

- KEYNOTE SPEECH -

Unlocking Africa's Potential

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Good morning. Thank you so very much for welcoming me to what I consider a very important conversation on our continent. The collaboration between the Legatum Institute and the Ford Foundation, as the representative of Ford Foundation for East Africa was saying it, is really a demonstration of what collaborative partnership is all about. And any of the things that will succeed in this millennium have to be based on collaborative partnership.

The time has ended where one cock crowed in the community effectively. I am so delighted to see that there will be many hens also crowing in this conference.

I've been asked to speak on that which may have gone over the head of some of the people around here. But yes, when we talk about cock we mean the man, when we talk about the hen we mean the women. So with a very good list of women that you have unfolded to speak at this conference and I am very glad that many, many will be speaking. It's not going to be a bunch of men telling us how to make Africa prosperous because they alone cannot make it happen!

I've been asked to speak on the topic "Unlocking Africa's Potential". I was recently a guest of my dear friend Richard Dowden in, in London, and at The Royal Society for Africa. When Richard asked me what I was going to speak on I said, "Africa rising: wait until the citizens arise".

In many ways I see an intersection between what I have said at that event and what I am going to be saying today. Essentially the summary of what I will be saying today is that: it is the citizens of Africa that are Africa's locked up potential. Liberate the citizens of Africa to create the prosperity that Africa is in need of.

But I'll finally get to that simple point by taking you through a journey. The way that I always look at the events in recent times has been to take a historical, faceless approach. And I was thinking, "Why have you suddenly started thinking in terms of eras and citizens?" I realised that it happened as I celebrated my 50th birthday. Age began to reflect in the way that I think. So, in doing this today, I decided that it was best to look at Africa from an era mapping perspective of how we have come. And to the first era for me was the pre-colonial era.

Africa's pre-colonial economy was agrarian, as history tells us, with an abundance of land. Even if there was negligible irrigation of purely rain-fed agriculture, there was an abundance of land. At that time Africa was trading with the rest of the world with a diversity of trade routes and networks that linked key empires on the continent with one another as well as to distant lands. Trade with the Arab world was well established through the Sahara route and history does show that diverse goods travelled from Africa into Europe, Arabia, India and as far as China; that's why the Chinese are visibly angry when people say they discovered relationship with Africa. They say, "No. We were trading with Africa way back!"

For example until the discovery of the Americas, Mali, Nigeria's little bit of a distant neighbour but not too distant in West Africa, was the principal producer of gold. African ivory was also sought after because it is softer than from the Indian elephants and therefore it's easier to carve. History says that slaves were wanted by the Courts of Arab and Babur Princes as servants, concubines, soldiers and agricultural labourers but business also thrived in pre-colonial Africa. At that time education was informal and was a vehicle for delivering basic skills in farming, lumbering, ironsmithing and for passing on ethos of the communities, their beliefs.

Although historians are divided on this, not all of pre-colonial Africa was poor as is often suggested. Even if this were true, Africa was considered not to have been worse than most of today's upper-middle and middle-income economies. For example, the historian John Kirton argues that Sub-Saharan Africa was relatively wealthy and technologically advanced until at least the 17th Century. Even scholars who believe that Africa was generally poorer than the

rest of the world throughout its history make exceptions for certain parts of Africa. Acemoglu and Robinson, I'm sure you know them, you cannot be at this conference without knowing these two authors, the authors of *Why Nations Fail*. They argue that most of Africa has always been relatively poor but then stated that Axim, Ghana; Songhai, Mali; and Great Zimbabwe were probably as developed as their contemporaries anywhere in the world.

So that's pre-colonial. Colonial Africa saw the scramble for Africa, the ensuing Berlin Conference and the partition into protectorates, colonies and outposts. With this, colonising powers basically engaged in extractive control and dominance of the conquered territories of Africa. By the 19th century following the collapse of the profitability of slave trade, the abolition of slave trade as well as the expansion of the European capitalist industrial revolution, the imperative of the colonising powers became more and more assured sources of raw materials and the search for markets and profitable investment outlets and Africa provided it for the different powers.

