Remarks to the 50th Anniversary Celebrations of the African Union

Dr. Donald Kaberuka
President

Event: African Union 50th Anniversary Celebrations
Addis Ababa, Ethiopia
25 May 2013
Let me begin by offering my congratulations to the AU. I have been asked to focus on the economic side of your proclamation. This is the most exciting time in Africa. Africa’s economic journey over the past 50 years has been a tortuous one. Many achievements, but numerous setbacks.

In our quest for a prosperous Africa, which is a dynamic force in the global arena, we need to take note of three things.

First, the world is now different from what it was in the last 50 years. Economic power is no longer concentrated in Western Europe and North America. The concept of North and South is no longer very meaningful. The rise of the South, from Asia, the Gulf, and Latin America now makes for a multipolar economic world. And, since 2000, Africa has joined that momentum.

Second, there is unfortunately a very large flux in the global governance organs and institutions with global mandates – supposed to provide multilateral solutions, say, on trade or climate – are constrained by global politics. That means for the solutions Africa needs to trade her way out of poverty or deal with climate change, have to be largely internal.

Third, a number of key megatrends will influence the trajectory of Africa’s economies in the next half century which we need to be aware of. I will come to this in a minute.

Africa entered the new Millennium in 2000 with confidence. With the exception of countries at war, or emerging from war, economic performance has remained very strong. Indeed, Africa’s economic performance is now back to the level it was in 2008 before the near collapse of the Western banking system. At the turn of the Millennium, Africa’s GDP was 600 billion. Today it is 2.2 trillion, or four times greater. Adjusted for inflation, Africa’s GDP has doubled in 10 years. Adjusted for inflation, Sub-Saharan Africa’s economic size has doubled. Per capita GDP has tripled, or is up 40% if you adjust for inflation. As they say, “The sleeping giant is on its way”.

The world is slowly abandoning that sometimes patronising view of Africa. The debilitating narrative of Africa and her whole litany of problems have given way to a ‘Rising Africa’ narrative. Our continent now offers the highest risk-adjusted return on investment. And our economic managers are doing a reasonably good job navigating the difficult global economic slowdown. Even on human development indicators, such as infant mortality, the outcomes continue to be encouraging. At this moment the global economy still shows no signs of recovery. Some regions are in recession.
The world needs growth. But where will it come from? It will be Africa and the emerging markets.

For now, the emerging markets are underpinning the world economy. But, as their markets for exports to Europe mainly shrink, they are looking at stimulating domestic demand. China, in particular, is pulling out the stops to stimulate the internal consumption.

Africa, too, cannot do otherwise, unlocking domestic demand; this market of a billion people must be a primary objective. As we look to the next half a century, I cannot imagine a more important agenda for Africa than that of unlocking its internal market.

That is what will lay a basis for industrialisation and for jobs.

That is what will enable the economies of scale for some of the large infrastructure projects Africa needs.

Lest I am asked whether I am painting too rosy a picture, let me say clearly that from whatever angle you look at it, Africa still faces myriads of problems – the journey is long. In some countries, absolute poverty is not declining fast enough. Millions of our youth are entering the labour market each year, 14 million to be exact, and cannot find decent jobs. The reason for that is straightforward. Yes, economic growth is strong, but economic transformation remains a challenge.

We celebrate that Africa now has more mobile phones than North America and Europe combined, but as Mo Ibrahim reminds us none of the hundreds of components in those phones is made in Africa. That is why there are not enough jobs. That now must be the next agenda.

Looking ahead

As we celebrate today, looking to the next 50 years, three factors must be carefully observed: the global economy; the megatrends; and sources of finance for development.

