 ISSN:2449-075X

DRIVING INCLUSIVE AND SUSTAINABLE DEVELOPMENT IN AFRICA: MODELS, METHODS AND POLICIES

CU-ICADI 2016 KEYNOTE SPEECH

DELIVERED

BY

PROFESSOR JOY ANGELA OGWU

Nigerian Permanent Representative to The United Nations

Introduction

I am honoured to be here today among distinguished academia, industry experts, professionals and policy makers in search of innovative solutions to drive inclusive and sustainable development in Africa. The 3rd Covenant University International Conference on African Development provides us with a credible and sustainable platform for in-depth and soul-searching discussions. We want to express our appreciation to the Chancellor- Dr. David Oyedepo and the entire institution for providing this forum. We have gathered here today in response to the call of Covenant University because we share a common and collective aspiration in fashioning solutions to Africa's development crises. We are summoned here today not only to deliberate but especially to provide systematic long range planning and visioning for all facets of Africa's development. This is the task before us today.

At the Rio+20 United Nations Conference on Sustainable Development (June 2012), member states agreed to develop a range of sustainable development goals (SDGs). Indeed over the past decade, academics and policy makers around the world have worked assiduously to provide strategic advice to inform the development decisions of sovereign states. Today, we owe it a duty to profer solutions that will enable Africa address the enormous and multiple challenging needs of the African people now and in the coming years.

Key Challenges

Although Africa has made gains in greater policy space, a large number of countries on the continent continue to be affected by the global economic crisis; namely the prolonged recession in many advanced economies, the more recent slowdown in Asia and Latin America, which are key markets for African products; low demand and continued fluctuation of the price of commodities emanating from Africa; and of course the collapse of petroleum prices. The instinctive reaction is the renewed interest in furthering and strengthening economic integration among African countries. This aspiration is designed to mobilize internal engines of economic growth towards making the continent less dependent on external factors.

It must be noted that actively creating and using the policy space is all the more critical because of the enormous challenges facing Africa. Enterprises continue to suffer from low productivity. Unemployment is growing geometrically and seem to be totally out of control. Foreign investment and exploitation of natural resources are so unevenly connected to the rest of the economy, resulting in narrow-based development and limited benefits to populations.

Prebendalism, an alternative concept of corruption coined by Richard A. Joseph has become so deep rooted and endemic that it has become the most potent self- destructive habit of the citizens on the continent taking the life out of any measure of development. The French Philosopher, Montesquieu who lived two (2) centuries

 ISSN:2449-075X

ago succinctly stated that virtue is the crucial necessity for the survival of a free people. Since this is a mission institution, one would dare to say that its equivalent can be found as stated in the Holy Bible, "Righteousness exalts a nation…". These two (2) philosophies are mutually reinforcing, and it seems that the solution to some of these development issues is to adopt virtue as an operational principle.

In some part of the continent, social unrest has intensified and political tensions remain acute. The result is manifest in the high level of instability in Africa and mass emigration of talented Africans, who often times resort to extreme routes that are self-annihilating in their quest for new horizons.

With the completion of the full cycle of MDGs and Targets in 2015 and the dismal performance of African countries in attaining them, it becomes quite compelling that the continent must return to the drawing board. This is imperative, if Africa must benefit fully from the implementation of the Sustainable Development Goals (SDGs) agreed by member states of the United Nations in September, 2015. The SDGs, comprising 17 goals and 169 targets, is the new global platform to continue the fight against extreme poverty as well as addressing the challenges of development and the degradation of the environment. While tackling these problems should be a matter of priority, the more critical question for the continent is in mobilizing effective development strategies to deal holistically with issues of underdevelopment, including the protection of our environment.

Obviously, the current development strategies, which achieved growth with overwhelming majority of the people totally marginalized and immersed in poverty, can only lead to disastrous consequences, as demonstrated by the incessant and protracted violence in various parts of Africa. The question that is now posed is; Are the current strategies adequate? Can they help Africa implement the new SDG's and targets? These questions are posed

 ISSN:2449-075X

as food for thought for this gathering. We must attempt to provide innovative solutions that can holistically and inclusively address our Sustainable Development needs.