European appetite for goods such as palm oil, rubber, cotton, precious metals, spices and other goods made the extractive arrangement which had no requirement for lasting institutions, the basis of the relationship with Africa. In such an arrangement the type of education necessary was a function of what the colonial powers simply needed for basic administrative purposes. It was the beginning of formal education through Christian missionaries. Officially, education of Africans was considered a tool to dispense basic literacy to the limited number of people that were needed by the colonial powers to sustain the administrative functions that The Home Office's in their capitals required. Of course simply on the basis of this economic, social and political imperative, education remained capped at that level for majority of Africa's population.

Then I jump to post-colonial Africa of the '60s and '70s. The first decade of independence across the continent was the '60s. Africa showed a strong but short lived trend of upward growth rates. The optimism of independence and the freedom that came with it initially were underlined with issues of suspended ethnic distrust, rivalries and animosities. All the groups in each of the countries managed to forge common interest to show the colonial powers the door but as soon as the common foe was out, in most of the countries, there failed to be a conversation on what to do with the new freedom.

So the early years of independence were relatively peaceful, however with most of the countries failing to forge and negotiate a rallying economic vision as a path to prosperity it did not take a long time for this centre to stop holding. You reminded me of Chinua Achebe. Very soon optimism gave room to squabbles. It did not help that the nationalists who had led the political independence effort didn't give adequate attention to the entirely different issue of economic independence, therefore most of post-colonial African economies continued to mirror and to operate the extractive structure of their economies as it was on under colonial rule. Worse was that by the later '60s and leading up to the '70s as Africa's political elite squabbled over political power it was actually a proxy fight for which group will dominate control of the rents from the extractive economies. The vision for transforming the economies in order to generate economic growth and development was left languishing while the fight went on over political control and so in this season the populations expanded but they expanded to be dropped into poverty because there was no expansion of economic opportunities driven by economic vision.

So political instability, conflicts, undemocratic acts, outlawing of political opposition, rising dictatorships, one party states and such like, all aberrations, became prevalent during this period across the spectrum on the continent. The good news however was that it was also during this period that access to primary and secondary education expanded beyond the very limited focus and target of the colonial powers. It was also the period that saw the emergence of top public universities, a handful of them.

So I quickly move to the '80s and the '90s leading up to the time of the millennium and now. By the '80s the entrapment of the extractives saw Africa and African countries enjoying a series of booms which were quickly followed by busts and the busts resulted in serious challenges of economic poor performance and poverty. But the best indicator of this was that considerable external debt had become an albatross to the development of the continent. This debt albatross became a hindrance for the impoverishment of citizens of the various countries on the continent. The way out of this became programmes of the Bretton Wood Institutions one of which, as you know, I worked for at the World Bank. And so the '80s and the '90s became the period of Structural Adjustment Programmes. Very painful programmes anchored or nearly broke the economic policies of the Washington Consensus. Extremely painful macroeconomic structural adjustments across the continent with one visible accomplishment: adjusting the pattern of economic management to achieve critical economic fundamentals, unsparing of Africa in any way, and refusing to accept any African exceptionalism.

In early 2000s having painfully accomplished relative macroeconomic stability as a result of the painful adjustments across the respective countries economic historians say that those adjustments simply achieved one thing: They awoke Africa to the fact that there are some universal applications in the way that economies are run and that just like families and individuals no country has the right to spend what it does not have and so that key lesson of fiscal prudence and the necessary monetary policies that went with them helped to establish Africa as place with macroeconomic stability and that became the key feat accomplished by the continent during that era. The era then resulted over time in the Africa Rising story and what are the indicators of this era of the Africa Rising? Well to answer this I mischievously decided that I would quote the recent and succinct picture of Africa Rising by the same magazine that once called it ‘the hopeless continent’, the *Economist*.

According to the *Economist*: “Sub-Saharan Africa has made a huge leap in the last decade. Malaria deaths in some of the worst affected countries have declined by 30% and HIV infections by up to 74%. Life expectancy across Africa has increased by about 10% and child mortality rates in most countries have been falling stably. A booming economy has made a big difference, real income per person has increased by more than 30% whereas in the previous 20 years it shrank by nearly 10%. Africa is the world’s fastest growing continent just now. Over the next decade its GDP is expected to rise by an average of 6% per year, not least thanks to foreign direct investment which has risen from \$15,000,000,000 in 2002 to \$37,000,000,000 in 2006 and \$46,000,000,000 in 2012.” End of quote.

