It is a pleasure for me to share my thoughts with you on the important issue of globalization from the perspective of what I call, a “globalized” African. I describe myself as such because in a curious way, the effects of globalization, both positive and negative, have allowed me as an African to pursue personal and career goals that were not available to people of a similar background only a decade ago. Just to give two examples, the rapid growth in mobile telephony (I am now one of the 25 million Africans who have mobile phones) and the internet have allowed me to run my African corporate finance advisory business out of Accra, Ghana without any significant effects on my efficiency, but at a considerably lower cost than elsewhere. Similarly, the fact that the large growth in cross-border financial flows arising from globalization has by and large missed the African continent provides me with an opportunity to find ways to attract international capital towards the many opportunities that I see in Africa by applying corporate finance skills acquired outside Africa.

But I do recognize that I am in a privileged position, and I am reminded every day by what I see around me that the benefits of globalization have been missed by most Africans, even if the effects can be seen all around them through the media, the internet, telecommunications and their interactions with relations who have emigrated to other countries in search of a better life. This contrast between the opportunities and failures of globalization is what I would like to capture in my presentation. I will first try to describe what I believe are the key conceptions among Africans about globalization and its effects, and then try to see if there is a way forward for the future.

Globalization is a complex phenomenon with far-reaching effects. It is a process that has been taking place over several decades, characterized by unprecedented levels of interaction, interconnection and integration, both economic and political, in the world. A process that is driven by international trade, cross-border financial flows, information and communication technology and increased competition for global markets. In many respects, globalization is not totally a new phenomenon; people have been interacting socially and politically with each other from great distances for centuries. What is really new is that the pace of this interaction has accelerated dramatically in the last few decades, as countries have opened their economies to trade and capital through the implementation of free-market economic systems and the reduction in barriers to international trade.
Globalization has also led to the increased circulation of ideas and people, to new perceptions of the role of governments and to heightened expectations from the poor as they become more exposed to developments elsewhere in the world.

We all recognize that the effects of globalization have been uneven, especially for Africa. Indeed, some argue that globalization has worsened inequality in the world, by eroding the incomes of the poor and increasing their vulnerability. Africans today feel marginalized by globalization and excluded from international trade and financial flows. They argue that the gap between the richest and poorest countries has widened in the last four decades as the continent has fallen further and further behind the rest of the world. Western tariffs discriminate against the local processing of commodities such as cocoa, coffee and cotton. African goods sold in OECD countries face tariffs roughly ten times higher than those levied on goods traded within the OECD. Ineffective policy prescriptions from the IMF and World Bank bear little reality to local conditions and the needs on the ground. Africans argue that the continent was in fact, better off before many of the IMF/World Bank inspired reforms began. They complain about the poor response to the HIV/AIDS pandemic and other diseases and the inadequate and effective financial support from the international donor community to address these problems.

Net private direct investment to Sub-Sahara Africa was only $3.9 billion in 2002, most of it directed to exploit the continent’s natural resources, despite the often stated fact that the return on foreign direct investment in Africa is higher than in any other region. As we watch the progress of other countries through vastly improved international communications links, Africans have become increasingly bitter and disappointed with their Governments and with the world at large. Many respond by desperately seeking to leave the continent to find better lives in those countries that have benefitted most from globalization, creating new socio-political challenges, not for Africa alone, but the world at large.

This sadly, is what one hears most in the debates at home. However, I would like to believe that these reactions overlook some significant positive effects of globalization that are shaping the future of Africa. The first involves the issue of good governance. One of the most durable effects of globalization has been the growing recognition across Africa that good governance at all levels is the essential starting point for economic progress. Globalization has helped Africans to better appreciate the importance of their democratic rights and to aspire to proper functioning democratic systems that respect human rights and the rule of law. There is therefore a strong push to develop political systems that promote representative and honest governments. Governance in Africa is slowly improving and decentralized government is taking hold. For example, no incumbent African leader ever lost an election until 1982. In the 1990’s 12 African leaders were voted out of office and 11 more since then. Countries like Nigeria, South Africa, Senegal and Ghana are showing the benefits of democratic government, the rule of law and freedom of expression. Press freedom is growing, along with the overall level of political activity.
in many countries. While many problems remain, established standards of good governance arising from globalization are progressively taking hold in Africa.

With this has come greater economic liberalization. Governments in Africa are taking steps to privatize and de-regulate their economies to attract more private capital. The Ghana stock market for example, was the best performing stock market in the world last year and continues to record strong gains this year alongside the Nigerian stock market. The financial markets in Africa are progressively being deregulated and strengthened, the telecommunications and information technology sectors are growing rapidly, new investment and mining codes are being passed into law to attract international capital, Governments are implementing privatization programmes in the transportation and energy sectors and the legal and institutional frameworks for business are being strengthened. While not obvious to many, these developments have not gone unnoticed to international investors. Slowly but progressively, Africa is being looked at more closely for the investment opportunities that it offers in financial services, agriculture, outsourcing, telecommunications and natural resources. In response to these trends, the informal economy in many countries is also growing rapidly to capture the large reservoir of entrepreneurship and innovation that exists in this sector.

