging nature and critical importance of climate change related threats, he argued that African nations should consider clean energy sources such as hydroelectric and geothermal power.

Already the number of funds (particularly from Canada and Australia) making direct infrastructure investments has started to increase and is a trend he anticipated continuing. As demonstrated by the $140bn South African Government Employees' Pension Fund (GEPF) recent commitment to investing 5% of its assets into African infrastructure and the existence of the Kenyan and Nigerian pension funds, he expected African funds to become more active. Facilitating the investment opportunities for institutional investors in Africa were an improved political landscape, rapid urbanization, strong resource-based growth, and large, unexploited energy capacity.

The panel was chaired by **Professor Katharina Pistor**, of the Committee on Global Thought and Law School at Columbia University. She drew on her knowledge of the transition of Eastern Europe to capitalism and discussed the need for African policymakers to think carefully about how to connect domestic institutions to external finance. Professor Pistor noted that one of the important problems facing incoming governments was determining the appropriate "interface" with global financial markets. It doesn't help, for instance, for a country to be too intertwined. There are, moreover, many potential paths, such as the model China provides of decentralized experimentation. She also noted that the East European experience teaches us that the law is necessarily incomplete since we cannot specify certain contingencies. As a result she cautioned against the "legal indicators" framework which undermines any chance for experimentation. Given such complexities Professor Pistor noted that there will be no short cuts, such as those envisioned in the "big bang" transition model. This was particularly the case with North African countries, who faced the problem of "rebuilding a ship in open seas" since the required political and economic reform was occurring in a weak global economic environment.