The Rationale for a New Development Pathway

Statistical reports indicate that African countries have been growing at a relatively fast rate since the beginning of the new millennium, leading to improvements in several areas such as trade, mobilization of revenue, infrastructure development, and the provision of social services. Certainty, over the period 2001–2008, Africa was among the fastest growing regions in the world economy. However, despite this improvement in growth performance, which has been widespread across countries in the continent, the pattern of growth is neither inclusive nor sustainable. What are the reasons for this phenomenon of seeming contradiction? Perhaps, the reasons are not far- fetched:

- African countries are almost entirely dependent on natural resources as drivers of economic growth. These resources, including fossil fuels, metallic and non-metallic minerals are non-renewable as we all know. They are being depleted at a very fast rate with negative future consequences for growth and sustainability. The dependence on resource-based growth is also a major concern as prices of commodity based products are highly volatile and subject to the whims of global demand. The price instability poses serious negative impact for investment and in macroeconomic planning.

- The per capita agricultural output and productivity in the continent have been very low, with direct dire consequences for food security and social stability. The African Development Bank estimates that Africa’s per capita agricultural output is about 56 per cent of the global average. This is further manifested in the fact, according to the estimates of Food and Agriculture Organization of the United Nations (FAO) and World Food Program (WFP) in 2010, that about 30 per cent of sub-Saharan Africa’s total population has been undernourished. Although there have been signs of increasing rise of agricultural productivity during the last decade, it has been driven largely by an expansion of cropped area rather than an increase in productivity. The situation is further compounded by increasing rural population densities that had led to declining farm sizes. Sustainable practices and significant investment must be put in place to boost agricultural productivity and output as necessary condition to achieve food security in the continent.

- The current pattern of growth has been accompanied by de-industrialization, as evidenced by the fact that the share of manufacturing has fallen considerably. More significantly, as reported by United Nations Conference on Trade and Development (UNCTAD) and United Nations Industrial Development Organization (UNIDO) in 2011, Africa's gross domestic product (GDP) fell from 15 per cent in 1990 to 10 per cent in 2008. The region of West Africa witnessed the most significant fall, from 13 per cent to 5 per cent over the same period. There has also been substantial de-industrialization in the other sub-regions of Africa; East Africa from 13 per cent to about 10 per cent; Central Africa from 11 to 6 per cent, Northern Africa fell from about 13 to 11 per cent, and Southern Africa from 23 to 18 per cent- all over the same period. This is of particular concern because historically, manufacturing has always been recognized as the main engine of high, rapid and sustained economic growth.

- The current pattern of Africa's economic growth is particularly overwhelmed by the rate of a young and growing population, which, according to the United Nations Population Division, will account for about 29 per cent of the world's population aged 15–24 by 2050. Also, population projections indicate that the working age population in Africa is growing by 15.3 million people per annum, and will keep increasing over the coming decades. A young and growing population represents not only an asset but a vital element of national power. It also presents enormous opportunities for abundant creative labour supply. It consequently demands that

African countries must put in place policy growth paths that will generate jobs on a large scale to absorb additional labour. Indeed, it implies that they must discard the current jobless growth strategies and move towards inclusive growth paths that are knowledge based and labour- intensive to create job opportunities for young people. Events in North Africa and even in our domestic environment demonstrate that any development pathway that generates growth without significant empowerment and engagement of the youths is potentially disastrous to the polity.

- In summarizing the rationale for a new development pathway, perhaps, one can safely assert that though Africa has experienced more than three decades of structural change and adjustment, it had not led to meaningful productivity-enhancing change. This can be attributed to a commodity based focus as well as low productivity.

- Historically, the practice of African leaders when faced with the challenge of resource-based growth is to respond by renewing their political commitment to structural transformation and adopting several initiatives, with the purpose of diversifying their production and export structures. This, according to UNCTAD and UNIDO reports of 2011, is a double edged sword. It is clear that while this is necessary for sustained growth and poverty reduction, it also creates significant ecological problems, particularly when deliberate and appropriate actions are not taken to reduce damage and protect the environment. The transition from an agrarian to an industrial regime has always been a major contributing factor to the rapid increase in environmental pressures, leading to: climate change, waste pollution, deforestation, desertification and degradation of freshwater resources, to the loss of biodiversity. It is critical that the renewed focus on structural transformation in Africa should not be at the expense of social and environmental sustainability.