Another positive effect of globalization has been its impact on education and migration. African governments increasingly recognize that countries which have benefited from globalization have invested significantly in education. While most countries still lack the resources to establish a robust educational infrastructure there is greater awareness of the role that education must play for the future and of the standards that must be achieved. Although still inaccessible to most, the Internet and other advances in information technology have opened up opportunities to improve the quality and content of educational programmes. The effect has been a growing shift away from a reliance on the state to provide education, towards private schools and colleges. Governments are paying greater attention to education standards and enrollment. Gambia and Uganda for example, have registered 20 % growth in the primary school completion rate in the last decade alone.

One important effect of the movement of people and ideas in a globalized world has been the growing number of Africans seeking educational opportunities outside the continent. This has been happening over several years and I believe that we are starting to see a trend where such educated Africans are increasingly turning their attention to the opportunities at home. Just examine the number of indigenous financial and information technology companies that are being established in Africa and that trend becomes obvious. Furthermore, this “Diaspora effect” is making a major contribution to the economies of African countries. Remittances to Africa from the Diaspora currently far exceed the levels of overseas development assistance and have the potential to provide significant amounts of capital to stimulate the growth of industries such as technology and real estate.
The efforts to promote increased regional integration is another important step towards greater participation in global markets by African countries who recognize the pressing need to pool their resources and markets to create the scale and opportunities that can attract international capital and investment. African leaders have signaled their commitment to this process with the launching of NEPAD, which has as one of its goals the need to “halt the marginalization of Africa in the globalization process”.

Against the background, one must ask the complex question: Why has Africa been marginalized? There are many theories, but the answers can help fashion initiatives and policies to correct the errors of the past. While one can start from the history of colonialism which created artificial, weak and unprepared nation states from the time of independence, and from the effects of the cold war, history cannot today justify Africa’s lack of progress in the last few decades. The prime culprit in my view is poor government. Africa has not been blessed with good governments and effective leadership. Political systems and the quality of public services through which policies are implemented remain very weak. Economic governance, characterized by measures to combat corruption, promote better-functioning bureaucracies and better regulation has been poor. The delivery of education and health services has fallen well short of international standards. Africa’s debt burden has made it difficult for policy makers to address these weaknesses and to implement forward-looking economic policies. Furthermore, the current international trade architecture, focused in Africa primarily on agricultural products, makes it extremely difficult for Africa to grow through increased trade.

This conference focuses on the theme of achieving sustainable economic growth and poverty alleviation and quality of life improvements through private and public sector initiatives, within the context of a globalized economy. This raises questions about the mechanisms and measures required to help African countries take the right steps to benefit from the positive aspects of globalization, while minimizing the negatives and ending the continent’s marginalization.

I would argue that the current development consensus for Africa is weak in a number of important areas. First, it does not give enough attention to the administrative and institutional capacity of Governments in Africa to develop and implement sound reforms and initiatives. Simply put, most Governments are administratively and technically too weak to manage their countries. Substantial resources are therefore required to upgrade the caliber of people in Government and to attract the best minds. This is ironic when one considers the impressive resources that are increasingly available to African countries from their own nationals now in the Diaspora. These resources are not harnessed and I would argue that as a priority, Governments need to be made more efficient. Today officials are overwhelmed and bogged down with too many issues from too many constituencies, including the international donor community and the multilateral institutions. They are paralyzed into inaction and have little time to develop
strategies to improve their countries, much less to actually manage the programmes that they sign up to.

Secondly, inadequate attention is given to the development of strong legal, financial and regulatory systems that underpin efficient governments, especially at the local level. Thus existing systems are abused through inefficiency, mismanagement and corruption. Most countries simply lack the capacity to do upgrade these systems. As an example, despite the stellar performance of the Ghana Stock Exchange, it still lacks the resources to automate its operations and upgrade its rules and regulations to meet current best practices so that it can play a more meaningful role in attracting private sector capital.

Thirdly, the approach to developing high quality educational systems in most African countries is failing primarily due to funding which has not kept pace with population growth. Educational reform is proving too complex for many Governments, with the resultant lack of proper basic, technical and vocational level training, which in turn, produces a work force that is ill equipped to respond to the challenges of globalization.

Having observed Africa’s development dilemma from the inside therefore, my simple conclusion is that both the agenda and approach are too superficial in the areas that count most. Governments simply cannot implement all the programmes and projects from development partners, no matter how well meaning. On their own, most of these lack the necessary depth, scale and sustainability to make a difference and because implementation is often a problem, the response has been to send down armies of consultants from the donor countries to implement them, in the end absorbing substantial portions of the available funding.

The agendas need to be pared down and concentrated more on institution building, attracting high caliber talent, strengthening education and building an effective financial and regulatory infrastructure. When progress is made in these areas, I believe that Africans on their own can develop the strategies that will allow them to achieve sustainable growth and progress in today’s globalized world.