

**BUILDING BRIDGES BETWEEN AUSTRALIA AND AFRICA: Towards a smarter  
development partnership**

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Hon. Minister, Chairman, distinguished guests, ladies and gentlemen; it is a great honour and pleasure to be able to present my thoughts today about the timely topic of building bridges in our partnership (the Partnership) between Africa and Australia. As a brief introduction I am the Director of the Directorate of Economic Affairs in the Ministry of Finance, Planning & Economic Development, Uganda where I have responsibility for developing, fine-tuning and delivering high quality economic policy to our economy. I have six Departments, each headed by a Commissioner who reports to me on design, development and execution of macro-economic policy, tax policy, micro-economic and trade policy, investment policy and micro finance and aid policy coordination and management. I also have economic policy responsibilities with our membership of the *East African Community* (EAC), comprising the Republics of Kenya, Uganda, Tanzania, Rwanda and Burundi covering a population of 133m people. In addition, I have policy responsibilities with *COMESA*, the Common Market for Eastern and Southern Africa, including improving the sustainability of economic development through closer economic and social integration for the 19 member countries. More important University of Sydney has shaped part of major thinking on a range of issues especially taxation.

Let me say at the start there is both a literal and figurative perspective to my topic, literal in the sense that we are actually building and need to build more and better quality bridges and roads as part of a solution to our transport infrastructure constraint in Africa. And figurative in the sense that we need to think carefully and innovatively with our partners about where, when and how we deal with our development priorities in a world constrained by time and funds, endless demand for those funds and a rollercoaster environment marked by climate change, earthquakes and tsunamis and an ongoing financial crisis. Moreover, today we are considering an Africa that is in the midst of unprecedented change, perhaps not unlike what happened 20-30 years ago in China and India, though it's equally important to recognize that this is Africa with its own unique history, values and culture. That is, we are not looking to be a replication of Asia, which in any event is neither possible nor desirable, though I believe we can achieve the same progress.

My country and EAC is at what might be termed a **tipping point** as we emerge from a lengthy post-colonization adjustment period, with some conflict, to a more ambitious age of transformation to be marked by **higher growth through modernization and adjustment** from a peasant to an advanced semi-industrial society. It's a society that is **much more demanding** in terms of its requirements for **capital, technology and skills**. Against this background I would like to outline my thoughts on a strategy for **a smarter development partnership** between Australia and Africa, one in which we can create the biggest multiplier possible, most value and shared value from the limited resources we have available. It's an opportune time to think about our development agenda and the priorities and points of leverage, coming as it does during the time of your review of aid effectiveness in AusAID and also following similar reviews by DFID, the World Bank, IMF and others on the direction of ODA.

By way of background **our two continents have many things in common and many contrasts**. Here you have one country in a land area of 3 million square miles. In Africa (with 11.7m square miles) we have nearly 4 times your land area but there are 53

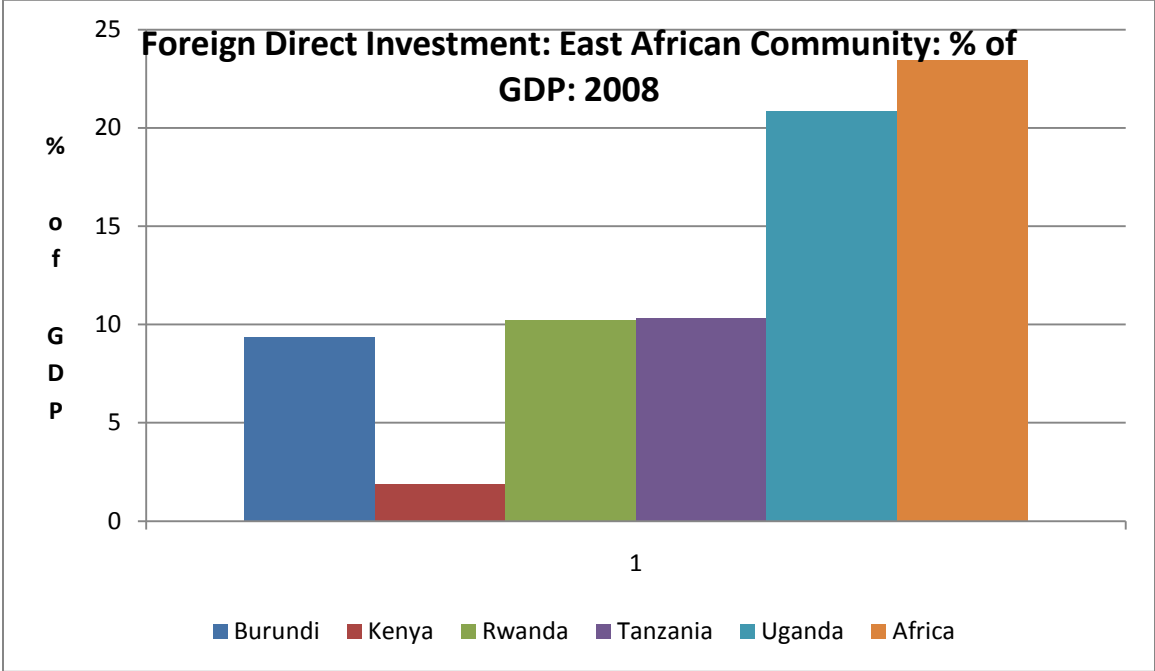
countries inside our continent which is marked by enormous diversity of climate, landforms, river systems, botanical and animal life, industry, democratic development, institutions, infrastructure, culture, language, history and income levels. Your population is heading towards 22 million; Africa is heading towards 1.2 billion and Uganda alone towards 35 million. The GDP of Africa is just over **\$US2 trillion** (PPP) with average GDP/capita of **\$3,500**; Australia is approaching 1 trillion with average GDP/capita approaching \$45,000. By way of contrast, however, we have many more things in common than we may at first recognize. Australia's trade with Africa has grown over the past decade at an annual average rate of 6.1 per cent. Australia's total merchandise trade with Africa was valued at \$5.8 billion in 2009-10. We have common trading partners. China, for example, now ranks as Africa's second largest trading partner after the USA and is also increasingly important as a source of foreign direct investment. China, I understand, is now Australia's largest trading partner, followed by Japan and the USA. Japan, I add, is one of Uganda's and Africa's most important development partners (more than \$US1.5 billion/year) and now, following the recent earthquake and tsunami, we hope the whole world stands ready to support them in the same way they have played such an important role as a partner in economic development over a long time.

