

Keynote Address By  
His Excellency  
**Dr. John Kayode Fayemi**  
Former Governor of Ekiti State, Nigeria  
**at the Friends of Africa's Economic Development Conference  
and the Launch of Casa Foundation Fund for African Students**  
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## **Protocols**

I am honoured to deliver the keynote address at this year's Economic Development Conference. This year's conference is coming at a time when there is immense pressure on policy makers and indeed all stakeholders to deliver strong socio-economic results and strengthen governance systems. The very fitting theme of this year's conference, **The New Middle Class: Bridging Economic Disparities** focuses on the dual economic priorities for most African nations; the reduction of poverty, and the role of strong consumer demand in driving economic growth.

Indeed, Africa has enjoyed a period of sustained economic growth, largely driven by rising commodity prices and stable democratic governments, which provide an incentive for both direct and portfolio investors to bring capital into Africa. Over the last decade, 6 of the 10 fastest growing economies in the world are African, with the region now growing at an average of 4% annually, according to the World Bank Group's 2014 sub-Saharan report. This growth means Africa now has the fastest growing middle class in the world, with 313 million people, indeed, 34% of the entire population on the continent, now spending over 2 dollars per day. According to the African Development Bank, this is a 100% rise in less than 20 years, and in my opinion, a testament to how African economies are transforming lives and lifting its poorest people out of the bracket of abject poverty.

In my country Nigeria, the election of a new Government, the first time power was transferred between alternative political parties was an important milestone for the rest of the continent. With Nigeria setting a democratic example for the continent, the stage is set for her and other leading economies on the continent to consolidate this period of sustainable growth, despite the short term headwinds, as commodity prices moderate. The recent reversal of the coup d'état in Burkina Faso facilitated by the Economic Community of West African States (ECOWAS) is a testament to the tangibility of the change that has come to stay.

Distinguished Ladies and Gentlemen, I must state clearly that this is not time for backslapping and celebrations. Africa is at crossroads that can make or mar its future. While we acknowledge that 34% of all Africans now live above poverty, we have not done enough; almost two-thirds of that group could easily fall back into poverty, while two out of every three Africans, still live below 2 US dollars per day. As recent events in Burkina-Faso reminded us, stable democratic governance should not be taken for granted; and the need for strong inclusive growth over the long term is necessary to effectively curb the insurgency being witnessed in many countries, none more than my country, Nigeria.

To understand the importance of the task ahead, we must interrogate the future of the African youth. More than 200 million Africans or 20% of the continent's population are aged between 15 and 24. With this demographic expected to grow beyond 320 million people in 15 years, the youths will form the majority of the rising middle class, who will drive consumption, savings and connect the continent to the world. To make this comparison clearer, Nigeria is estimated to have 31% of its population between 10 and 24 years and South Africa, 29%; compared with more developed countries like China (22%), United States (20%), Canada (18%), and Germany (15%), the available future work force in Africa becomes clearer. If the last century was Asia's, this is poised to be Africa's, with a rising work force and a captive market for growing consumer demand.

It is therefore important that policy direction in African countries must focus on enhancing the skills of these young people, creating an environment that provides jobs, ensures the territorial integrity of nations, develops the infrastructural

platform that unlocks long-term growth, and provides the right technology to compete with more developed nations.

In addition, we must seek the road less travelled, and broaden trade relations within the continent. Despite the presence of various sub-regional institutions, trade within Africa still constitutes less than 20% of the region's international trade. When compared with Europe's 60% or Asia and North America's 40%, it is clear African nations need to depend on one another a lot more. When you consider the land locked nature of most African nations, the situation becomes even more dire; one can infer that a substantial percentage of what is reported as regional trade, are actually goods being re-exported by road.

How do we improve this? We must pay attention to infrastructure development. By improving power supply for example, a lot of the finished goods that come from raw materials found on the continent can be produced here, instead of moving out as cheap exports, only to return as expensive imports. There is also a need to harmonize the multiple trade agreements that hinder trade and encourage the use of informal trade routes like "Little Mogadishu" in East Africa. By streamlining trade agreements and ensuring consistency and standardisation, the opportunity for arbitrage is minimized, and incentives are created for regional integration. Today, there are limited success stories, mainly from South Africa and Nigeria; our tomorrow must be more inclusive and not limited to brands like MTN and Shoprite in South Africa; or Dangote Group and now Innoson, in Nigeria.

To equip our youths for the future, we must review how they are trained, and pay attention to shifting technology trends to remain competitive. We are seeing a trend of technology based businesses, who seek to replicate solutions from other markets on the continent. While some like Konga, Nasper or Jumia are able to expand to several countries, we are not seeing enough. We need to support the skill and tenacity of these entrepreneurs with the right infrastructure. For example, with broadband bandwidth still expensive, the growth of online entertainment or video based businesses will remain muted; logistics also remains a challenge, with the cost of moving goods within limiting the competitiveness of African businesses.

Ladies and Gentlemen, the moderation of commodity prices has brought our economic and social limitations into sharp focus. Government budgets are at risk with potential rising deficits, while many currencies have experienced devaluation. From Algiers to Yaoundé, the conversations must be consistent. We must minimize conflicts and ensure stable governments; the environment must be a keen area of focus, since droughts affect our ability to feed the people and create wealth from Agriculture. We must pursue policies that ensure financial and economic stability and cut unproductive spending. The need to soften import demand is immediate, but as investment projects mature, the trade balance will become more export friendly.

The real marker of regional success will be defined by how many Africans are lifted out of poverty in the next decade or so. We must seek to reduce the percentage of poor households from over 60% to below 30%. Apart from this, we must also ensure growth is inclusive and ensure household income resilience, by growing the percentage of Africans who spend their income on non-essential items from below 15% to at least 25%.

It is increasingly obvious that a strong correlation exists between inclusive growth and stability. At the January 2015 meeting of the United Nations Security Council, the UN Secretary-General Ban Ki Moon said, "Development that excludes a part of the population can be socially corrosive. It can contribute to crime and create a sense of hopelessness and alienation." I am fully aligned with that statement and Africa is probably the most obvious example. The period of sustained growth has coincided with a reduction in civil wars and violent changes in government. This is why government across the continent must ensure inclusive growth is a major policy objective, and should be on the front burner of regional discourse.

Despite a steady GDP growth in excess of 4% annually, African economies have struggled to show a consistent rise in human development. The UNDP data for 2014 shows only 5 countries achieved high human development (above 0.7), with 38 countries still within the low human development level, below 0.55. My country, Nigeria, with a steady GDP growth of over 6%, is yet to achieve a rating higher than 0.5. This is not surprising, since despite impressive growth numbers,

the unemployment rate remains at 8.3%, with another 18.3% underemployed. This is a clear sign of uneven growth, and highlights the challenges that lie ahead of African governments.

In conclusion, though the regional growth underpinning the “Africa Rising” narrative is undeniable, significant headwinds still exist. I expect this decade, and perhaps the next, to signal a period of policy coordination to drive sustainable inclusive growth that guarantees economic prosperity for more than 300 million young Africans. As Pope Francis said, during his speech at the just concluded United Nations’ Sustainable Development Goals Summit, “economic and social exclusion is a complete denial of human fraternity and a grave offence against human rights.” These words not only remind us of the task ahead, they place a heavy price for failure, which makes the task even more important.

Finally, I will like to express my appreciation to the organizers of this event for the opportunity to participate in this important discourse. Please let the debate continue.

Thank You

**Dr. Kayode Fayemi**

Toronto, Canada

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