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CALEB FUNDANGA

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**"LO SVILUPPO DELL'AFRICA:
UN'OPPORTUNITÀ PER L'EUROPA, PER L'ITALIA E PER LA SICILIA"**

***"DEVELOPING AFRICA:
AN OPPORTUNITY FOR EUROPE, ITALY AND SICILY"***

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DEVELOPING AFRICA: AN OPPORTUNITY FOR EUROPE, ITALY AND SICILY

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Taormina, Sicily, October 2008

I. Outline

- Africa's economic performance in light of high fuel prices and global food crises;
- Challenges of global commodity and grain prices and how Africa can position itself to mitigate the adverse effects of global prices;
- The need for African countries to industrialise and how Europe can assist in Africa's industrialisation;
- Challenges of infrastructure development in education, health, and science and technology; and
- Possible ways of addressing the challenges

II. Developing Africa's Economic Performance

Gross Domestic Product

Tremendous growth registered:

i. Real GDP growth, 6.2% in 2007 (5.9% in 2006) (see Table 1);

ii. 4th consecutive year of growth above 5%;

- macroeconomic reform and stability
- strong external demand for commodity exports
- increased foreign direct investment
- favourable agriculture and other sectoral policies

Developing Africa's Economic Performance

Table 1: Real GDP Growth for Selected African Countries (%)

	2005	2006	2007
Africa	5.7	5.9	6.2
Angola	20.6	18.6	21.1
Ghana	5.9	6.4	6.4
Kenya	5.8	6.1	7.0
Nigeria	6.0	5.3	4.5
South Africa	5.4	6.2	6.4
Tanzania	7.4	6.7	7.3
Uganda	6.8	5.1	6.5
Zambia	5.2	6.2	6.3
Sub-Saharan Africa (SSA)	6.2	6.1	6.6
European Union	2.1	3.3	3.1
United States of America	3.1	2.9	2.2
Developing Asia	9.0	9.6	9.7
World	4.4	5.0	4.9

Developing Africa's Economic Performance

i. In Sub-Saharan Africa (SSA) – buoyant growth;

ii. Average GDP growth 6.6% in 2007 (6.1%, in 2006);
   - Assisted by coming on-stream new production facilities in oil-exporting countries, Angola & Nigeria;

iii. In Zambia - real GDP growth 6.3% in 2007 (6.2%, in 2006).
   - Broad-based going beyond mining
   - Transport and communications, construction and tourism

iv. Zambia real GDP per capita US $934.5 in 2007 (US $360.5 in 2001)

Developing Africa's Economic Performance

Inflation

i. Africa: low inflation (excluding Zimbabwe);
   - 6.3% in 2007 [6.4%, in 2006];
     - pressures due to oil price rise;
     - strong world demand vs lower oil supply growth

iii. SSA consistent with overall Africa
   i. 7.2% in 2007 (7.3%, in 2006] (see Table 2);

iv. In Zambia: single-digit inflation (after almost 30 years)
   i. 8.9% in 2007 (8.2%, in 2006)

Developing Africa's Economic Performance

Table 2: Average Inflation for Selected African Countries (%)

	2005	2006	2007	Aug 2008
Africa	7.1	6.4	6.3	
Angola	23.0	13.3	11.9	
Ghana	15.1	10.9	9.4	18.1
Kenya	10.3	14.5	6.9	27.6
Nigeria	17.8	8.3	5.3	12.4
South Africa	3.4	4.7	6.6	13.6
Tanzania	4.4	7.3	5.6	9.8
Uganda	8.0	6.6	7.5	15.6
Zambia (end-period)	15.9	8.2	8.9	13.2
Sub-Saharan Africa	8.8	7.3	7.2	

Developing Africa's Economic Performance

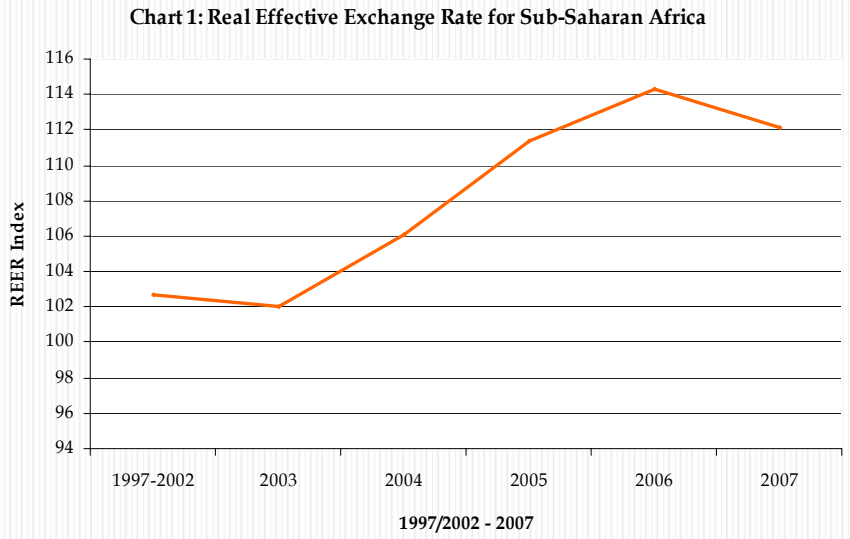
Exchange Rates

i. Exchange rates for Africa generally appreciating in nominal and real terms;

   i. Growth in exports - rise in both metal and non-metal primary commodity prices.