We have very strong and growing linkages in resources. At Mining Indaba in Cape Town earlier this year it was estimated there are 220 Australian mining and oil companies with around 595 projects across 42 countries in Africa, representing a threefold increase since 2005<sup>1</sup>. In 2010 alone an additional 48 companies and 143 new projects came on stream in Africa with Australian origin. Current and prospective investment by Australian resource companies is estimated to be \$20 billion. This is part of the sharp general growth in inbound foreign direct investment into the continent and is further evidence of the growing confidence private investors have in Africa. The global financial crisis, however, has taken the edge of this growth in some countries over the last couple of years. In Uganda inbound FDI now represents over 20% of our gross fixed capital investment and is a critically

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<sup>1</sup> Refer to Austrade link: <http://www.austrade.gov.au/Australian-business-interest-in-Africas-resources-sector-triples/default.aspx>

important contributor to narrowing the gap we have between domestic savings and investment.



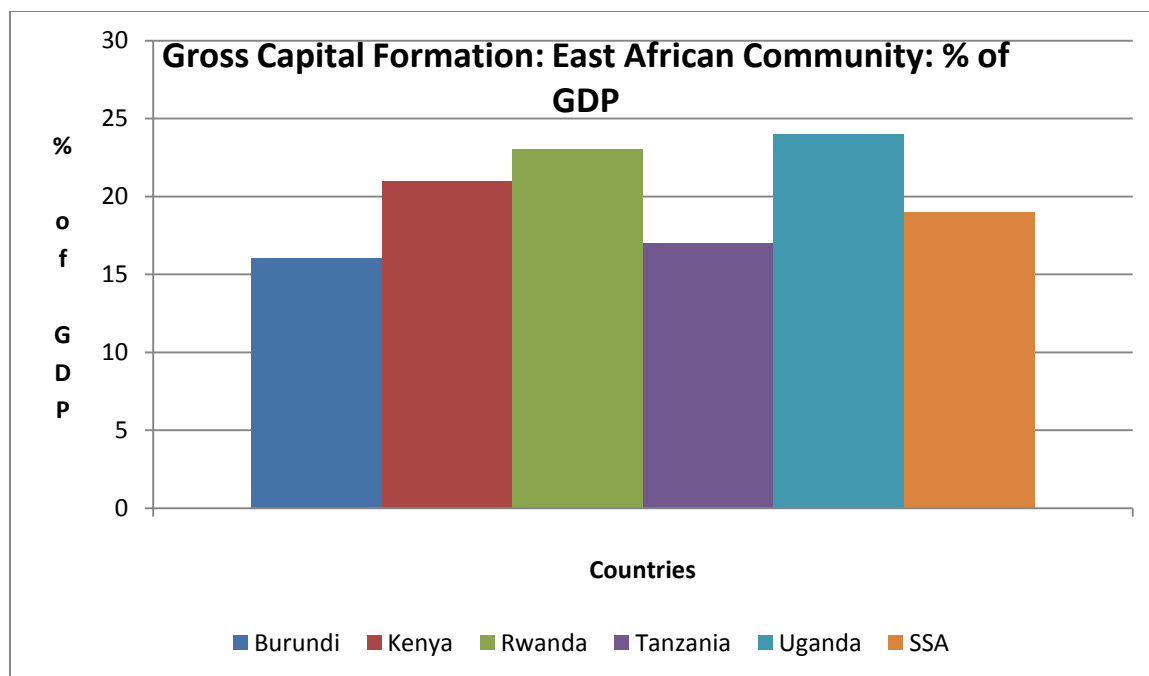
Another feature in common to both continents is that the EU is a major supplier of imports for both continents. On another front we both have our share of natural disasters including floods and droughts. Most importantly, we both have high aspirations for our future generations in terms of living standards, absent or declining poverty levels, peace and security and democratic vigour. Above all, we both attach very high and uncompromising value to a market based economy, freedom and democratic principles.

