



# African Economic Platform

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## CONCEPT PAPER

### 1. Introduction

The African Economic Platform will bring African leaders from public, private, philanthropic and academic sectors to engage on four (4) critical matters leading to implementable initiatives. As agreed, to ensure that the basic human rights of our peoples are at the centre of Agenda 2063, we have to ensure that rights to education, to food and nutrition, to health care, to safe water, sanitation and energy are enshrined in our respective endeavours to implement Agenda 2063.

The Continent is at a fork in the road. Notwithstanding the current challenges faced by the continent, sustained growth remains the key ingredient to unleash the potential of the continent when adequate skills are continuously harnessed and free movement of the African people becomes a real facility accessible to all. We know that development aid has helped, but will not deliver sustainable growth and transformation in Africa. The continent must continue to explore and tap into innovative and domestic finance for the effective implementation its transformation through trade and industrialisation.

A study by NEPAD and ECA (2014) shows that Africa is responsible for a significant proportion of its development finance as more than \$527.3 billion comes from domestic taxes compared to \$73.7 billion received in private flows and 51.4 billion in official development assistance. Supplemental revenues come from pension funds, diaspora remittances, earnings from minerals and fuels, international reserves held by reserve and central banks, liquidity in the banking sector, the growing marketplace for private equity funds and potential resource flows from securitisation of remittances.

Following the January 2016 African Union Summit, we find it appropriate to take the decisions and conversations forward in order to ensure that business and political leaders, find realistic and achievable common ground to ensure that terrorism in Africa will not find fertile ground in poverty. It is our belief that Africa has the required internal resources to finance the transformation of its people and the continent. Furthermore, that shared prosperity and well-being are achievable for ordinary Africans across the continent.

While African countries taken separately may have diverging issues, the African Economic Platform will allow for four (4) interconnected issues to anchor the programme. As a result, the time invested will result in greater collaboration on matters of common interest for effective African integration leveraging on two (2) billion Africans.

## **2. Objectives**

The primary objective is to influence and fast track Africa's socio-economic integration and transformation agenda.

We are cognisant that in so doing the African Economic Platform will also realise the following secondary objectives within the context of Agenda 2063:

- (i) Shared ownership of the African development agenda across sectors fostering a collaborative approach to achieving the Aspirations of Agenda 2063;
- (ii) Enable business; political; academic and youth leaders to contribute to the formulation of continental policy
- (iii) Build on the work of existing and complimentary platforms addressing the social economic condition of the continent such as the *Africa Economic Conference*; the *CEO's Forum* and others.

## **3. Critical Issues**

It is of importance in this context that we focus our energy on four (4) critical areas that have the potential when realised in their right mix, in each country and region, to elevate the socio-economic conditions of Africans. We ought to leave Mauritius with the assurance that Africans will be equipped with adequate skills on the largest visa-free continent, in order to use their skills through the value chain of our natural resources making African industrialisation, the premise of greater intra-African trade. For this purpose, we agree to focus our discussions on (1) skills, (2) trade, (3) industrialisation and (4) free movement.

More specifically, the African Economic Platform aims at securing:

1. Commitment from all parties to remove policy obstacle for doing business in Africa;
2. Implementation of policies for sustained and inclusive growth;
3. Increase African awareness of continental issues in a global context; and
4. Integrate youth perspective and commitment into the #AfricaWeWant

## **4. The Issues**

The connection between the four (4) themes selected for the first African Economic Platform require an outcome that makes Africa's youth part of the solution and bear some of the responsibility of sustaining the foundation built by the current generation of leaders.

### **a. Skills**

Lack of education and mismatched skills is the principal obstacle to labour markets, resulting in high unemployment across different age groups. The mismatch affects both university graduates and young people with secondary education. In this context, it becomes a critical issue to provide the required skills to Africa's youth along the value chain of our resources. The underlying issue to be resolved is the absence of linkages between education systems and employers.

A shortage of technical and mechanical employees coexists with a surplus of workers in audit, sales and communication. In manufacturing in particular, many of the positions that go unfilled are at a level that does not require tertiary education and does not pay the salaries that university graduates expect. What is required, rather, are the technical skills necessary to maintain equipment and supervise unskilled workers.

Higher education systems in Africa need to become more diversified to meet the need for a variety of levels of skills and education. Furthermore, at tertiary level, young Africans are confronted with a university system which has traditionally been focused on educating for public sector employment, with little regard for the needs of the private sector. Often a degree from a tertiary institution is an entry requirement for government employment with little attention paid to a specific skill set.