iii. Zambia's exchange rate appreciating both in real and nominal terms

- Increased metal export earnings
  - increased metal output and copper price
- Increased non-metal export earnings

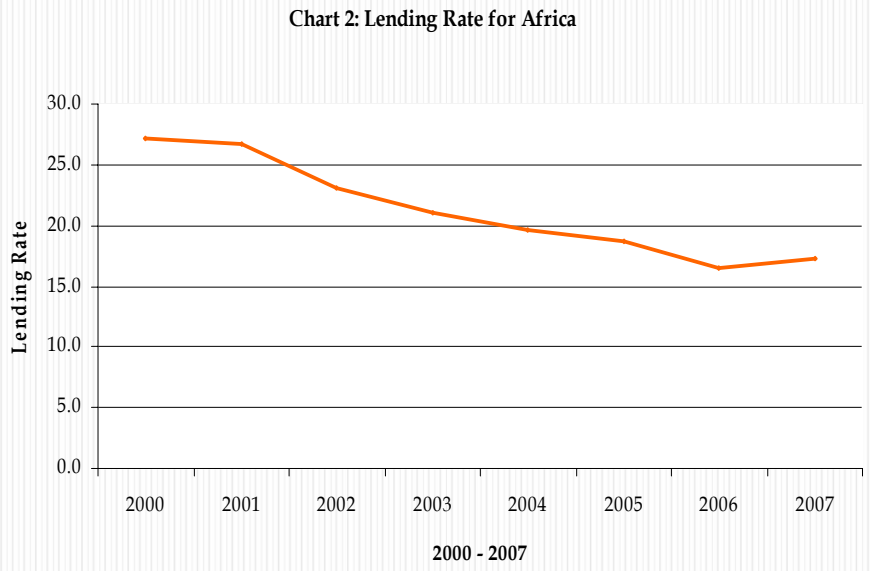


Developing Africa's Economic Performance

Interest Rates

i. Average Lending Rates for Africa, stable at 17.3% in 2007 (27.1%, in 2000) (see Chart 2)
   - favourable macroeconomic environment;
   - consistent economic reforms;

ii. Average Lending Rates in Zambia downward trending: 18.9% in 2007 (38.8%, in 2000)
   - appropriate monetary and prudent fiscal policies;
   - fall in inflation



III. Challenges of Global Commodity & Grain Prices

Primary Commodity Prices:

- importers, particularly energy – increased production cost

Food Prices:

- steady rise in demand from emerging and developed countries
- looming food shortages
- risk of widespread hunger and malnutrition
- inadequate resources for emergency relief
- stability of states, due to riots and protests
- rising factor costs for fertiliser inputs due to high oil prices

IV. Mitigating Adverse Effects of Global Prices

i. Primary Commodity Prices:
   i. need for increased investment
   ii. increasing production and export of commodities
iii. Grain prices:
   i. increased investment in agricultural production
   ii. diversification of production and consumption
   iii. encourage use of organic rather than inorganic fertiliser
   iv. promotion of joint regional production and/or procurement
   v. facilitating market connection between producers and consumers
   vi. addressing policies and trade barriers that increase food prices

V. Need to Industrialise

i. Africa endowed with natural resources, land, water, minerals, wildlife and oil, among others;
ii. Africa embarking on reforms:
   i. attaining economic stability
   ii. attaining good governance
   iii. sustaining peace and security
   iv. generally becoming politically stable

ii. Developing Africa needs help in setting up industries to process the raw materials and add value.

VI. How Europe can Assist in Africa's Industrialisation

Areas of assistance:

- direct investment flows
- provision of appropriate technology
- provision of expertise
- removing barriers to trade for commodities from Africa

In Zambia's case:

- opportunities in many sectors of the economy abound
  - agriculture, tourism, mining, manufacturing, processing of agricultural produce and basic metal engineering
  - demand for power now exceeds supply - opportunity to invest in power generation

VII. Challenges to Infrastructure Development

i. Low capacity in infrastructure development
ii. Inadequate human, financial and technological resources
iii. Inadequate budget allocation to infrastructure development
iv. Huge unmet investment needs in infrastructure
v. Lack of experience in infrastructure planning, design and management
vi. Poor maintenance practices

VIII. Ways of Addressing Infrastructure Development Challenges

i. Provision of an enabling environment conducive to business and investment
ii. Investment promotion should deliberately target infrastructure
iii. Adequate resource allocation to infrastructure in annual national budgets
iv. Proper coordination in infrastructure development planning processes
v. Capacity building at all levels of government to develop appropriate policy, planning and regulatory frameworks

IX. Conclusion

i. Growth in African economies generally favourable
ii. Inflation was generally low prior to 2008, though high oil and food prices have adversely affected inflation lately
iii. Buoyed by strong external sector performance, exchange rates have been appreciating
iv. Challenges include need to industrialise and develop infrastructure
v. Adequate resources targeting infrastructure development required
vi. Need foreign investment like:
   - Joint venture investments with Europe, Italy, Sicily.