The total ODA for Africa is around \$US44 billion/year. By way of background to our Partnership Australia is committed to increasing its development funding for Africa to \$A200m/year out of a total aid budget of \$A4.3 billion. Africa hosts more than 50% of the world’s poor and poverty reduction and meeting the Millennium Development Goals (MDG) is obviously the end target of much of our development activity. Uganda has managed to reduce poverty from 56% in 1993 to 24.5% in 2010; school enrolment rates have improved in 2009 to 82.4% for boys and 83.2% for girls; access to drinking water has also

been made available for 73.9% of the population; and the reversal of HIV/AIDS in Uganda has been an achievement. But there is much more to be achieved in Uganda, EAC and Africa generally and our chances of meeting the MDGs remain patchy. This means the framework for delivery of outcomes under the Australia-Africa Partnership is critical and opportunities for leverage, focus and partnerships with credible development agencies take on major importance. From the start, let's be realistic and pragmatic about aspirations for broadening and deepening our partnership for development, noting Australia's contribution is less than 0.5% of total ODA going to Africa and less than 5% of your aid budget. That doesn't mean it's not important, rather it means we have to be 'smart' about how we use it and think carefully about priorities, multipliers, leverage and how it can have maximum impact. The partnership doesn't have room for allocations that are inefficient, high cost and make ineffective use of resources, or duplicate existing and planned activities, or projects that are politically motivated and ad-hoc, or lack accountability, or lack alignment with our development priorities and don't add value to both partners. This brings me to the point of my theme, **how to create a smart Africa-Australia Partnership**. I have eleven issues or observations to explore on the way to our smart development partnership. I have this belief that in just about every program or project across the world, public or private sector, we can improve performance by at least 10% just by going about our work a little more efficiently and carefully. If we are quite smart about it, especially in design and implementation, then we can probably increase that improvement by at least 20%, sometimes by much more. As a strategy I believe a smart development partnership would feature **much greater precision** than might be the case for aid allocations generally in directing resources to areas that complement Australia's skills and experience with our needs. But there is more to it than that. We don't want to repeat the mistakes of 'dead aid' or build another anti-poverty establishment motivated by guilt, captivated by excessively centralized planning and 'big plans' with strategies that cannot be executed and crippled by projects that are beyond reach or unsustainable.

## 1. The Economy, Poverty Reduction and MDG

The **economy remains our number one priority** in Africa, EAC and Uganda. I believe it is still the most viable and durable pathway to reaching the MDG and beyond though performance remains far too patchy between countries, regions and district across Africa and the impact on reductions in poverty levels has been frustratingly less than we desire. In my country Uganda we have achieved a significant improvement in national growth rates which have averaged over **5.5%**/year over the past 5 years with over **6.5%** last year and **7.0%** expected for 2011. We still have room for improvement in our quest to achieve **sustainable growth of 7-10%/year** which we believe is possible with further capital deepening, an investment rate of more than 25% and capital output ratio of 2.5-30 which can be achieved with better quality investment (both public and private) and further improvements to our investment climate. The benefits of growth are demonstrated by the observation that **each 1% point increase in economic growth in Uganda now adds almost \$0.5 billion** to our economy alone. At the moment our investment rate of 24% in Uganda is much higher than for Sub-Saharan Africa as a whole which is 19%. Can we sustain a higher performance level for an extended period, year-in-year-out? That's an even bigger challenge but I believe it is achievable with productivity improvements and a more even performance across our urban, region and sub-country areas. We have had for some time now in Uganda a relatively high international rating on macro-economic performance. But inflation at 9.2 %/year over the past 5 years and interest rates are outside our target range.