They had to apologise using data. It was, it was very, very wrong for a newspaper to sit in editorial privilege and comfort and write off an entire continent of people whose potentials were yet to be unleashed and so we see from the way that the *Economist* captures the progress that the continent has made that the *Economist* was looking into the future of your conference because your conference is saying, “economic growth is welcome, however it is not sufficient.” There has to be a multidimensional approach to accepting growth. The growth of the economy of a country is not necessarily coterminous with the growth of the citizens of the country. Are we together?

Such an impressive economic feat by Africa as repentantly laid out explicitly by the *Economist* did not just happen. I was recently in the States and I had the good fortune of sitting for a few, for some two hours or so with Negroponte, some of you remember Negroponte the US

Deputy Secretary of State and Homeland Security. He said, “Things don’t just happen. People make things happen.” So Africa’s economic turning did not just happen, it was made to happen. Effort went into accomplishing it and it is the same effort, it is the same deliberateness, the same intentionality that would move Africa from mere nominal and perhaps real increase in its growth to becoming a continent where prosperity touches on the average citizen of each of the countries. The enduring improvement in macroeconomic conditions on the continent puts Africa in a very enviable position, where it is now sometimes used as an example for some of the countries that used to give it lectures on how to manage its economy. You know it was mixed, it was bittersweet during the financial crisis and the economic crisis. African economies managed to keep their senses together and some of the countries in Europe and North America were struggling to keep their own senses together because macroeconomic fundamentals were held dear on the continent of Africa. More than they were in these other economies and sometimes I couldn’t help it, I would say, “Physician heal thyself.”

So the important economic fundamentals that pre-staged growth that we have seen on the continent cannot in any way be taken for granted because macroeconomic stability, thought not sufficient is a necessary condition, for sustaining growth. And for those who think that growth is a contemptuous thing to acknowledge: it is important to say to you that without growth you don’t even stand a chance of reducing poverty and improving household income in any of these economies. In a recent report by Ernst & Young it reported that Africa’s regulatory legal and business environment has improved. According to the World Bank’s 2013 *Doing Business* Report, among the 50 economies globally that have most improved their regulatory environment for business since 2005 a third were in in Sub-Saharan Africa. No one discusses sectors like telecoms which have shown what is possible, through a combination of prudent macroeconomic management and sectoral level reforms, in contributing to the Africa Rising narrative. The liberalisation and deregulation of the telecoms sector succeeded in showcasing Africa as capital of its own revolution when it went from just under 20,000,000 telephone handsets and telephone lines to over 600,000,000 handsets within a decade. And so there was an agrarian revolution and there was an industrial revolution that wasn’t part of, that wasn’t Africa’s revolution. But Africa has its own revolution, the ICT revolution.

The financial sectors and others like housing, construction and consumer trade have also benefitted from expansion of private sector investment and helped to sustain the growth trajectory. The commodity boom has also had a salubrious effect on the growth of the continent although some make the mistake of attributing all of Africa’s growth to commodity

boom; data proves otherwise. Until the recent declining fortunes of natural resources in the global economy at least two thirds of African countries with one resource or another enjoyed the benefits of expanded revenue, however it is factually incorrect to assume that that explains all of Africa's growth and the Africa Rising story because only one third, one third of Africa's growth, was delivered by the boom in natural resources. So one key point necessary for our conversation on prosperity of Africa and Africans, and therefore unlocking their opportunity, is to take a multidimensional and broader perspective that integrates the quality and the structure of the present growth.

Ladies and gentlemen, in the same era of the Africa Rising is a paradox of Africa's educational attainment vis-à-vis its burgeoning population. Africa Rising has led to many more being left behind in terms of the preparation to enable them participate in the benefit of growth and that is what explains the disconnect between growth and growing inequality in some of the African countries. So this has been an era where although many more have been able to go to school and to pursue academic endeavours up to tertiary level, compared to the population that has not had the same opportunity they are smaller in number. What this has meant is that Africa struggles with low productivity and lack of competitiveness and this is the centrality of how prosperous countries become. The conversation for this era therefore has to become how do we raise African's productivity? It is unfortunate that at the time of economic growth there is such low productivity and negligible structural change to the extractive economy of the colonial era such that the lack of expansion of economic opportunities has meant that high unemployment of as much as 30% across the continent questions the growth story.

