



The Fifth Annual Forum of Developing Country Investment Negotiators 17-19 October, Kampala, Uganda

Investment and Sustainable Development: Developing Country Choices for a Better Future

Rising or Uprising Africa's Inward Investment, Development and Sustainable Development

Hon Ciata Bishop, Executive Director, National Investment Commission, Liberia

Honorable Minister ___ Minister of Finance, Republic of Uganda, other Ministers and dignitaries of Government, Members of the Institute for Sustainable Development, colleagues, fellow participants invited guests, members of the Press, all other Protocols observed, ladies and gentlemen:

First of all I would like to extend my thanks and appreciate to the organizers of this event for giving me the opportunity to bring you the keynote address and to through our participation share some of the Liberian negotiation experience with you. I hope that you will find our participation rewarding. I would also like to thank the Ugandan people for all their support and the cordial level at which I have been received since my arrival at Entebbe.

It is no secret that the African continent is the one of the last remaining pockets of richly endowed places in the world - abundant in natural resources including the last remaining significant deposits of hydrocarbon reserves in the Gulf of Guinea, minerals, timber and some of the world almost extinct and diverse flora and animal species. Our tropical forests remain filled with teak wood, iroro wood and remain home to some of the nearly extinct wildlife including the pygmy hippopotamus and the famous Dodo bird. As the cradle of civilization, and the home to the most diverse and hospitable groups of peoples with languages and dialects ranging in the hundreds, our continent continues to attract attention both in terms of growth and development potential, as well as, from its socioeconomic development. Africa is the world's second largest continent in land mass and home to approximately 1.2 billion people across 54 countries. This makes us the 2nd largest and 2nd most populated continent next to Asia. However, as a result of our lack of self governance, internal conflicts, continuing levels of violence, raging civil wars and conflicts, ethnic conflicts, Africa continues to draw attention to itself especially in terms of the development and utilization of its unexplored and extraordinary amount natural resources. Moreover, with the apparent abundance of natural and human resources the continent continues to lag behind in terms of total development relative to its age and to the rest of the world. While it is true that we have lagged behind and continue to do so, it is also clear that in the last 10 years, Africa's growth and development in real terms has improved consistently and despite the lag in development, foreign direct

investment continues to flow into the continent in terms of aid and grants, investments through the various mining sectors, energy and hydrocarbon sector, transportation and the large scale agricultural sectors including rubber and palm oil. This simply means that we continue to be an attractive investment. In a recent address to a World Bank sponsored forum at the London Stock Exchange, ----- Oby, Vice President of the World Bank, urged investors worldwide to invest in Africa and its growing capital markets as the new frontier. In describing what she termed the 'rediscover Africa's process she noted that the markets in Africa although small comparatively were able to withstand the global financial crises as a result of the resilience and with shrugged been there done that attitude which was exhibited by many of Africa's Finance Ministers at the recent World Bank and IMF annual meeting in DC held in September 2011.

Mdme Oby went on to add that our fundamentals coupled with the projected growth rates of 4.8, 5.2 and 5.8 for 2011 through 2013 are all positive growth and investment indicators for African markets. Most importantly however, she noted the importance of replicating the knowledge which allowed policy reform to precede investments noting further that financial capital invested must not be narrowly focused but sustainable if the 'new Africa' is to take full advantage of the 80 to 90 million labour intensive jobs in light manufacturing that will be forced offshore China as a result of wage pressures within the next 3 to 5 years. While Mdme Oby's speech was quite forward thinking by the London Stock Exchange standards, let me remind us that capital investments in the Africa has spanned the last 100 years primarily in the form of aid and foreign direct investments. More recently, however, capital inflows from FDI in the mining, hydrocarbon, and agricultural sectors have been in the billions. Given these remarks it is easy to surmise that Africa is on the RISE and open for business however it is imperative that a continental UPRISING occur if we are to have sustainable development, reduce poverty, improve education, empower our youth, create wealth and sustainable middle classes strengthen our institutions to withstand and build sustainable development and wealth. This uprising must occur as we as Africans begin to look within ourselves, within the diversity of our regional cultures to find commonalities, within our borders to settle disputes peacefully and incorporating our traditional methodologies, within our institutions financial and other institutions to set the stage for sustainability through policy reform and within ourselves as individuals to find the resolve and determination it requires to begin to fight inappropriate practices that render all other efforts useless. Let me be clear that this undaunting task cannot be done alone and requires the collective efforts of all our international partners-even those who pretend to love us now while desperately needing our resources. In this uprising, Africans must be clear that in order to facilitate our sustainable growth and development we must be Africans First. Therefore we must make decisions and negotiate agreements that irrespective of our political affiliation, the superpower status of our benefactor, the size of the grant, the political pressure from our allies, our own financial gain, or any other

dispensation, that will be African led, Africa focused and African owned for inward and sustainable development.