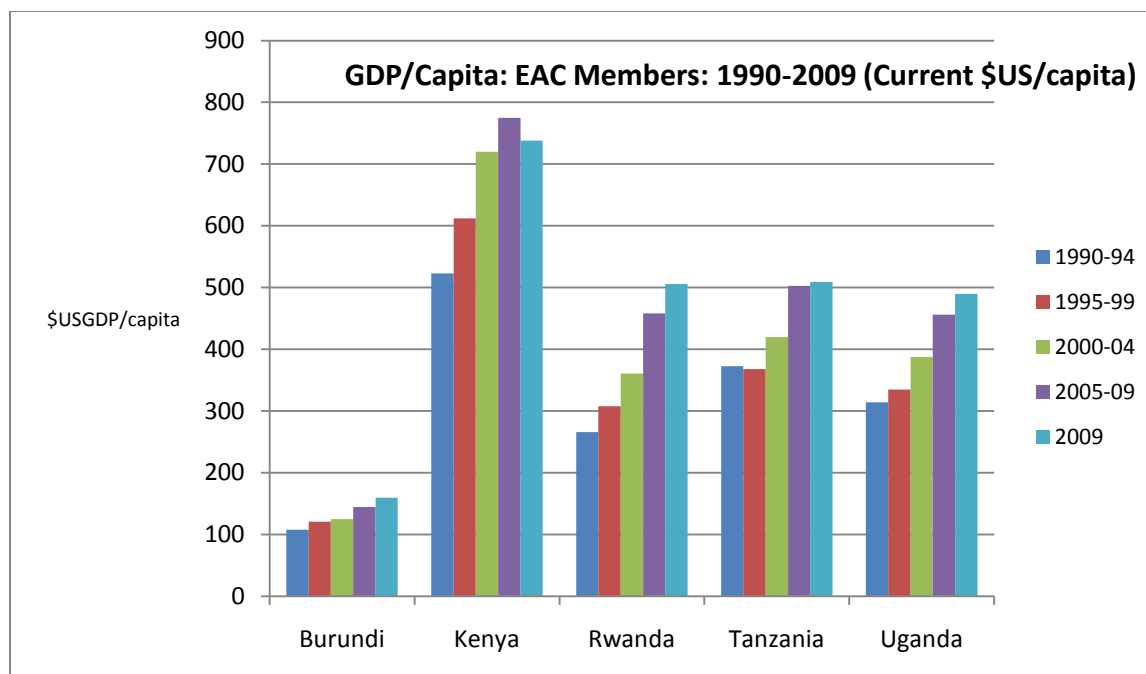


Uganda, EAC and Africa generally remain constrained by limited fiscal space<sup>2</sup>, that is, we lack financial resources and capacity to deliver, in a sustainable way, the government expenditures required to lift the constraints on our economic development priorities so that we can meet the MDG targets and beyond. We need improved financial capacity to invest in and transform institutions and infrastructure which both remain significant constraints to our progress. Financial capacity in Africa is constrained further by our taxation systems that have, in many cases, been unable to lift the tax revenue share of GDP ratio above 20%<sup>3</sup>. In Uganda we have a current review of taxation underway and I have observed Australia has recently completed a comprehensive review of its taxation system. Australia has recognized expertise in macro-economic management and in fine-tuning of its 'fiscal space'. I suggest this is an area where the Australia-Africa partnership could play a constructive role, via the Australian Treasury in providing technical assistance, scholarships and workshops in collaboration with existing activity by the IMF on specific problem areas such as improving our fiscal space, broadening of the tax base and design of incentives for wider participation in the taxation systems.

<sup>2</sup> For further explanation of 'fiscal space' readers are referred to Heller, P. 2007, *Fiscal Policy for Growth and Development: the Fiscal Space Debate*, Background paper prepared for the G-20 Workshop on Fiscal Policy, Istanbul.

<sup>3</sup> The share of tax revenue in GDP is less constrained in some African countries than others. For example, in the Republic of South Africa and Cape Verde it is above 30% but in East Africa it is below 15% for countries except Kenya.

Our economic performance in Africa is constrained further by **less than satisfactory growth in productivity** and by **large gaps** between industries, regions, sub-county and urban areas of development. These gaps reflect **deficiencies in knowledge and skills** and vast differences in capital-labour ratios. Structural adjustment towards industries and activities with higher productivity and growth potential in local and international markets is patchy across Africa. As a result our export:GDP ratios tend to be lower than faster growing countries in other regions such as East Asia though structures such as EAC are resulting in improved performance. The Partnership has potential to improve economic growth performance through productivity improvement and regional development. This could include examination of new ways to improve productivity performance across the regions and by both women and men. I am aware of the role of the Australia Productivity Commission in the provision of independent research and policy advice for government on micro-economic, social and environmental issues affecting welfare of the Australian community. Again, I suggest there would be benefits in providing technical assistance, scholarships and workshops via the Productivity Commission in collaboration with existing activity by the World Bank and relevant bilateral agencies to address specific problem areas, one of which is regional development. In the case of Uganda, our new **National Development Plan (NDP)** sets out an ambitious vision to accelerate socio-economic transformation to achieve the National Vision of a transformed Ugandan society from a peasant to a modern and prosperous country within 30 years. The partnership could potentially help us in the **execution of that vision**. The MoFPED in Uganda has significant and challenging responsibilities in mobilization and disbursement of resources for the NDP, including provision of systems to enhance accountability and communication of progress. This is an area where the Partnership could play a constructive role in our development through capacity building and technical assistance.



## 2. Food & Water Security

Food security is an **essential requirement for achieving sustained and secure reductions in poverty**. It's achieved when we all have access to sufficient, safe and nutritious food to meet dietary requirements associated with an active and healthy lifestyle. The World Health Organizations (WHO) views food security as an integral part of their agenda for providing leadership on global health matters, shaping health research and delivering health outcomes that meet the MDG. In Uganda, EAC and Africa generally food security takes on added importance with a large and growing population, high birth rates and poverty levels that remain unacceptably high. The agricultural sector is a priority sector for all economies in Africa. It is typically the sector that absorbs most labour. For example, in EAC countries the agricultural sector accounts for **25%** or more of GDP, more than **40%** of employment and more than 40% of exports in most countries. Having a productive and internationally competitive agricultural and food sector is an essential requirement for food security at a country and continent level. Food security is also an integral part of general country security with conflict driven in many areas by food and water deficiencies.

I understand Australia is undertaking a \$100 million Africa Food Security Initiative to improve agricultural research and productivity and market access for farmers and to also help the most vulnerable people gain access to food. Australia is also working with remote rural communities and the urban poor in a number of countries to improve access to clean water and effective sanitation. Australia has established expertise in the management of drought (and now floods, I note!), efficient use of water (natural and rain-fed), bushfires, soils with poor fertility and poor structure, solutions for plant diseases, livestock and plant genetics, farming systems, farm management, food quality management standards and agricultural policy development for efficient regulation. In our NDP for Uganda we estimated that investment in agriculture has a significant multiplier impact on growth in value added by the sector, national economic growth and poverty reduction. We estimated that increased investment in agriculture to 25% of value added in that sector would facilitate growth of 5.9 percent per year (instead of the current 2.6%) and the national poverty rate would be reduced by an additional 8.6 percentage points thereby reducing head count poverty, in the case of Uganda, to 17.9 percent of the population. It is important, therefore, that the investment ratio for the agricultural sector does not lag behind that for the economy as a whole and that the quality of investment in agriculture remains equally high. We identified in the NDP about 16 constraints to agricultural development, ranging from weak policy development capacity, unresponsive institutions and poor regulatory support through to high input costs and weak standards for international markets. The solutions range from wider use of new technology, structural adjustment and adoption of improved farm management practices for increased productivity through to strengthening the legal and institutional framework and capacity for developing water for agricultural production. Many of the constraints to agriculture identified for Uganda apply to other members of EAC and many agricultural countries in Africa.