Ladies and gentlemen, with this obvious paradox of economic growth standing side by side with very deep poverty, of at least 45% on the continent, the urgency to engage in the dialogue on redressing the drivers of inequality makes your conference most auspicious. I absolutely agree with Mukhisa Kituyi, the Head of the UN Conference on Trade and Development, that economic growth that does not create decent jobs in sufficient quantities is unsustainable. Prosperity is not a fancy, prosperity must endure so although economic growth is good and has helped change the way Africa is perceived globally, the social political and economic consequences of the limits of the kind and quality of the growth leaving too many out of the share of its benefits are grave enough to deserve urgent solutions from policy makers, the academy, as well as the citizens and all friends of the continent. The principal reason that we must interrogate the quality of the growth, its composition, its distribution and its beneficiaries is that we must seek to understand the underlying reasons for the exclusion of this large population of Africans from

this cheery Africa Rising story. A growing Africa must also mean growing Africans in order for it to be sustainable.

Finally the approach that I put forward for addressing the combustible and implosive seeds of inequality in a time of growth is a replacement strategy for Africa's economic development. I call for a change in Africa's anchor on extractive or natural resources centred economic development approach because I consider it to be for this era of Africa's development. I therefore call for a radical push that establishes a human capital centred economic development strategy as the only approach for ensuring prosperity for all. It is the fastest way for Africa's modest economic successes so far to gather real momentum that accumulates into true prosperity for a larger number. For me, a centred economic development strategy is one that simply places the citizens at the centre of economic development policy choices. A human capital centred economic development strategy ensures that each citizen is accorded more premium than oil, than copper, than platinum, than diamonds because it is a development strategy that recognises Africa's greatest constraint to equitable, inclusive, broad-based and shared growth as being, primarily, the lower productivity of the unit African citizen to create the values for exchange which ultimately result in prosperity.

Every one of you probably already knows the theory of human capital and so it does not bear repeating but one thing we know is that evidence shows that not a single country that placed the emphasis on human capital throughout history occupies the lower ranks of the economic league table, not one. By seeking to buck the trend and assuming that the education and the development of the human capital of the continent would happen as time goes by, Africa delayed the kind of development that should be conterminous with the Africa Rising narrative. It is therefore time for every one of us who has a voice to make the case for the use of the kind of indicator that the *Africa Prosperity Report* puts forward as a basis for determining the priority interventions that economies on the continent must make.

Ladies and gentlemen before the *Prosperity Report* there was also the Human Development Index of the United Nations, a multidimensional index that measures performance not just in terms of economic growth rate but in terms of comprehensive wellbeing of the citizens. It is now time for Africans, whom the report on prosperity by the Legatum Institute suggests have done better in individual freedom, meaning that with political and democratic process becoming more prevalent in this continent the individual African is freer to express with their voice as part of Africa's prosperity. That voice must be included in the decision making process

for determining the priorities of countries in forming policies, in building institutions and in determining critical investments. So I want to end on the note that interconnecting citizens, improved governance and demand for accountability and transparency would ultimately result in moving citizens away from the fringes of policy making, to the centre of policy making. Here their capacity and their capability to operate in a growing Africa would find centre stage.

So the average African citizen has been shown to be capable of competing where similar education and training have been offered. An example is what happened in a test case that we did with a Chinese firm in Ethiopia. This company, a leatherwear company, was facing exactly the problem of high wages. Location has become everything for manufacturing industries and so working together in partnership and in collaboration this leatherwear company decided to try out a partnership with the Ethiopian government considering, as you know, that Ethiopia has one of the best hides and skin in the world but it used to be exported in the commodity form at the extractive level. This company set up a plant in Ethiopia and by making labour productivity the productivity of the Ethiopian and comparing with the productivity of their Chinese counterpart working in their factory in China, they found that the Ethiopian worker could produce at the same level comparable level as the Chinese counterpart but what was even more interesting was that the Ethiopian workers' salary was so low that it enabled the company to still break even despite all the other logistical costs and the big transaction costs involved. So the company experimented further and provided more training and more capacity for the Ethiopian workers and their productivity climbed even further.

Today that company is on the way to setting up four plants for shoe production in Ethiopia. Its long term goal is that within the decade it would have about 100,000 Ethiopians producing leatherwear for the rest of the world. For those 100,000 that would be capacitated and unleashed in the global economy, there is no better definition of prosperity than the opportunity they suddenly have to be integrated into a market that recognises their worth.

So I dare to declare that until we all became voices for Africa's political elite to take education to the centre of economic policy we would not have succeeded in conversing for the unlocking of the potentials of Africa. I thank you very much for listening.