Ladies and Gentlemen it is against this backdrop that today, I undertake an enormous task of speaking on the topic “Rising or Uprising? Africa’s Inward investment, development and sustainable development.” While I cannot understate the importance or the controversial nature of this topic, I certainly hope that the ideas expressed are thought provoking and insightful.

To fully appreciate the topic, allow me to refresh your minds and briefly summarize Africa’s distinct growth and investment phases as well as an importance of foreign direct investments in the process. Prior to the independence wave of the late 50s and 60s, most of Africa’s trade and foreign direct investments were direct results of trade with the colonial powers. For example, despite the fact that Liberia was not colonized, its trade and investments were primarily suited to meet the needs of rubber by Firestone and iron ore by Bethlehem Steel. During this phase, the investment activities were largely ‘scoop and ship’ with little or no manufacturing or relation to the domestic market. In the rest of Africa during the post colonial era as newly independent African countries began to formulate their trade policies, this period was dominated by Pan Africanism which supported the inward development largely through protectionist industrialism and trade restrictions. However, as a result of the global oil crisis in the 70s through the mid 80’s many countries were then forced to revisit their policies as commodity prices had tumbled, numerous civil conflicts had begun and many African economies had begun to tumble. As a result of the financial crises, the World Bank and many of the member countries recognized the need for institutional reform. The now famous Berg report reviewed aspects of various economies and pointed out institutional failures and flaws characterized by state interference, inadequate policies, trade regulations that created barriers with recommendations of trade liberalization and immediate policy reform. From the late 1980s through 1995, African countries began a period of policy and trade reform, market liberalization and restructuring of investment reform instituted under the IMF and World Bank that slowly began to see the stabilization of local and regional currencies and increased foreign direct investments.

Foreign direct investment by definition is one of the financial conduits used primarily to attract new investment capital. Other models including the use of joint ventures pertain but FDI remains the most effective that have flowed into Africa over the last 25 years. It is common knowledge that the intended effect of FDIs under the Keynesian microeconomic theory is to provide capital for new investments, improve the balance of payments, increase productivity, increase employment and enhance management while increasing knowledge and technology transfer. As a result of these inherent benefits of FDIs to the developing countries of Africa, we have then used our natural resources to attract and retain FDIs into the region. In 2005, according to the World Bank, Angola received the highest amount of FDIs totaling US\$13.1 billion largely into the hydrocarbon sector. It was followed by Nigeria with approximately 6 billion and South Africa with 5.7 billion for a total foreign direct investment amount of US\$38.2 billion.

Subsequently, a total of UD\$55 billion in 2006, 63 billion in 2007, and 72 billion in 2008 flow into Africa. In 2009 despite the global financial crises, Africa's amounted to 58 billion and was expected to soar to its 2007 amount in excess of 70 billion. In Liberia the President Johnson-Sirleaf led administration has attracted in excess of 16 billion of new foreign direct investments for the period 2005 to 2010. These inflows included investments from the large iron ore mining companies including Acelor Mittal and BHP Billiton and from the large agricultural concessions including Firestone in rubber and Sime Darby in oil palm. Ghana with the recent oil discoveries, is anticipating that the foreign direct investments are expected to quadruple over the next 3 to 5 years.

However, I would like to take a moment to contextualize these inflows in using macroeconomic theories coupled with a little reality. The impacts of the FDIs are not immediate in most instances therefore depending upon the term of the agreement the cash flows could span across multiple years. Microeconomic models of investments and the realities of the FDIs recognize the crucial importance of timing of inflows, expectations, and choices made. On the way to Entebbe, I read an interesting article titled "The Nemesis Called Oil and Gas". The article was a first in a series that is reviewing the Nigerian oil and gas industry in light of recent occurrences however there are two things I'd like to borrow which has particular relevance to us today. The first is a question posed by the Author after giving a detailed historical synopsis of what he describes as a failed industry. The question and I quote is "What reforms do we need to implement to put our oil and gas on a path of growth, indigenization and maximum benefit to our nation? After having raised the question and further described oil as a nemesis to national development the article went on to note that the vision of the industry's founding fathers have been deviated from primarily as a result and I quote "of the choices our leaders make today that determine the future of millions".