I would like to suggest that the greatest impact the Partnership could have on African agriculture is in helping us to execute strategies to improve productivity and soon, rather than later. Uganda, like other countries in EAC and Africa, has detailed planning frameworks, many developed over the last year or so. The challenge now is implementation, achieving results and showing the way forward to implement the plans so

that agriculture can become a leader, not laggard in development and make a better contribution to growth in productivity. If I could pinpoint priorities for implementation it would be in strengthening institutions with a key target of improving capacity to implement our plans for agriculture across the country, in an effective and timely way. The NDP requires assistance from development partners in monitoring and evaluation and in coordination and control of the implementation plan. I have already highlighted the positive impact of increased investment in agriculture on sectoral and national growth and poverty reduction. Furthermore, structural adjustment in agriculture can release the labour required for growth sectors including manufacturing, resources and services. It's essential, therefore, that we meet our timelines for the agricultural sector and the outcomes projected for investment and development.

### **3. Education**

This is probably our most important development requirement and I am confident the Partnership will be in unanimous agreement about it as a priority. High quality education is a critical requirement for our economic, environmental and social development in a world of global competition with highly integrated value chains and increasingly complex multicultural societies. But, again, the challenge is to find the points of maximum leverage for investment by the Partnership in education in Africa. I am aware of your relatively high ranking in the education performance tables and we have also observed the development of 'My Schools' (<http://www.myschool.edu.au/>). Australia ranks around 14 or 15<sup>th</sup> place in the World Economic Forum on primary and higher education. Our performance on education is less than satisfactory in Uganda and in many countries of EAC and Africa. The NDP outlines for Uganda a comprehensive plan to improve education performance in Uganda. I would like to highlight some of the initiatives that the Partnership could examine for intervention. First, as with agriculture we require assistance from development partners in implementation, monitoring and evaluation. Next, I would like to draw attention to our need for decentralized education (especially for girls/women located in the districts) to help district education offices deliver higher quality educational services and help schools comply with standards and regulations and keep up with key

performance indicators. We need improved incentives for education participation and monitoring and reporting on school performance. One possibility is implementation of a 'MySchools' styled performance monitoring system for Uganda. We already have the plans drawn up to publish on an annual basis the district and sub-country league tables to enable Local Governments (LGs) gauge and track performance rating at a national level. The key measurement variables will focus on critical outcome indicators such as participation, completion and net enrolment ratios. Would the Partnership dare to support the development of MySchools Uganda or EAC or Africa?

It is also our policy to improve equity in the participation of girls and students with special needs. This includes encouraging more 'inclusive' education and reducing the costs of educating children with special needs.

We also have a need to improve the effectiveness and efficiency of secondary education. The planned interventions here include a review of the secondary education curriculum with a view to improving course quality and content and prioritizing competencies with a broader application in new areas such as effective communication and ICT, without compromising traditional disciplines and core curriculum. These are areas where the Partnership could play a constructive role. Another is in the transfer of your exceptional mining skills, ranging from exploration through production and processing. More generally, however, I would suggest the Partnership examine the whole education program we have mapped out for Uganda and EAC and identify those areas where short, medium and long-term activity could take place using the skills and experience of Australian educators to deal with our most pressing needs. In 2010, Australia provided 250 scholarships, both short and long term, to 20 African countries and the plan to expand that to 1,000 scholarships is welcome.

#### **4. Health**

As it is with education, health is a priority policy area. Uganda has made progress in improving the health of its population: life expectancy increased from 45 years in 2003 to

52 years in 2008; HIV prevalence reduced from 30 per cent in the 1980s to 6-7 per cent in 2008; polio and guinea worm were eradicated, although there is re-emergence of polio due to cross border migration. The Under-five mortality rate (U5MR) improved from 156 in 1995 to 137 deaths per 1,000 live births in 2006; the infant mortality rate (IMR) decreased from 81 to 76 deaths per 1,000 live births respectively. Malaria, malnutrition, respiratory tract infections, HIV/AIDS, and tuberculosis remain the leading causes of morbidity and mortality. The high burden of disease due to these conditions continues to undermine efforts and investments made for social and economic development. The Maternal Mortality Rate (MMR) has been reduced from 527 to 435 per 100,000 live births between 1995 and 2006, but remains too high. Teenage pregnancy, estimated at 25 per cent in 2006, is among the highest in Sub-Saharan Africa and significantly contributes to overall MMR. Despite the slight drop in MMR, it is still short of the 2015 MDG target of 131. There is lack of facilities, supplies, medicine and staff.

The per capita cost of providing the current Uganda Minimum Health Care Package was estimated at \$US41.2 in 2008/0980. The actual level of public funding (excluding off-budget) was \$10.4 per capita in 2008/09 which is far below the estimated requirements. In the period 2001/02 to 2008/2009, development partners' contribution fluctuated between 46 and 54 per cent of the annual budget in the MTEF, without a clear trend.

