

Speech: Rory Stewart speech at the Africa Financial Services Investment Conference

It's a great privilege to be here and above all a great privilege to have the opportunity for the last hour and a half to meet some of you and to learn from you.

I think if there's one theme that is central to the way that Britain thinks about itself in the world in the future. It's the theme of humility, the theme of listening to other people, learning from people, working with other people.

And I think this is particularly true when we come to probably one of the most difficult intractable and exciting problems in the world, which is the question of unlocking the potential of the African economies.

When we talk about economies in Africa and many of you will have been to these conferences all the time, there is a very strange sense that you lurch from an incredibly optimistic positive vision of where Africa's going, to suddenly going to the absolute opposite of people being very, very gloomy. And I don't want to repeat the cycle, but clearly in that tension between these two principles, between the incredible potential of Africa and people's sense of frustrations, is something there in the centre of this problem which needs to be unlocked. And part of that problem is the question of how you unlock finance and how you unlock money in the centre of those economies.

The big picture I don't want to bore you with because you've heard these ten thousand times before, and journalists and commentators have been talking about the potential for Africa for nearly a century. One in ten children born in the world by 2050 will be Nigerian, potentially by the end of the century as much as 40 per cent of the population in the world could be African. And of course, that means that the labour force that is going to power the global economy potentially by the end of the century will be African, and the consumers which are going to provide the markets for our goods are going to come out of Africa. That's before you even get into the extraordinary natural resources of Africa itself.

So, the question is why given all that, given the incredible potential of human capital and natural resources, do we end up in a situation in which frustratingly in the last 20 years a lot of investment flowing into Africa has now actually come out of Africa.

During my own time as Minister, for example, we've seen very good long standing established British banks getting rid of their operations, great airline companies closing their reach in Africa. And of course, economists are very fixated on the fact that the middle-class population of Africa, people with incomes over a few hundred dollars a month, is still relatively

small. We had economists in DFID who used to point out that if you look only at that segment of the consumer population the middle-class population of Africa feels as though it's about the same size as the consumer population of Belgium, in a place one hundred times the size.

The way to unlock this is of course with finance, and the way to unlock finance is listening to you and combining what you have to say with what we can bring, what we can bring as DFID. And of course I am very proud to be the Secretary of State for a Department that's entrusted to spend 0.7% of British GNI – it's an enormous amount of British taxpayers money to support the rest of the world– but above all much bigger than DFID's billions is the trillions that exist here in the City of London, this great financial centre, that could be unleashed into Africa.

Probably the most useful hour that I've spent recently was the hour I spent at breakfast this morning.

So, while I was sitting there working my way through my bowl of Frosties and my banana this morning, I was able to hear from an extraordinary variety of different people running businesses in Africa.

I heard from a company providing blueberries with the market in the UK, but are unable to get the money to get the labour force in to extract their blueberries even though they have the invoice ready, even though they know where their money is going to come from. The 10-day finance thing in the supply chain simply doesn't exist in Zimbabwe. Or somebody else saying ok look around the edge of Lusaka you can see again and again in almost every plot, buildings which are a quarter or half completed... people's homes.

I spent five thousand dollars, I buy my plot of land, maybe I have a little middle-class income, maybe I'm working for a state enterprise in the capital, but I'm supporting a big family. I may have a hundred dollars left over at the end of the month to pay towards my building. I'm getting an itinerant labour force in to try to build the first or second floor, I haven't completed the roof. There is no mortgage fund that I can readily access, I need \$20,000 to finish my home, where am I going to get myself \$20,000 from? Have I got myself tied into debt, where I'm paying an extraordinary amount of interest on trying to get this done? Is there some way of unlocking money to allow me to complete my house?

Or again here is Barclays with a huge amount of liquidity and here are a lot of non-bank, financial lenders who don't have any cash. What can we do to provide the intermediaries? What can we do to give the confidence to Barclays that they can translate the money down to that level? How do we deal with the fact that the money coming into the pension funds in Africa is coming in local currency and they want to make their investments in those funds?

Solving those problems is what we in DFID or FSDA (Financial Sector Deepening Africa) or even many people here in this room are trying to do. And I think there are two main lessons that I draw out of this problem.

The first lesson is that you have to have the right type of institutions and

the right type of people located at the right places in order to do this.

In formal terms that means from us in DFID that we have organisations like for example CDC. I was very proud as the DFID Minister responsible for CDC to bring another very significant, nearly £4 billion worth of investment into CDC and then to see what that means. That means CDC ends up owning a third of the electricity generation in Tanzania, ends up employing over 20,000 people in palm oil in a relatively remote part of DRC. But it also means thinking about the way that we provide support for example to Trademark East Africa in order to deal with the problems of borders, the Kenyan border or Rwanda/DRC border, reducing the time it takes to get goods across the border from three days down to seven hours. Whether that's investing in customs posts, training up customs officers, simplifying the paperwork or simply installing a road infrastructure to get the trucks across that border more quickly.