Let me begin with the megatrends. Fifty years is of course quite a long way and predictions are not very helpful. But what is important is to identify big trends that will have large impact and build scenarios around them. Together with Dr. Zuma and Mr. Lopes, we are preparing such an analysis for you on those megatrends which will have a significant implication for the economic trajectory of Africa in the next half a century. In the limited time available, I can only mention them briefly, pending an opportunity to discuss them in more detail.
Demographics

With one billion people, closer to India and China. Africa’s population grows at 2.2%, compared to Asia’s which is 0.9%, so there will be around 2.2 billion Africans in 2050. They will not only more be more numerous, they will also be younger. The median age in Sub-Saharan Africa is 18.5 years. Provided the right investments are made in education, this is the basis of the so called demographic dividend – more people in the labour force than dependents; a wider consumer base for almost everything from food, to housing and infrastructure.

Urbanization

Not only will Africa be having more people and a youth bulge, most of them will live in cities and towns. Now the figure is 40%. By 2050 it will be anywhere between 60 to 80%. This will not just happen in existing large cities; it will also occur in smaller cities and towns, which will grow in size. This has very big implications for planning, for infrastructure, for food supplies and so on.

The growing natural resource industry

Over and above our existing mineral wealth, our precious and base metals and our oil and gas, there are now new discoveries almost everywhere – sometimes representing a multiple of the country’s economic size. And much more will be found as capacity for geological mapping increases. These are resources which, invested in education and in infrastructure, will enable us to realize the demographic dividend. The key will be pursuit of sound management, including negotiating contracts that ensure Africa gets what it deserves for her wealth.

Ability to leapfrog technology

Another positive megatrend will be ability to leapfrog on some technologies. We are all familiar with what the mobile revolution has done in terms of lowering the costs of doing business, delivering services and financial inclusion.

Climate change and food security

I mentioned that an international deal on climate looks quite remote. As the continent most affected, this will have implications for our agriculture, marine and forestry resources as well as biodiversity. With an increased population and pressure on land and water resources due to climate change, there will be a need not only to accelerate national green and adaptations plans, but also to embrace fully what science and genetics offer in the domain of agricultural production.
Infrastructure

Two of the big trends I mentioned above have huge implications for infrastructure: increased population and urbanization. At the same time, the massive discovery of new mineral resources, gas and oilfields will demand a huge scale-up in infrastructure from rail and maritime ports to mass transit systems and more.

These will provide large opportunities for jobs and higher productivity for the economies as a whole. These are things which will require attention. I began by pointing out the strong economic record of the last decade. However, the bar to aim for is 7% on a consistent basis for at least another decade. Not just 7%, but 7% of quality growth. Quality growth is one which is not only strong, but which is sustainable and fair, which addresses inequalities and which leaves no one behind. That kind of growth creates trust in society and builds stability.

Future funding

Let me close my remarks by referring to the issue of how we will fund our development in the coming years. It is now crystal clear that the effort will be primarily internal, with international donor finance coming to support that internal effort. Already today approximate figures indicate that various forms of domestic finance account for three-quarters of all expenditures. International cooperation has played a major role in the past 50 years to finance Africa's development. No doubt it will still be needed and much appreciated, especially by countries with limited resources, but for now it is curtailed by the global recession, budget cuts and a diminishing constituency for aid.

In the past decade cooperation with new partners has contributed particularly to infrastructure. We must now do more, from domestic revenue mobilization, to spending wisely, to more effective natural resource management and leveraging the capital markets. The Report by the Africa Progress Panel under Kofi Annan and how Africa is being deprived of revenues from our natural resources will require your action.

Let those mining businesses prosper in Africa but let them also pay what Africa deserves. At this moment, capital markets are awash with liquidity and interest rates are at a historic low.

Next week in Marrakesh, we will discuss with Finance Ministers, a bold new proposal for an African Infrastructure Fund and a Special Purpose Vehicle to raise money in the markets for high return infrastructure projects that will help Africa to unlock her potential. The past 50 years have been a remarkable, eventful journey
for Africa. Africa faces, in the next 50 years, a complex landscape, but she also has many opportunities.

Provided we do the right thing, this could truly be Africa’s hour.

Thank you.