Again, the challenge for the Partnership is to gain maximum leverage from our interventions in health. The commitment of Australia to the Maternal and Child Health Initiative is welcome. Our number one priority is to strengthen the organization and management of our national health system. We have less than satisfactory policy, legal and regulatory frameworks caused, in part, by delayed passage of reform bills. We have capacity shortfalls in delivering the National Minimum Health Care Package, specifically for improved mother and child health, communicable, non-communicable diseases, and nutrition. We aim to build sustainable capacity at all levels of the MoH, Local Governments, the private sector, and communities to carry out supportive supervision, monitoring and evaluation of health interventions and disease surveillance. Again, I believe that the greatest point of leverage for the Partnership is in improved institutional development,

better management and contribution to distribution of quality health care to the regions and sub-counties.

## **5. Climate Change and Natural and Other Disasters**

With growing climate change evidence and more frequent natural disasters we have much in common across our continents, sometimes Australia seems to be marked by more events than us in Africa (e.g. your recent floods and bushfires), other times we seem to take the lead (e.g. East Africa is now, again, entering a period extreme rainfall deficiency). Among the challenges we have in Uganda is the harmonization of the discovery and development of significant deposits of oil and gas in the Albertine Graben (Lake Albert) region with environmental stability. The Albertine Graben is the most species rich eco-region for vertebrates in Africa and contains 39 per cent of Africa's mammal species, 51 per cent of its bird species, 19 per cent of its amphibian species and 14 per cent of its plant and reptile species. In this same region current reserves are estimated to be more than 2 billion barrels of oil equivalent and the volume keeps rising with almost every exploration well. Government has put in place elaborate environmental laws, regulations and standards to guide the management of environmental resources. However, the level of compliance with environmental laws, regulations and standards remains unacceptably low, leading to misuse and degradation of the environment.

Among the measures that the Partnership could examine, in conjunction with the private sector, is improving our capacity to deal with environmental remediation emerging from both oil and mineral development as well as industrialization. I understand the Australian Government's export and investment development agency, Austrade, has facilitated links between Australian suppliers and the clean tech marketing and investment platform in China, known as the Australia China Wanwu Eco-country Initiative. It would seem that this type of arrangement and its associated knowledge, technology and skills have potential to be transferred to Africa to improve our capacity to deal with soil and water remediation as well as threats to biodiversity arising from pollution. The remediation expertise in the

Australian Advanced Remediation Group (AARG) could help provide us with the technology and environmental services to deal with existing and future threats to our environment.

EAC has initiated a special regional project for the Lake Victoria Basin (LVB) (Lake Victoria is Africa's largest lake and the world's largest continental lake), a special place for member countries of EAC as it hosts the lives of many people and is still the venue for our cheapest mode of transport. The marine transport routes are very important to trade and economic development but constrained by outdated navigation charts and sailing directions.

Hydrographic survey and mapping, installation of new navigation equipment and facilities will reduce accidents (and associated pollution) and improve safety, all of which will enhance the investment climate of the LVB. The Partnership has potential to contribute technical expertise as I understand you have developed and built, among other things, digital 3-D maps of the continental shelf and this could help in monitoring sea temperatures and fish populations in LVB.

In regard to climate change we have a critical shortage of expertise in research capacity for examining the impact of climate change and in design of policy, legislation, regulation and guidelines for mainstreaming climate change into development plans (including NDP) at all levels. The Partnership could help to improve our national capacity for coordination and implementation of climate change adaptation and mitigation activities. Your Department of Climate Change (<http://www.climatechange.gov.au/>) has played an important role in creating awareness of climate change and it would be useful for the Partnership to facilitate transfer of some of this knowledge to Africa, EAC and Uganda.

## **6. Water Resource Management**

Australia is a recognized leader in the use of science for development of innovative water management options and environmentally positive water management solutions. I understand the Bureau of Meteorology has developed a water information program that is expected to lead to improved water resource information. The management of water catchments is advanced in Australia along with the breeding of crops and pastures that are highly efficient users of water even in the driest of season conditions. In Uganda and many

parts of Africa the development and maintenance of our water resources is unsatisfactory and a serious constraint to both our aspirations for improved productivity and improved human health. In East Africa about 60% of the rural population has reasonable access to an improved and reliable supply of water (that is, 20 liters a person a day from a source within one kilometer of the dwelling) such as a household connection, public standpipe, borehole, protected well or spring, and rainwater collection. Unimproved sources include vendors, tanker trucks, and unprotected wells and springs. In many cases we have the water resource but don't have the information or framework to attract investment in water storage and transfer facilities from either the private or public sectors. The NDP outlines a number of activities to improve the reliability and level of water resources as well as access. The aim is to have 100% of people in urban areas with access to improved water by 2015 and 77% of people in rural areas. Again, this is an area the Partnership could bring skills and experience to Africa and especially to the least developed countries and especially to the regions, smaller towns and remote areas. Improvements to the water policy, legal and regulatory framework, along with reform of institutional structures for water could be areas with high impact.

## **7. Partnerships: Viable Public and Private Sector Partners**

Our vision for Uganda is to transform it from a peasant economy which is just awakening to a vibrant, modern, semi-industrial, service oriented and prosperous economy within 30 years. This will be evidenced by increased growth in productivity, improved employment levels, higher per capita income with a more even distribution across regional, district and urban areas, improved human development indicator ranking, strong governance and public sector capacity to enhance our international competitiveness. To achieve our development aims it has to be a vibrant and resilient partnership between the public and private sector and our international development partners. Having efficient markets and a favourable investment climate are basic requirements for us to fully engage the private sector.