In effect, Africa needs to rethink its growth strategies and find effective pathways and means to make them more compatible with the objective of inclusive and sustainable development. Sustainable development as recognized in the Brundtland report encompasses "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". This was concretized in the outcomes of the United Nations World Summit in 2005, emphasizing that sustainable development consists of three interdependent and mutually reinforcing pillars, namely; economic development, social equity and environmental sustainability. In particular, it requires that any one of the three pillars should be sacrificed for the other and that policymakers should take into account the consequences of their choices and decisions on future generations.

Environmental Sustainability, Economic Growth and Structural Transformation

Ecologically, sustainability is the capacity to endure. It is specifically on how biological systems continue to remain diverse and productive indefinitely, such as long-lived and healthy wetlands and forests. Generally, it connotes the endurance of systems and processes. The principle for sustainability is attained through sustainable development, which includes the four interconnected areas: ecology, economics, politics and culture. Healthy ecosystems and environments are necessary condition to the survival of humans and other organisms. This requires devising deliberate ways of reducing negative human impact, by use of environmentally-friendly chemical engineering and technologies, environmental resources management and environmental protection.

It is socially challenging to move towards sustainability as that entails international and national law, urban planning and transport, local and individual lifestyle change and connecting ethical values to consumption. There are various ways of living more sustainably. This

 ISSN:2449-075X

can take many forms: from reorganizing living conditions like eco-villages, eco-municipalities and sustainable cities; reassessing economic sectors, such as green building, sustainable agriculture; work practices (sustainable architecture); using science to develop new technologies (green technologies, renewable energy and sustainable fission and fusion power; designing systems in a flexible and reversible manner; and adjusting individual lifestyles that conserve natural resources.

Despite the increasing use of the term "sustainability", the possibility that human societies will achieve environmental sustainability has come under serious scrutiny, in light of continuing level of environmental degradation, climate change, overconsumption, population growth and societies' pursuit of indefinite economic growth. There are fundamental differences among scholars and policy makers and also economists, and between economists and ecologists, with regard to the relationship between economic growth and the environment, the meaning of sustainability, and the policies required to ensure that growth is environmentally sustainable.

The Green Economy and Green Growth

It is against the background that the new policy concepts of the “green economy” and “green growth” have been introduced. There is no consensus on the meaning of these terms. But, rhetorically, being “green” connotes being good to the environment. UNEP (UNEP, 2011b) defines a green economy as one which is “low-carbon, resource-efficient and socially inclusive”, or to put it in other words, a green economy is “one that results in improved human well-being and social equity while significantly reducing environmental risks and ecological scarcities”. The Organization for Economic Cooperation and Development (OECD, 2011) stated that “green growth means fostering economic growth and development while ensuring that natural assets continue to provide resources and environmental services on which our well-being relies".

The major point of introducing these concepts has been to sharpen the focus on the relationship between the economy and the environment, where the concept of sustainable development has been in long use. Neither UNEP nor OECD sees these concepts as replacements for sustainable development. For OECD, green growth is seen as "a subset" of sustainable development, "narrower in scope, entailing an operational policy agenda that can help achieve concrete, measurable progress at the interface between economy and environment"; whilst UNEP sees the usefulness of the concept of a green economy stemming from "a growing recognition that achieving sustainability rests almost entirely on getting the economy right".

There is, however, significant difference between these new concepts and the old concept of sustainable development. Sustainable development has been adopted by world leaders as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Such development rests on three pillars: economic growth; social equity; and environmental sustainability. It was explicitly recognized that in achieving sustainable development, there would be no potential trade-offs amongst them.

In contrast, the concepts of green economy and green growth place greater emphasis on the potential synergies between economic growth and environmental sustainability. With regard to green growth, three basic positions have been identified that: greening the economy does not inhibit economic growth and employment creation; there are significant new opportunities for growth and jobs in green sectors; and new environmental technologies and renewable energy systems will provide the basic sources of economic growth in the coming long-wave of economic growth.