At the same time tertiary education in technical fields tends to be significantly more expensive than in the social sciences, which makes expansion of such faculties more challenging for public education institutions. Private providers of education could fill this void, leaving the government with duties of quality control and oversight.

In addition, it appears that African universities do not educate for African needs. Unemployment rates vary by field of study such that graduates in technical fields (engineering and information technology) have less problems finding employment than those from the social sciences or humanities, resulting in consequently higher unemployment numbers. It also appears that the most difficult sectors in which to find candidates with tertiary education are those that need specific technical qualifications, such as the extractive industries, logistics, chemical and pharmaceutical industries, manufacturing in general and agri-business.

Given Africa's comparative advantage in agriculture and the great potential for international trade in processed agricultural products, the low number of graduates in the area of agriculture is striking. With 2% of students specialising in agriculture the discipline occupies the same rank among graduates in Africa as it does in Europe, even though agriculture contributes 13% to Africa's GDP compared to 1.4% in Europe (both for 2010, World Bank, 2011c). Agri-business is one of the few sectors in which finding high level managerial candidates is almost impossible in Africa, according to a large recruitment firm active in many African countries. Given the important role extractive industries play in many African countries, the lack of graduates available to work in the sector is similarly striking.

One may note that the fields with the fewest problems in finding candidates are banking, education, commerce and IT and telecommunications. Banking and IT and telecommunications, in particular, are fast growing sectors, suggesting that the link between industry needs and tertiary education works well in these areas.

Options for consideration:

- Change education curricula;
- Education system adapted to African market requirements in technical fields and agriculture with a focus on improving quality;
- Expanding women participation in education system with a focus on quality and relevance;
- Technical and vocational skills development (TVSD) has the potential to provide young people with more applied skills and better chances in the labour market;

□ Formalize traditional apprenticeship which predominates in the informal sector especially in rural areas.

## **b. Trade**

What would it take for African countries to stop exporting the bulk of their oil, diamonds and maize to foreign countries rather than to other African countries?

Trade creates linkages that are essential to the integration agenda. Although intra-African trade is not a panacea for development, it is quite important. Small Medium Enterprises could become more competitive by creating economies of scale across their respective regions. As they grow, SMEs can strengthen product value chains and facilitate the development of technology and knowledge.

Trade incentivises and spurs infrastructure development and attracts foreign direct investment expanding intra-African trade. This is key to accelerating economic growth on the continent. Especially important for the continent's many small, non-coastal countries that face tremendous challenges trading internationally.

Unfortunately, Africa's current internal trade is challenged by the fact that most of its exports go to the world's advanced economies like the US, UK and China, and most of its imports come from those same advanced economies. In this respect, the African Economic Platform ought to reflect on:

- Economic diversification in order to encourage many African countries to specialise in complementary goods to exchange with each other;
- Conflict as it diminishes the capacity for African states to engage in intracontinental trade. These factors lead to low levels of economic growth, destroy needed export infrastructure, and slow and reverse regional integration;
- Infrastructure is and has always been a major issue for Africa. Like conflict, infrastructural deficiencies reduce economic growth and productivity, and raise transportation costs.

The unnecessary delays, harassments and massive graft associated with corruption among those engaged in intraregional trade in Africa needs to be addressed in order to increase trade. This will require a coordinated and harmonised implementation of stringent protocols on the free movement of goods and people across the region by, in particular, dismantling the numerous security outposts and checkpoints along the borders. This process will facilitate trade, reduce smuggling activities and promote regional investments in trade.

To reduce trade diversion, a supranational body or the region's more prosperous countries should fill any vacuum created by the stepping back of non-African trading partners. Regional innovation and technology policies should be crafted to ensure the diffusion of technology, and a comprehensive competition policy outlining the rules of the game in the form of rewards and sanctions for the conduct of national economies in intraregional trade could also be designed. There is a need for greater efficiency in the delivery of trade-related services by banks and other financial institutions in the region. Adequately capitalized export-import banks should be encouraged to support trade within African countries by facilitating the painless and swift transfer of export receipts and import payments.

To effectively stimulate growth across sectors and among nations in the region, significant efforts must be undertaken to address these challenges if the benefits of intra-Africa trade are to be truly realised.

### **c. Industrialisation**

The continent has the key elements to support a robust drive to leverage on domestic resources to make trade and industrialisation, key drivers of the transformation of the African continent. The primary objective is to give an opportunity to all Africans to participate in the Agenda 2063 outcomes so that African growth is not classified as fragile because jobs and commodities don't contribute to transformation but simply generate a disenchanting youth and fluctuating revenue streams.