The role and exploitation of private sector in development remains an area of unfinished business in many countries and for that matter in development agencies. In Uganda the World Bank's Private Sector Development Projects have helped build our investment climate but more is needed. The role of Public-Private-Partnerships (PPP) has been constrained by lack of regulatory support, high costs of doing business and poor project design. The fundamental value of PPPs is in facilitating transfer of risk and skills to the party best able to absorb and manage it. This value has been challenged with the global financial crisis which has reduced investor's appetite for risk. But there are ways of dealing with this through, for example, the flexibility of partial credit guarantees.<sup>4</sup> In addition, the emergence of sovereign wealth funds is providing increased capital for PPPs that are well designed. Uganda has improved its regulatory framework for PPPs but work is continuing to improve and fine-tune support for our skills in assessing the best value for money from particular projects. PPPs have been used now in a wide range of services from infrastructure to health and education and security. This Partnership needs to consider the potential for PPPs in interventions and projects that are identified for investment. It can bring in extra capital, additional skills and facilitate shifting of risk.

## **8. Infrastructure**

Infrastructure is the number one binding constraint in many African countries including Uganda and all members of EAC. The quality of roads, rail, air transport and electricity is below what we need to support our growth targets. I will concentrate on just the electricity area because it is such an important item in any country with plans to modernize its industry. Transformation of the electricity generation and distribution sector is at the heart of our ambitions to transform the economy. Uganda with an estimated 69.5 kWh/capita in 2009 has one of the lowest electricity consumption rates per capita in the world. This is in comparison to an African average of 578 kWh, a world average of 2,752 kWh and Australia with over 10,000 kWh/capita. Our low electricity consumption and reliance on

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<sup>4</sup> A partial credit guarantee provides a promise of debt service payments up to a certain amount or time, providing additional security to lenders through the reduction in probability of default. One of their main advantages is flexibility in that they can be used in such a way to provide just enough guarantee and no more to enable a transaction to proceed.

hydropower, cogeneration from biomass and thermal power contributes significantly to our low carbon dioxide (CO<sub>2</sub>) emissions. For example, in 2007 the CO<sub>2</sub> emissions per capita were less than 0.1t/capita in Uganda and most EAC countries, compared to 17.7 t/capita in Australia.

A number of measures are being implemented to improve renewable power generation capacity, reliability, efficiency and transmission to regions. These initiatives include improvements to the PPP regulatory framework to stimulate investment and further promotion of renewable energy including distributed solar systems. Can the Partnership undertake some 'smart' activities in electricity generation, that's an important question? I am aware of Australian developments in new solar technology such as linear fresnel systems<sup>5</sup>. These systems look to be capable of generating power to levels that are similar to our mini-hydropower systems which of course are constrained by transmission costs and proximity to suitable sites. The linear fresnel's technological simplicity and minimal dependence on water and land, combined with low capital cost, make it potentially attractive to emerging markets and places with highly dispersed population and industry.

Another example of new technology for infrastructure is the spectrally efficient Ngara access system developed by CSIRO, your leading scientific R&D organization<sup>6</sup>. This system seems to offer improved broadband and internet speed and coverage for users in remote areas who depend on wireless technology. This type of technology may be of value to wireless network providers and their larger users such as hospitals, educational institutions and local government as well as individuals who are always looking for lower cost and higher speed. The transformation of Africa is nowhere more evident than in the area of telecommunications and growth in mobile phone use and the Internet. In the five years up to the end of 2009, sales of mobile phones increased by 550% across Africa. The regional mobile operator, MTN, forecasts that a full 80% of the population in its 15 African

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<sup>5</sup> The Linear Fresnel system works through mirrors that reflect solar radiation on to pipes containing water that create steam. The mirrors can concentrate energy to 30 times its normal intensity. This concentrated energy is then absorbed into a thermal fluid from where it is distributed through a heat exchanger for powering a generator. The German company Novatec Biosol (which has Australian interest) constructed the first Linear Fresnel powered generator in 2009 and is now building a 30 MW solar powered plant in Spain.

<sup>6</sup> Refer to CSIRO: <http://www.csiro.au/news/Rural-broadband-wireless.html>

markets will own a mobile phone by 2012. Africa is the fastest growing region in the world for mobile network penetration. The mobile phone is having a game changing impact on Africa. It's reducing transaction costs, removing information barriers, providing links to banking in remote areas and is widely accessible to some of our poorest people. 'Inclusive development' takes on new meaning with this type of transformation. The World Bank estimates that for every 10 percentage point increase in the penetration of mobile phones, there is an increase in economic growth of 0.8 percentage points in developing countries and possibly even higher impact in least developed countries.

I mention these technologies as example of how the Partnership may be able to gain leverage by working with and identifying new technologies that can be delivered at low cost, using products and skills that are here in Australia, have focus on relieving our most binding constraints in Africa and have further potential to engage the private sector. We need to identify breakthrough changes if the Partnership is to be smart enough to achieve the multiplier effects that I believe are possible.

## **9. Institutional Strength and Capacity Building**

Along with infrastructure it is institutional strength that remains one of our biggest challenges. Australia ranks in the top 10 countries on most indicators measured by the World Economic Forum for institutional strength while many Africa countries have struggled to achieve ranking in the top 100 countries. In Uganda we have made some progress on reducing the regulatory burden on business but still need much more improvement on auditing and reporting standards, tracking of public funds and compliance with acceptable international standards of governance. The World Bank has several activities planned to improve governance and public sector capacity, from both a demand and supply perspective, including a priority to build further the public expenditure management systems and incentives with public services at all levels of government.