The macroeconomic choices therefore, as we attract FDIs are tied to future earnings, improved capital stock and wealth creation. For example, in Liberia while the committed inflows total 16 billion over a 5 year period, most of the initial impact will be infrastructure development and capital assets. The impact in terms of real job creation and the impact on the local economy will begin at the end of the exploratory phases. We have recognized our lead time as limited and thus we have begun our uprising for inward development through a systematic approach to developing our human resources and identifying the requisite skills in preparation for the growth. Our skilled and unskilled workforce must be trained and prepared to meet the demands of each of the mining hydrocarbon and agricultures sectors. At the National Investment Commission, we have taken the initial steps of beginning a backward linkages program which is intended to provide a link between local businesses and the IOC procurement process to improve the use of local goods and services.

Irrespective of the sector or the amount, the importance of FDIs to our economies cannot be overemphasized. In Liberia today as a result of the efforts of the Sirleaf led administration we are

bombarded with every imaginable investment request. While Liberia does need the investment capital and resources we similarly, recognize the importance of inward targeted development which will be the result of those inflows. It must no longer be acceptable to negotiate agreements or accept investments that build or improve infrastructure without social development or interventions of knowledge transfer and capacity building for our human resource pool. Each investment opportunity must at the very least improve the basic lives of our people especially our young people. It is estimated that 60% of the continents population is fewer than 25 – what an enormous pool of human capital. With this pool of young, trainable, human resource and structured interventions, Africa in the not too distant future boast of a human capital base second to none. We must now prepare ourselves to communicate and perform up to standard. We must establish common goals and common languages and in order to do this each African must be conversant in at least two of our most common languages – English, French or Arabic. This is a crucial step to our Rise! Let us communicate with ourselves and with each other before we can do so with the rest of the world. With our enormous young pliable pool of human capital, our fundamental question then becomes what must happen to turn these resources into tradesmen, bankers, lawyers, politicians, skilled and unskilled labor who collectively are the building blocks for sustainable internal development. It is said that in the next 3 to 5 years there will be approximately 80 to 90 million offshore light manufacturing jobs created by the wage pressures of China. Will we stand by idly while the Chinese in creating these positions fill them with their transplanted citizens under the guise of assistance and lack of capacity and know how? How much longer will we allow foreigners to use our people under the lack of capacity guise? Africans Arise! Africans Uprise! Let us awaken from our slumber and no longer welcome investments with strings simply because they bring taxes and revenue. While it is true that we need revenue, we need sustainable growth and development more. Let us use our fundamental village values augmented selectively with the western wisdom to build a better Africa. Let us look internally to developing our resources because if we build it, they will come! If we improve our own capabilities they will come and we will have the ability to improve ourselves. If we increase our knowledge and skills, if we work together regionally and within the continent implementing effective policies that meet our needs, Africa will Rise.

It is certain that given our diverse cultures, languages and size of the continent we have challenges however those hurdles are not insurmountable. But in order to meet these Our role as the investment leaders is not only to attract new and sustainable development through investment opportunities but more importantly our role is also to assure the inclusion of our local domestic private sector in the process. This is the only way to create and build sustainable long term wealth in our economies. I would like to suggest that the roadmap to inward sustainable development can be navigated as follows:

First of all we must remember that the natural resources belong to us and that Africans must maximize the benefits it receives from the sale, lease, transfer or adjudication of those assets. In the case of the

nonrenewable resources once deleted we no longer have the opportunity to adjust or refill hence all current and future generations of our various societies are entitled to enjoy the benefits received therefore we the current leaders must implement sound policies prior to development of any asset which will that we receive maximum economic rents. Negotiations while being fair and financially sound for the investor must nonetheless include some time bound knowledge and technology transfer aspects, capacity building aspects, local and indigenous percentage and limits on importation of labor.

Secondly, we must always retain control of our destiny. It is always interesting to listen to an investor who promises the moon if only we change this law or that policy or who knows someone who knows someone who can change the world. One of the most difficult and basic tenants of economic and investment activity is the concept of choice - Guns versus butter. While I am the sure the economists here today can give be all the reasons for optimizing utilities etc. but the more control we retain of the process, the better our yield. National buying is crucial because the more as a nation we know what we want to achieve strategically and financially from our investment portfolios the more we retain control over our destiny. I note this simply to say there will sometimes be diverging political and economic interests.