The idea that economic growth and environmental sustainability are complementary objectives is certainly attractive. However, there is a danger that political enthusiasm undermines policy rigour. This is because much of the discussion on green growth remains relatively vacuous in terms of specifics. Also, the understanding of the interaction between green growth strategies and investments and poverty is particularly weak. The question really is to what extent is all green growth good for the poor, or do certain green growth strategies lead to unwelcome processes, such as 'green poverty', thereby creating societies that are greener but with higher poverty? Another far penetrating perspective is that current approaches to the green economy are simply insufficient to meet the challenge of reducing global emissions and thus mitigating climate change.

Although more research is definitely needed, green growth in the context of developing countries should be treated with cautious optimism. So far, existing research shows that combining growth with emissions reductions is possible at low cost. But, in general, none of the current prescriptions for green growth can guarantee success. It might as well be that the creation of green jobs and new green sectors in many cases may simply offset the destruction of brown jobs in declining sectors. Importantly, new opportunities for economic growth in developed countries based on the development of green sectors have relied particularly on exports that may not be replicable.

There are many unanswered questions. It must also be determined: whether the attainment of a green economy constrains other objectives (growth, poverty eradication, job creation). We must identify and deal with trade- offs and determine the nexus between these aspects and different stages of development. More significantly, we must define the role of the state in building a green economy, its compatibility with free market and indeed the role of the private sector in managing the transition from the present to a greener economy. In concrete terms, it is not very plausible yet that green growth will offer the rapid route out of poverty as it appears to promise, or even as rapid an exit with more conventional growth strategies.

Service Economy and Why It Matters for Africa

Why does the service economy matter? We believe that the service sector holds immense economic promise for Africa. It is already contributing almost half of the continent's output, and a number of African countries have emerged as services-oriented economies. It has grown at more than twice the average rate for the world during 2009–2012. The service sector has indisputably contributed to Africa's growth path in the past decade. It represents a vital source of income and employment. As much as two thirds of the workforces in some African countries are involved in the services. Africa accounted for one third of formal employment during 2009–2012, which would be greater and more relevant if the informal sector were included. This is particularly so as Africa's middle class continues to grow as well as current population and urbanization trends are expected to double by 2025.

The service sector is creating dynamic impact to Africa's trade. Despite being a marginal player with ratio of only 2.2 per cent in global services, its contribution to African services exports and imports totaled $271 billion in 2012. The sector is obviously becoming very relevant to Africa's development strategy in context of inclusive sustainable development, whether based on the exploitation of its natural resource base or on labour- intensive light industry and manufacturing. However, for it to be effective, it must support the process of structural transformation, characterized by a shift from low to high productivity activities, increase in agricultural output and

 ISSN:2449-075X

employment, as well as the share of manufacturing and modern services.

Some services sectors that are critical include infrastructure service: transport, telecommunications, water, energy and financial services. This will contribute towards addressing Africa's physical infrastructure deficit, inclusive growth and better social welfare as well as basic services, such as electricity, gas and potable water. All these will be essential to the achievement of post-2015 sustainable development goals. Infrastructure services are also critical to the development of other service sectors, such as tourism, distribution (wholesale, retail), information and communications technology (ICT) services, and business process outsourcing services. Obviously, this will require institutional and regulatory policy environment supportive to infrastructure services to make it effective.

Other subsectors within the services sector with the potential to generate growth, trade and employment opportunities, which have yet to be tapped include logistics and distribution. This certainly would be of great benefit to Africa's agriculture, including agribusiness and food trade as well as manufacturing sectors. Therefore, African policymakers need to make a paradigm shift from reliance on subsistence and non-tradable services and place greater emphasis on how to move towards the provision of more sophisticated services that add greater value and offer opportunities not only for technology but also linkage development with other sectors of the economy. This is quite crucial as it moves away from consumption-based growth to more durable sources of growth. The key policy question is how to translate this services-led growth into sustainable employment and inclusive development for Africa.