The Partnership should work within this activity and that brings me now to an important point on governance standards, conditionality and compliance. We have to make improvements to this area but we have to make more progress than has been achieved in

the past. There are two key measures to the building of improved governance, the costs and the benefits. If we have to go through application processes with excessive demands on reporting and making of applications, not to mention the hidden costs of dealing with poorly prepared project designs and diversion of funds to measures that are not among our priorities, then we run the very real risk of a significant increase in the cost of development capital. The result, we have all the boxes ticked for improved governance but what else? With small projects this can be a very real problem. It's essential that the cost of the conditionality requirements for beneficiaries of the Partnership do not exceed the value of the benefits. This sounds obvious but from my experience I can say it's not well recognized in the development community. I believe we need to think carefully about this matter including some basic rules on simplicity and cost of compliance for investment models to ensure the returns are positive for all parties. The World Bank is planning to improve impact evaluations and reporting of project progress including the quality of data and systems for monitoring and evaluation. It's important for this program, and others for that matter, to integrate governance standard requirements with other development work to ensure there is no duplication of work and that we don't have to embark on collecting a totally new set of indicators and monitoring frameworks for each and every project.

### **10. Leadership and Ownership**

This Partnership requires exceptional leadership at both ends of the bridge. I think we all know and agree that with sound and inspirational leadership a lot can be achieved. As I suggested earlier Africa is at a tipping point for an extended period of growth and sustained reduction in poverty but the speed and level of progress will depend very much on leadership. I mean leadership not just at the political level but even more importantly at the public service and private sector levels and not just in the urban areas but also in the regions and districts. The same applies to this Partnership for every project which requires effective and inspirational leadership in Africa and at the donor level. The Partnership will confront numerous challenges in dealing with a vast number of diverse countries, an almost endless number of development partners with various agendas and priorities, ongoing political squabbles, pressing poverty issues and an overriding need to come up

with smart solutions and projects. The Partnership needs to think outside the box on leadership including its focal points for effort and presence in Africa. In this context it needs to think seriously about positioning in legacy places inherited from offices of bygone days and times when Africa was just a colonial place, somewhere Australia just went when it wanted to play a game of cricket or rugby or visit the Kruger National Park. Africa is a vast and complex place and it is nowhere more complex and challenging than in the less developed countries.

I understand that one of the objectives of the Australia-Africa Partnership is to increase the allocation of this country's ODA to less developed countries, 33 in the world of which are located in Africa<sup>7</sup>. But some of us find it quite puzzling that none of the main hubs for the Partnership operation are planned to be located in any of the 33 less developed country of Africa. Again, I would like to highlight the need to think outside the square and outside comfort zones if this is to be a 'smart' Partnership, that is, a Partnership that has effective engagement with the conditions and culture of the less developed country group of Africa. It's not too late to create a hub for the Partnership in one of the less developed countries and I would suggest it could be in a country of western EAC which is close to the geographic centre of Africa and close to many of the least developed countries that I understand are the target of the Partnership's programs.

### **11. Risks to the Australia-Africa Partnership**

Chairman, there are risks to every activity and partnership. There are six major risks that I can see for the Partnership:

1. Low expectations, small targets and lack of ambitious targets which can have an associated impact on outcomes.
2. Lack of presence and focus on projects with high impact in the 33 less developed countries of Africa.

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<sup>7</sup> The list of least developed countries in Africa includes Burundi, Rwanda, Tanzania and Uganda from EAC.

3. Lack of resources that are spread too widely and without integration with experienced development partners in Africa, including those from the private sector.
4. High cost of capital for users, reflecting an excessive bureaucratic burden and an inability to come up with innovative high quality projects that can exploit Australian skills, technology and information assets and match them to our binding constraints.
5. Failure to address the productivity problem in regions and districts of decentralized Africa.
6. Conflict and political violence.

Can these risks be managed? The answer is surely yes, but it will require high quality management, proper engagement with less developed countries, use of Australian information management, skills and technology and exceptional leadership. It will make occasional mistakes, but that's the cost of innovative, high impact projects with high returns and game-changing outcomes. The biggest risk facing the Partnership is potentially to scale down ambition and expectations of it so that it merely follows the well worn path of other development agencies.

## **Conclusion**

Hon. Minister, Chairman, the main point I wanted to present today is about the opportunity for this to be a 'smart' partnership, not simply a replication of experiences from the past and lessons from elsewhere that may or may not be relevant to Africa, especially to the less developed group of countries. There are unique geographic, demographic and cultural features in Africa and the Australian mining industry has lead the way by taking the time and effort to understand them and being prepared to set up offices off the beaten path to help them engage with local stakeholders. Australia has enormous potential to make a difference in the development of Africa and the least developed countries in particular because it has skills, knowledge and technology across the areas where our most binding constraints exist. The challenge is in capturing and mobilizing these resources to create maximum impact and help us to achieve our vision for transformation through modernization and adjustment from a peasant to an advanced semi-industrial society. Our

aimed is to achieve a sustained level of high economic growth with wide participation across gender, industry, the regions, districts and sub-county levels. For the Partnership that means not just integration with the activities of our most experienced development partners and involving the private sector along with the traditional tiers of government, but also bringing the necessary innovation required of projects with high impact. With careful management of the risks outline above the Partnership can be relevant to the development of Africa, including the less developed country group.