

IMF Advisory Group for Sub-Saharan Africa Meeting

Washington DC, 20 April 2015

Opening Remarks by Ali A. MUFURUKI,

Ladies and Gentlemen

I have been requested to set the ball rolling for our discussions during this session by commenting on or providing answers to the following set of questions:

1. What marks socio-economic progress in African countries; what can be done to sustain it?"
2. What progress has been achieved and how can it be sustained?
3. What are the key socio-economic challenges facing African countries and how can they be overcome?
4. And what role can the IMF play in addressing these issues?

The background to this request is that in December last year, while speaking at the TEDxEuston event in London, I challenged the "**Africa Rising**" narrative that has dominated discussions about Africa's progress over the past few years.

I asked the audience to take a closer look at Africa's performance in the following areas and decide if I was exaggerating or fear mongering:

- While access to electricity is much higher than it was say 25 years ago, a French person today uses 50 times more electricity than an African
- Despite notable improvements, Africa's inland transportation infrastructure remains both inadequate and costly, limiting the

continent's ability to compete in global trade. It cost 30 times more to move a container of cargo in Africa than it does in the developed North.

- African countries, including African oil producers, spend a disproportionate amount of their foreign earnings on the importation of oil products.
- 60 years after independence, African countries have not been able to shake off their dependence on foreign aid and hence are unable to take full control of their own development agenda while Asian countries that were in similar circumstances in the early sixties have become major aid givers to Africa.
- Agriculture, by far the single biggest contributor to the GDP of many African economies, continues to be characterised by the lowest productivity levels in the whole world. The average output of a hectare of maize in Africa is 20% of the output of the same amount of land in the US.
- Despite the huge strides made in the provision of education on the continent over the past half century, at 3% ratio of university graduates per capita, Africa is comparing rather poorly with the rest of the world in a technology and innovation driven world economy dominated by the West where the graduate ratio is over 50% and breakout nations such as South Korea with graduate ratio of 67%.
- Africa has the lowest and declining share of the retail trade volumes from primary goods it produces. Ivory Coast, produces 35% of all the cocoa in the world but **Ivorian cocoa farmers get only 6% of the retail chocolate price, down from 16% in the 1980s**
- Out of control corruption and economic sabotage are threatening not only the economy but also the peace on the African continent.

Nigeria lost 136m barrels of oil through a combination of theft and sabotage in 3 years between 2009-11. This was equivalent to \$11 billion or the GDP of Rwanda, Burundi and Gambia with a combined population of 24 million people.

- And finally, Africa's environment and biodiversity (wildlife, water bodies, wetlands, rivers, forests) is facing an existential threat. At 81%, Sub-Saharan Africa is not only the region with the highest number of households using fuelwood and charcoal - 60% of them in urban areas, but it is also the only region in the world where use of such fuel materials is growing.

I think that the above list of issues calls for a more cautious assessment of our achievements over the last quarter century of economic reforms and more importantly, it warns us not to be complacent.

The work of developing Africa may have begun and is well on its way, but it is far from done. Now is not the time for celebration, not least because new threats to the continent's continued growth are emerging and have already started to manifest themselves in some African countries.

And this brings me now back to the first question of our conversation today, namely:

What marks socio-economic progress in African countries; what can be done to sustain it?"

For me, socio-economic progress will have happened in any given country if its people are able to earn enough through productive work, to meet expenses for basic necessities such as food, shelter, healthcare, education for their children and have enough excess income left to invest in savings for when they will no longer be able to work.

Economic development policies and interventions of any country in the

process of developing must therefore be designed to create conditions for its people to be able to believe in the possibility of making tangible strides towards the state of progress alluded to above in their lifetime.

In other words, people must have hope in a better future for themselves and their children. Without hope, growth and stability will face disruptions and even reversals as we have witnessed recently in numerous African countries from Somalia to Central African Republic, Kenya, Nigeria and most recently, South Africa. No country is immune to such disruptions.

I am of the view that sustaining current successes including current rates of GDP growth will not be enough, not by a long shot. We forget that while 5-6% GDP growth over the past 10-15 years is impressive in the current global economic context, Africa is the continent where economic inequalities are most extreme, meaning that the GDP and income per capita growth statistics cannot be relied upon to explain real changes in the economy in the same way they do in more developed economies

But it is also true that given the small GDP base of the majority of African economies, a single digit growth figure is in my opinion not enough.

Sub-Saharan African countries must therefore aspire for annual GDP growth figures closer to the 20% mark for a sustained period of no less than 20 years if current generations of Africans are going to have any hope in their future.

Africa's Unemployment Challenge

The World Bank published a report last year in which it was reported that my country Tanzania (population 50m) produces more than 800,000 new job seekers every year. Of this number, hardly 10 percent are equipped with any relevant skills, meaning that the majority are unemployable even

if jobs could be found for them . The situation is not different in Cote d'Ivoire, a country of 23 million that produced half a million new job seekers last year while creating no more than 2,000 new jobs during the same period.

To understand the enormity of the employment challenge facing African countries today and in the future, we need to consider how many formal or meaningful jobs exist in African economies today, what is being done to generate new jobs and what difference these efforts are making.

Formal employment in Tanzania combining both the public and civil sectors account for around 2 million jobs, not a very impressive number for a country of 50 million with nearly 80% of its population under the age of 35 years. There is no way this economy can generate the jobs needed by its fast growing population if it continues to grow at 7% per annum. The same goes for all countries in SSA.