Gender Equality and Inclusive Sustainable Development

Ground-breaking comprehensive sustainable development pathway cannot be achieved without an explicit commitment to gender equality, women's rights and their empowerment. These include:

patterns of growth, employment generation and the role of public goods; food production, distribution and consumption; population dynamics and women's bodily integrity; and water, sanitation and energy.

The causes and underlying drivers of unsustainable development and of gender inequality are deeply interlocked. This is because leading development models that support growth development rely on and reproduce gender inequalities, exploiting women's labour and unpaid care work. In the same vein, they also produce environmental problems by over exploiting natural resources and generating pollution that further intensify gender inequality. This must change as a matter of priority. No nation can attain inclusive sustainable development without putting in place effective means of enhancing and strategically utilizing the extraordinary contribution of women, constituting half or more of the population.

Rethinking Financing for Development for Africa

In light of the changes in the global economic context since Monterrey and Doha, there is urgent change in approach to reinvigorate the financing for development follow-up process for Africa to support the implementation of the post-2015 development agenda. So far, Africa has depended on models developed by either the UN Agencies or other countries for the implementation of a sustainable development agenda. The time is ripe to fashion our own models.

Fundamentally, even if Africa succeeds in developing inclusive sustainable development programs and strategies that are well integrated into African national budgets and plans, one area that will continue to be a major source of concern or stumbling block is the issue of financing. After more than a decade of the process of financing for development for Africa, without visible results; and the failure of aid assistance to the continent for over six decades, it behooves that Africa must search for a new model organic to Africa.

This is underlined by the meeting of representatives of governments and other stakeholders gathered in Addis Ababa, Ethiopia, from 13-16 July 2015 for the Third International Conference on Financing for Development, which took place pursuant to the United Nations General Assembly Resolution 68/279 of 30 June 2014. The outcome document of the conference "the Addis Ababa Action Agenda" represented an ambitious financing framework that aims at harnessing all sources of finance, public, private, domestic and international as well as public policies and regulatory frameworks to advance a truly inclusive economic and social development.

The new agenda supports the implementation of the post-2015 development agenda through a comprehensive set of policy actions and important deliverables, including in the critical areas of: social protection and public services, infrastructure development, investment promotion, technology facilitation, and international cooperation in tax matters. The enormous development challenges facing African countries since Monterrey and the need for an enhanced international support to meet the special needs of Africa were clearly recognized in the financing for development process. Just note that in the 2008 Doha declaration, Member Sates recognized that eradicating poverty, particularly in Africa, is the greatest global challenge and committed to strengthening support to the special needs of Africa. What happened since then?

Yet, African countries have once again developed and adopted in March 2015 a document entitled "African Group Perspective on Financing for Development Conference", which encapsulated Africa's priorities with regard to the various pillars of the FfD process, including: domestic and international public finance; foreign direct investment and other private flows; trade; external debt; systematic issues; and capacity building; and monitoring, data and follow up.

These processes and ideas emanating from the external environment are in themselves seemingly great. However, Africa must recognize that there has been a paradigm shift warranted by circumstances. Apart from Donor fatigue, developed countries are in serious financial crisis of their own. Any assistance that they are willing to give will be tied to a number of undermining conditions that will constrain future economic development of African countries.

In reality, the answer for financing must be harnessed domestically, notwithstanding the dire stress of most of the African countries. We must develop a model on how to do so by ourselves. Everything should be on the table for discussion, including our political system and their maintenance. African leaders cannot afford to be inattentive to the basic prerequisites for national and continental survival. It is imperative that Africa's financing gaps must be addressed by Africans to achieve its development goals.

We must focus on domestic finance by increasing government revenues – This will require a multifaceted approach, including public and private, domestic and international finance necessary to meet the continent's vast financing needs. Over the past 15 years, external financing from the private sector, especially foreign direct investment (FDI), has risen relative to public financing through Official Development Assistance (ODA). Private capital flows to Africa, and in particular sub-Saharan Africa have started to outpace official development assistance. These external flows to sub-Saharan Africa are composed of foreign direct investment from Brazil, Russia, India, China and South Africa (BRICS), portfolio flows, and remittances from diaspora members. In 2010, South-South investment from BRICS reached 25 percent of Africa's total FDI flows, and the trend is increasing.