Thirdly, as develop inwardly, let us not be too hasty to adopt the recommendations and reforms of the Western cultures. Those are aging and fragile economies that need our resources for support and it are the delivery of our goods and services that we will uprise in an effort to rise. Best practices for the West may not necessarily be the best and most effective practice for Africa. We must review and reject those systems that may not be the best for our growth and development at this particular juncture of our development phase while accepting those that will pole vault our effectiveness and meet our objectives. There is an old via advice that my grandfather gave my brothers just before they sent them off to school which is "Go my son into the white mans world; learn all you can so that when you have returned home, you can beat him at his own game". I believe that that advice is more relevant to us today than ever before. We need to glean the best of best practice that is relevant for us apply it to our benefit. As part of the reform process Africans must conform the reform to suit needs. I agree with Mdme Oby when she notes that reform and policy must precede development. Most of all, we must institute measures that will protect our indigenous and local markets. Let us not be so hasty to accept the global market liberalization principles. Let us build our markets and institutions First!!! Let us ne careful in joining the WTO and how we ride the WTO/MIC slope. Restrictions in favor of local companies is a double edged sword we must implement flexible investment and fiscal code that do not jeopardize our ability to develop our industrialization policy. I agree with my esteemed college from the South Centre, we must learn to the lesson of the west to do as they say and not as they did. We must not take all recommendations as they may not be good for us at this time.

If we develop policies then we can set standards and the foundation for sustainable growth can be laid. Let us develop our regional alliances based on our common languages, common cultural and common



needs. Let us support market strategies that our people can benefit and grow from. Immediate entry in the global economy is not an imperative for all of our economies. If we build our capacity, they will come! They need us and we must rise. Manufacturing for export when we need to develop and our domestic private sector can wait a year or two in order to allow us to strengthen the local market. Regional cooperation and trade can also, as we put the proper and most relevant rules and regulations in place to ensure good governance, long term viability and financial stability within our economies become sustainable. These goals of sustained development cannot be achieved without regional financial capital market integration, regional cooperation and trade amongst ourselves. Let us take advantage of our comparative and competitive advantages. Ghana has a comparative advantage in cocoa, Liberia's labor pool is cheaper what can be done to facilitate our trading and maximize the use of both resources. It must not be cheaper to import cocoa from China to Liberia than from Ghana to Liberia. Similarly it must not be cheaper and easier to export local commodities to EU or USA from DRC than to export the same goods to Uganda or Liberia. Similarly for services, we should be able to help each other and learn from our experiences. For example Uganda is renegotiating petroleum sharing contracts and has halted further negotiations. Liberia has experience with renegotiations can we share information and share the results of some of our experiences? The goal is simple together we must rise but we cannot rise without an Uprising or a paradigm shift.

The third point is overarching and I mention it primarily because it is a result of the Diaspora effect. As a result of all the numerous conflicts many of us many of us have lived and worked in the western world, we have adopted attitudes, standards and hybrid systems of cultures. I for example, lived in the Caribbean for the better of 18 years and as such my existence culturally was extremely close to that of my African heritage. There are others who after living in the more advanced countries will tend to use the yardstick of their acclimatization to apply to our existence. We, as Africans need to go back to some of our village values. Have we forgotten that the great African trade and societies were built on fundamental economic values that spanned centuries until the emergence of the slave trade? Have we forgotten our great heritage? While many of us have lived and worked in the West, we tend to forget the cultural biases and idiosyncrasies as we begin to attract investments. What were the guiding principles then that still hold true today – respect, honor, and the sanctity of one's word. In traditional African society for example good governance formed founding blocks of the Village society and concepts of village life then included justice, equality, accountability, prudence, courage and mutual trust. Leaders in traditional African societies were not only checked by the societal institutions but also were restrained by the beliefs in the ancestors. Unfortunately as a result of the various civil disruptions and the scattering of Africans across the globe the attachment to some of the tenets of our rich cultural heritage has been eroded. The paradigm shift is to the foreign culture steeped in western led values which has to a large extent replaced the systematized and coordinated indigenous cultural perspective of our African