The mobilisation of African domestic resources at national, regional and continental levels is a cornerstone of the implementation of Agenda 2063. African countries will not be able to exploit the full benefits associated with intraregional trade until they eliminate barriers to the movement of goods and people within their own borders. Massive investment in critical infrastructure is essential to encourage growth, unlock productive capacity in young African's small businesses and induce structural transformation. This will encourage an export supply response in sectors such as agriculture, manufacturing and mining. Furthermore, growth corridors and regional hubs can be useful strategies for spurring economic activities and inspiring diversification.

National and regional industrialisation strategies should focus on transforming agricultural products into manufactured goods and the provision of high-technology services at competitive prices to enhance the potential for trade within Africa. Production sharing, cross-border input supply and, conditional incentives for exports can foster the development of local and regional value chains and strengthen export competitiveness. Certain products such as, bananas, sweet potatoes and sugarcane could be processed, properly packaged and traded intra-continently. Regional value chains should be developed for products such as textiles and clothing.

### **d. Free movement**

Every moment of history growth has generated outward migrants from the same location. It is indeed happening with Chinese and Indians right now as it is in Africa. Growth spins the chances for a new life but its distribution, particularly at the early stages of a country take-off, is uneven and unpredictable. Those who see their neighbour with means and hope that they do not have, venture out. It would have been absurd to propose bombing the boats that were sailing to South America full of migrants escaping the misfortunes of the two World Wars aftermath. These migrants were seeking better lives. Yet their countries were growing like never before, thanks amongst other things to the Marshall Plan.

Africans dying in the desert or the sea are the determined lot. They do not accept their fate and are ready to risk their life. The youngest population of the world sees the developed nations of Europe as the closest beacon of hope. For them it is the house of human rights that will, certainly, understand their plight and welcome them to work. In contrast Africans need visas to travel to 55% of other African countries. Free movement on the continent would entail the implementation of continent-wide visa free regimes including issuance of visas at ports of entry for Africans.

Europe's pull factors range from information access (6 billion cell phones in the world), human rights proclamations, a call for universal moral values all the way to unfair distribution of income and inequality across the globe. Terrorism and religious extremism have played a card as well. It looks like the strong European rights advocacy has worked for its detriment. Pockets of war such as Libya and its surrounding deserts, the Great Lakes and its neighbourhood, and the long battled Somalia are generating political asylum seekers and massive numbers of refugees.

We have to see migration in the larger context of mobility and contextualise this human phenomena so we can construct the solutions for the future. Between now and 2050 Africa will double its population. Even if it grows economically as fast, or faster than it is doing right now, Africa is likely to generate a much bigger flow of young Africans looking for opportunities in an ageing Europe.

Africa's youthfulness will keep growing while the rest of the world will be ageing. The difficulty of admitting that current state welfare in all ageing countries is unsustainable has led to the most bizarre economic policy proposals. Accepting that there is a demographic challenge would imply a vast overhaul of social and political choices to sustain economies. As we all witness the limits of transfer of value from production and labour to knowledge and financial control, we are also seeing the limits of the prevailing economic model. A demographic equilibrium is still essential despite technological progress and productivity gains. Social security or pension funds cannot be contributed towards by robots or intellectual property; they need people, workers, and productive workers indeed. That is why Europe will have to come to grips with its need for migrants, as many times acknowledged by the EU Commission; and now also by the IMF.

African leaders need to tackle migration comprehensively. Migration has the potential of bringing significant contribution to the economic growth and human development in Africa if it is tackled in a holistic manner and mainstreamed appropriately in development planning and strategies. It is necessary to mainstream migration into national development planning for economic transformation and jobs

## **5. Conclusion**

The resolution of the issues identified through dialogue and effective determination are central to the implementation of the programs that support the Agenda 2063. We, Africans, affirmed our determination to build an integrated, prosperous and peaceful Africa, driven and managed by its own citizens, representing a dynamic force in the international arena.

The African Economic Platform thus offers a high-level forum for public-private sector consultations. While we recognise that efforts on the part of governments are required to enhance political stability, promote peace and security, strengthen public administration, raise confidence in the legal and regulatory frameworks, gain more ground in the war against corruption and invest more in capacity development, the African private sector should seize the opportunities to accompany ongoing reforms aimed at expanding the fiscal space to support implementation.