Remittances are also growing: Over the decade from 2002-2012, they averaged about $21.8 billion with some countries, including Nigeria and Senegal, receiving approximately 10 percent of their GDPs in remittances. Members of the diaspora, based on the size of their remittances, seem eager to contribute money to their home countries. However, there is need to reduce the costs of sending remittances to Africa, which are the highest in the world, and transfers within Africa cost even more. The cost of remittance can be reduced through calculated policy of the banks to encourage recipients, based on consistency flow of such remittances, to transform the ways they can be invested with bank loan and support to spur entrepreneurship. Since remittances mostly fuel consumption within the social sectors (health and education) and thus have developmental impacts, let's reduce the cost of sending remittances and transform the ways they can be invested to spur entrepreneurship and development. In effect, while the bulk of remittances help to finance education, health and consumption; this money could potentially be used to finance businesses that contribute to growth and sustainable development.

It is important that financing should not be treated in isolation but rather linked clearly with its purpose. Even if the purpose is obvious, there is paramount need to focus on exact intended use of the mobilized funds.

What can African governments really control? Governments can influence public finance and to some extent domestic markets. Priority focus should be on sub-regional level in developing capital markets, since it allows for economies of scale. This has worked quite well for the West African Economic and Monetary Union (WAEMU).

African policymakers should anticipate and work global partners to mitigate the unintended consequences of global financial regulation on Africa - While remittance flows to Africa increased over the past decade, recent trends in global financial regulation, such as the increase in anti-money laundering (AML) and combating the financing of terrorism (CFT) standards, have had unintended consequences for the continent and stifled remittances. For instance, AML-CFT regulations have hurt Africa, as seen when many

 ISSN:2449-075X

U.S. banks discontinued remittance services to Somalia after AML-CFT regulations were implemented there.

African governments should work with foreign governments and private sector to reduce illicit financial flows - Illicit financial flows are relatively high by some estimates, with African countries losing about $60 billion a year predominantly due to tax evasion by commercial firms and the undervaluing of services and traded goods. Corruption and organized crime also contribute hugely to illicit flows. African government should work with the United Nations, International Financial Institutions, global institutions and foreign government and corporations to track and reduce illicit financial flows.

Our major task today is to explore the various avenues through which African governments mobilize revenues for development with the exception of government employees, those in the private sector hardly make payments consistent with their revenues or assets. Exercise of institutional authority within every African system is needed to address this anomaly.

Let me end this statement where I started. We have a collective responsibility to make the African continent the place we want it to be. In the next three (3) days, it is our responsibility to consider the problems, ponder the solutions and design a model approach to our development challenges. We must be the shapers and writers of our own scripts because our destiny is in our own hands. In the end, if we succeed, we can proudly identify with Shakespeare's famous line in the play 'All is well that ends well', "Our remedies oft in ourselves do lie".

 ISSN:2449-075X

- African urban population has been growing exponentially. The urban population, which currently stands about 40 percent of the total population, is projected to rise to about 60 per cent by 2050. Without industrialization and an industry-led agricultural transformation to absorb labour moving from the rural to the urban and modern sectors of the economy, this will dramatically affect pattern of government spending which currently and unsustainably, relies so much on importation of urban goods and services as a quick fix solution.

- For Africa to benefit from the process of structural change demands that they must increase in the share of high productivity manufacturing, modern services in output and increase in agricultural productivity and output.

In a situation where developing infrastructure is the uppermost priority, it would require a linkage of energy infrastructure with exemplified with United States Power initiative with urban infrastructure that was omitted from the negotiations. With rapid growth urban areas, infrastructure, including new roads public transit, water and sanitation system must be a priority. One way of addressing this gap is through issuing municipal bonds issued by the cities to raise such funds.

 ISSN:2449-075X

On capital markets, focusing on continental or regional targets and commitments through regional, legal and regulatory frameworks, development of the money markets, and integration of payments systems will help to expand and strengthen domestic markets and public finance.