societies. The consequences have been negative and we must try despite its challenges to include some of our custom and practice in what we do today. Do you know that in no African language or dialect is there a word for ‘corruption’? Yet, the word corruption has become commonplace in our society and on a daily basis finds itself being used to describe every possible act. Who were we before? As we look inward let us analyze and utilize those unique features of the African culture that are not necessarily and capitalize upon them. Here is a simple example of an African idiosyncrasy. In the Western world, there are homes for the aged and elderly. In Africa and particularly in Liberia, our parents and even our grandparents live at home with us especially when they are no longer able to care for themselves. So we take care of them and they become our dependents. What happens during negotiation when a company is providing benefits for dependents? What is an appropriate definition of a dependent? A westerner would instantly think spouse and children, while we on the other hand, think family. Traditions are important and play roles in our development process. Our traditions define us and our lives and understanding the bias and incorporating our traditions makes it easy to control and define how we do business in Africa.

Fourth, we need to ensure that there are proper mechanisms in place to develop our young minds. Of the 1.2 billion persons on this continent, 60% of them are under the age of 25. This group of energetic, resilient people represents our key to the future and the path could not be brighter. Within the pool of human capital as we begin the Uprising we must ensure that we clearly identify the areas of need and then begin to create the opportunities and fill those gaps. There must be a proliferation of area vocational institutions, training facilities, and immediate, short and long term capacity, building efforts geared at the meeting the needs of not only the new investors but our local economies as well. The training must be targeted – for example in Liberia we know the number of doctors, nurses, teachers and other professionals that will needed over the next ten years. Additionally we can now estimate the number of blasters and welders we will need for the mining industry over the next 5-15 years so we are looking at institutional training and development in an effort to utilize that labor pool. What are the costs of building these institutions relative to the benefits? We can always build a new road or construct a new building or improve infrastructure but what is the cost of not building a VTI? What is the cost of not developing our human capital?

Finally, given the entire positive steps that are being taken what are the challenges to the Rise of Africa. It has long been argued that Africa’s problems are deep rooted in our inability to rule ourselves subsequent to independence and that the leaders once in power become objects of abject power who ignore the needs of the masses while amassing wealth for the few. Case studies from countries across Africa whose leaders have been in power in excess of 25 years or more and whose immediate family members wield uncontrollable power and wealth. Cases include Mubark of Egypt, Khadaffi of Libya and the list goes on but instead of beating dead horses let me take just a minute to share Liberia’s Uprising in an effort to

ensure a continual Rise for stability and sustained growth. Liberia traditionally was a scoop and ship concession country whose primary industries were iron ore, rubber, oil palm, coffee and cocoa. As I mentioned before we have attracted a little more 16 billion in investments and we have renegotiated almost all of the large preexisting concession agreements which went against international convention. But in renegotiating these contracts the country and the people of Liberia stand to benefit much more than the original give away agreements. As we have learned to control our destiny, we have called for much better and much more improved housing, medical, education, knowledge and technology transfer methodologies that have direct impact on our people. We are developing linkages now to allow our local business to benefit from these agreements with service contracts and other small initiatives, We have improved our business registration process to allow small business access to markets and we are implementing policies that will allow greater fixed percentage of Liberian participation in agreements. In the petroleum sector, our petroleum law specifies that Liberian citizens must have equity participation and the state has an additional equity participation requirement in each of our oil blocks. We want Liberian millionaires and a vibrant middle class that is not limited to the few but to everyone.

Honorable Minister, ladies and gentlemen given the role of investments in our economies, the recognition that Africa's real growth in terms of GDP is projected to hover at between 5 and 6 percent for the next 3 to five years and given all the positive indicators Africa is poised for lift-off. We are rising but in order to Rise there must be an uprising. The uprising must occur within our countries, within our regions and most of all within us. Our leaders who led the revolution to independence recognized that Africa's future lay in our ability to control our destiny through the development of our natural resources We must seize the moment! But the Uprising must begin with ourselves!!! We must know what we want and know that we are descendants of the once powerful proud African traders and empires who once ruled the world. Times have changed, technology is better and easier, communication is better, and therefore We are inherently better. We have learned from our past that wars break down infrastructure and destroy homes, families, lives and displace peoples while the rebuilding cost is high and slow. Africans have learned that we have great human resource capital and great abilities. Our natural resources will lift us naturally but how we maximize the benefits from those resources to us is within us. Africa will Rise! We must UP-rise if we are to truly rise.

I thank you.