Or whether it is the kind of work that we do with PIDG on infrastructure or our support to green investment bonds in Nigeria or whether it is the energy we put through AgDevCo or whether it's our support for example to the garment industry. Making sure that people working in the garment industries are not only connected to the buyers in Tesco's in London, but that we have the right specialists coming over from Pakistan in order to develop the factory processes and the right type of labour protection for the individuals within that factory so that actually they have the childcare, they have the opportunity to access education, they're operating in a good space.

Underlying this I would suggest as a government the fundamental question is what does the government do, and what do you guys in the private sector do. How would we as the government sometimes get out of the way to provide space for you, and where do we lean in? Here I'm going to be a little bit unashamedly patriotic. There are certain traditional British values which we ought to be bringing as a British development agency, and I would suggest that those include first and foremost a reattachment to a very old, maybe sometimes lost, British virtue of modesty or humility and the ability to listen to other people.

Secondly an old and somewhat lost British value of patience. Needing a lot of time to make things work. And finally, the most important thing of all which we used to pride ourselves on is pragmatism. Not a big theory with great strategic documents produced by consultants flying in, but a really granular exact contact to this blueberry farmer, this lady on the edge of Lusaka trying to get a roof on her house.

Secondly innovation – we have to be innovating all the time. We have to be bringing new instruments all the time. We have to adjust to the fact, for example, that since 2008 the financial regulations affecting banks in the developed world have changed, and therefore a whole new source of intermediaries are going to have to emerge.

We've just had a good presentation of course on FinTech. We've got to think about responsibility we've got to think about the way, that as a development agency we're not only in the business of trying to grow economies as fast as we possibly can, we're in the business of trying to grow those economies in a

way that works for the people in those countries in the long term.

And trying to make sure that as those businesses get off the ground those businesses are not polluting the rivers and water sources which people then have to drink out of. Making sure that as those businesses get off the ground we're not going to end up with 1,000 gigawatts of coal-powered generating stations pumping carbon into the atmosphere. Trying to make sure as those businesses get off the ground we can protect things which are deeply precious to the planet, to humanity but ultimately the people within those countries themselves, whether it's child labour or the environment.

But above all, if I was going to conclude above all, it's going to be about people. It's going to be about people on the ground. It's going to be about people with experience of a particular country. We're not kidding ourselves that because you spent a lot of time in Benin you're suddenly are an expert on Zambia and it's on making sure that we trust those people, making sure we have the right type of trust, to stick with somebody through changes. To stay with an organisation in Zimbabwe where there can be a sudden change in government. Is there a coup, isn't there a coup? Is there a fair election, isn't there a fair election? What's happened with the new currency? What happens when the inflation rates in Ghana are running at 15 per cent. How do you trust people, people who know what's going on and get behind them and stay with them for the time required to really bring the change?

Today I'm very proud to be able to announce three new things that we're doing at the Department for International Development. I'm announcing them with a certain degree of humility because in this whole speech all that I'm trying to say today is that this is about us listening and learning. There are no silver bullets. There are no special magic tools that we can bring to solve the very risky, complicated history of how you work across an entire continent.

The first thing that I'm proud to announce today is that we are launching a new partnership with the Bank of England. The Bank of England has quite a lot of experience on the question of finance. It has quite a long history. It has been going for many, many years, and we are very proud that we can now work with the Governor of the Bank of England, Mark Carney, to bring officials from central banks in other African nations, together with officials from the Bank of England. The advantage of this is that this is not about consultants parachuting in, this is about patient long-term relationships between expert regulators in Africa and expert regulators in London working together, hopefully over decades, to learn from each other.

The next thing we're announcing today is the launch of a £31 million Currency Exchange Fund. Why are we putting £31 million into that? Because we've identified one of the biggest problems for people operating in Africa is the issue of currency. DFID wants to get into that space. There is no silver bullet, but it is going to be a very important part of unlocking potential, particularly of pension funds, whether they're African pension funds or international pension funds, and all the money this could bring into the sector.

And finally, we're announcing today that we are going to conduct a large DFID-funded national survey across the United Kingdom in order to understand British citizens attitudes towards ethical investing in Africa, to make sure that we understand what it is citizens are looking for in those ethical investments. And to provide the information to them so that they have some confidence in those investments, so we can harness, not just the money of British citizens, but the values of British citizens.

At the beginning of 2020, we will have an African Investment Summit and I'm looking forward to seeing most of you in this room at that summit. If that summit and today's announcements are about anything, it is about our fundamental principle that when Africa prospers the world prospers and when the world prospers, Britain prospers.

We should partner together, develop together, learn together. Bring our very different strengths and weaknesses together, bring the ageing population of Britain working together with the incredible, dynamic, young populations of Africa. Bring your natural resources together with the finance of the City of London, but above all harness the power of people.

Trust people, local people, people on the ground for their innovation, their ingenuity, their energy. Through this partnership, through our investment which I and the British people are deeply proud to make with you, we will discover that we probably have less to teach Africa than we have to learn from Africa.

Thank you all very much indeed.