The absence of jobs and the hopelessness it is causing has already started to cause worrying social trends on the continent.

Last week alone, more than 10,000 desperate young Africans made the risky journey across the Mediterranean to Southern Europe on rickety boats. Hundreds died and more remain unaccounted for. This has become a weekly occurrence now and all indications are that we will see more, not less people risking their lives to escape hopelessness in their countries.

What is often lost in all the noise surrounding this issue is that a growing number of these desperados includes people holding university degrees, meaning that even people with such high and rare qualifications are not better off.

Hopelessness leads ultimately to acts of desperation and what began a few years ago as random acts of violence in various African countries is beginning to taken on a form of organized reaction to what young people

refer to these days as the '**indifference of the elite**', a small but powerful group of people that has captured all power, both economic and political, for its own ends at the exclusion of everybody else.

Just last week, the world witnessed shocking scenes of murder, rape and looting visited upon black migrants in South Africa by black South Africans who view them (migrant workers) as a threat to their own already livelihoods.

The growing tension caused by the lack of hope among young Africans is the single, biggest threat to Africa's future and given that no government can create the number of jobs Africa needs, there is a need to think outside the box.

Africa Has Entered The Era of Self Employment

With millions upon millions of unskilled people waiting to be employed and governments not able to meet the demands of fast growing populations through conventional means, now is the time to explore new ways of ensuring that as many young people as possible find useful work early enough in order to create their own livelihoods.

We must start by first acknowledging the inability of governments and even private sectors to create the numbers of jobs required to keep our economies growing in an atmosphere of peace and tranquility

Secondly we must start designing social and economic policies aimed at facilitating self employment among young people.

As an example, tens of millions of new jobs have been created in Africa's fast growing and very vibrant creative arts, music and film industry.

Today, Nigeria's Nollywood produces more films per year than Hollywood and Bollywood combined, creating tens of millions of jobs in the process. This success has been emulated in other parts of Africa.

What most do not know is that these industries have grown, not because of but in spite of governments trying very hard to stop them through numerous uninformed and unhelpful interventions that continue to this day.

Another unconventional job creator that has made a huge impact in Africa in recent years is the ICT industry. The widespread use of mobile phones for applications such as money transfers, banking and most recently insurance, has created vast agency networks that are employing millions of people, in rural and urban areas of Africa almost in equal measure. This sector has also faced numerous policy challenges from governments that have tried but thankfully failed to stop its growth, at least thus far.

The lesson we can take from these two examples is that it is possible for a big number of new jobs to be created but these jobs will not be created by governments directly. Governments must deliberately focus on facilitation and supporting self employment.

Another lesson is that it is becoming increasingly clear that the majority of jobs that will be available in the near future do not exist today. **We cannot plan or train for them because we dont know what shape they will take.** They will be created through innovation and governments must therefore design policies that encourage and facilitate innovation especially by young people.

Governance, transparency, accountability

African governments across the continent have demonstrated that after nearly a quarter century of economic reforms and transformation, they understand the importance of macroeconomic stability and prudent fiscal policy management. They have internalised what was initially viewed with hostility as an imposition from Washington and effectively taken the driving seat in designing economic policies and defending the same

before their own people.

Today, the IMF and World Bank are viewed in a more friendly light across the continent as helpful, development partners. The Spring Meetings of the WB and IMF no longer attract the crowds of thousands of angry protesters we had come to associate with these events in the past, meaning that even critical observers in the developed North agree that some good work has been done by these institutions

This is all great, but we still have a lot of work to do on the governance, transparency and accountability fronts, especially in Africa.

Theft and sabotage of our economic assets by a privileged few remains a big problem in Africa. I gave an example of oil theft in Nigeria earlier on. There is more of the same almost everywhere you look with only a handful of countries such as Rwanda and Botswana showing a deliberate and keen effort to keep corruption under control.

The level of impunity displayed by perpetrators of such corruption is nothing short of astounding and this is happening at a time when our populations are highly sensitised about the issue not least by free access to media and other forms of information sources.

The popular reaction to corruption and abuse of public assets in Africa is increasingly becoming violent and understandably so given that many people are desperate as I have said earlier.

Another worrying trend is that corruption is contributing to the systematic weakening of institutions that are supposed to check its spread such as the judiciary, police, anti corruption offices, revenue authorities and other regulatory bodies; causing people to lose hope in a better future for their lives.

This is why I see the fight against corruption, lack of transparency and for

better governance as being one of the most important areas of focus for African governments going forward.

The fight against corruption and efforts to improve governance and transparency must however go hand in hand with the drive for innovative new ways to generate new forms of employment on the continent.

In conclusion, let me reiterate that now is not the time for complacency. Single digit GDP growth is not enough to sustain our growth trajectory. We must work harder and aim higher. **Double digit growth should be the new aspirational goal for African economies over the next few decades**

Secondly, we must recognise that Africa's development will need to take a different path from those taken by the developed North and the emergent South Pacific. The government's role in the creation of jobs will have to be profoundly different, focusing more on facilitation of self employment rather than direct employment.

Finally, we must to view the fight against corruption as a matter of life and death. If we fail here, everything else we are trying to build will come down crumbling.

I wish you a very productive meeting and thank you for listening to me.