



Her Excellency Ameenah Gurib-Fakim

6th President, Republic of Mauritius

The current and future direction for the continent. Are we prepared for an integrated Africa?

January 2020, African countries signed on to the Continental Free Trade Agreement (AfCFTA) and 30 have already ratified thus paving the way to the implementation of a single continental market for goods and services and laying the foundation for the establishment of the continental customs union.

The continent is taking a bold step towards multilateralism by creating the largest free trade area since the setting up of the World Trade Organisation (WTO) in 1995. Africa's narrative is changing from that of a development perspective to an investment one. Countries want to attract investment and at the same time deepen the much needed regional and global engagement especially as we emerge out of the COVID 19 era.

Over the past few years, Africa's annual GDP growth has consistently outpaced the global average and was expected to remain at least 6% until 2023. Even if COVID 19 has changed these projections; it is a fact that by 2050, the continent's population is predicted to be over 2.5 billion, according to the United Nations and the World Economic Forum - more than the combined populations of China and India today. The richest 10% of the African continent will be driving demand for consumer goods and services and this represents at least 200 million people.

For the wider continent, in order to reap the productivity and growth dividends of its growing workforce, its governments need to ensure that people have the right knowledge, skill sets, and opportunities. In this 21st century, Africa will be the youngest region in the world and will be the source of the vast majority of global labor-force growth.

There is no doubt, that the AfCFTA will gradually build progress towards delivering on the African Union's Agenda 2063. It is an investment that will promote economic diversification, create jobs for its youth in both the short and medium term, deliver on the SDG targets by 2030 and ensure the prosperity of the continent.

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With a combined GDP of over \$2.6 trillion and a population of 1.2 billion—of which most are below the age of 30—African countries stand to gain substantially from intra-regional trade.

In the initial stages of the AfCFTA, negotiations have involved trade issues (specific schedules of concessions for trade in goods, rules of origin etc.). These are encouraging signs but the continent must do more than just addressing commodities. In the second phase, the continent must start looking into investment, regulatory framework for the protection of intellectual property rights amongst other issues that will promote and protect the creativity of its youth as the economies become increasingly digital.

The youth population of Africa currently stands at 420 million, but only one-third of young people are in steady, formalized employment. Several institutions are working in partnership to encourage skills training, education, and entrepreneurship to harness the innovation and creativity of African youth. IT and agriculture have been highlighted as key industries in which the jobs of the future would be concentrated.

As digital innovation drives growth in Africa, lack of reliable electricity and the potential for digital exclusion pose two major risks for the continent. Despite connecting 4.9 million people to the electrical grid in the past year, 640 million Africans do not have electricity and this is a critical issue as expanding electrification will be key to widespread digital innovation. To ensure that marginalized groups are not further left behind by digital innovation, it is clear that governments, multilateral organizations, and foreign investors must work together to provide more widespread access to technology.

Special efforts must be done for women especially as traditional financial institutions have excluded women and prevented them from reaching their full potential. Female economic participation can be increased through credit, equity, and investment and by strengthening peer-to-peer networks.

Lucrative investment opportunities are also available in sectors like energy, agriculture, water, and mineral processing. A new phase of industrialization will provide Africa the opportunity to avoid the mistakes of other regions and to consider, quantify, and mitigate the negative externalities that are often the result of rapid GDP growth. It is clear that energy is at the root of sustainable growth and that while African nations can only diversify their energy sources gradually, investing in clean energy is the future. There are some examples across the continent like the Noor Ouarzazate solar farm, the largest in the world, and wind farms in the Lake Turkana region.

Africa's agricultural industry will have an enormous impact on the future of food security and production globally—the continent is home to 65 percent of the world's arable land, and it is

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predicted that the future billionaires and trillionaires in Africa will not come from the oil and gas sector, they will come from the agriculture sector.

The food and agriculture business is expected to be worth \$1 trillion by 2030, Agriculture (including agribusiness), projected to be a \$1 trillion industry in Sub-Saharan Africa by 2030, is attracting a growing amount of private-sector investment. Africa is also expected to receive almost \$2 trillion in investment in natural resources by 2036.

Another priority is in ensuring that Africans profit from the growth of this industry— currently, despite growing 75 percent of the world’s cocoa beans, Africans see only 2 percent of the profits from the chocolate industry, which is worth \$120 billion per year. Agriculture is no longer a way of life, it’s not a development activity, it is a big business.

If the continent is to deliver on the Sustainable Development Goals, the entire continent would need to spend between \$68 billion and \$108 billion on infrastructure alone each year, a mammoth amount that can only be reached in partnership with the private sector.

African economies had been fast moving from past growth strategies. Instead, the growth and revenues brought by investments in resources like oil have enabled them to diversify – including by developing technology-enabled non-manufacturing industries, like information and communications technology-based services – and deepen regional integration. With a combined GDP of more than \$3.3 trillion, Africa is poised to be a major player on the global economic stage.

The forthcoming CFTA offers Africa the chance to accelerate economic activity, but success will depend on greater integration of physical and technological infrastructure to keep the transaction costs of trade low. The AfCFTA can deliver major gains to all countries involved. It can increase the value of intra-African trade by 15-25% by 2040 and boost economic output by 29 Trillion USD by 2050. This would enable companies to take advantage of economies of scale, while supporting the diversification of industrial sectors and driving growth in manufacturing value added. If governments create the right conditions including easing the burden of continental travel as currently 51% of the African States require an advance-issue visa for entry, this could spur job creation and lead to significant poverty reduction.

African countries cross-border trade and investment ties are hardly confined to the continent. Trade with the advanced economies (particularly the European Union and the US) remains high, though it is declining. Remittances sent home by African experts dwarf the amount the continent receives in both foreign aid and FDI, totaling approximately \$75 billion annually. Increasingly financial institutions will have to ensure that the transfer of money is as easy and

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low-cost as possible, including through the creation of new financial technology platforms to lower transaction costs.

Among the emerging economies, China has been particularly proactive in deepening its links with Africa, including by investing in the continent's industrialization, agricultural modernization, and infrastructure. With China projected to shift 100 million labor-intensive manufacturing jobs offshore by 2030 – jobs that Africa's large and young workforce could easily fill – this relationship could be a game changer.

Africa has also pursued partnerships with emerging economies like India, Indonesia, Russia, and Turkey. This is broadly good news, though African governments must be aware of both the benefits and drawbacks of new trade deals and loan agreements with emerging economies, including China.

In parallel, policymakers must continue to foster a vibrant innovation culture, including by strengthening intellectual-property protections. Innovations in mobile finance, such as Kenya's M-Pesa, have already improved financial inclusion on the continent. Similar innovations can help countries to expand access to quality education, develop their human capital, and much more preferably with indigenous funding.

Data gaps prevent investors and institutions from assessing the opportunities available in African markets and from understanding the economic contributions of the informal sector. Governments and institutions must collect data using a set of standardized metrics and criteria. This will facilitate data analysis, encourage investment, and enable the creation of regional data centers, which will give Africa ownership over its data and intellectual property.

Africa's political leaders, businesses, and citizens increasingly recognize that integrated economies, powered by innovative and high-growth companies and strong private investment, are the key to a prosperous future. Now, they must each do their part to drive progress on all of these fronts, including by continuing to embrace initiatives like the AfCFTA.

AfCFTA is an opportunity not to be missed for countries and companies to help each other grow, as they have done in other regions. However, trade liberalization must be handled carefully as it can damage the poorest within those countries, which is why it is so important to have supportive policies but with collaboration.

Through new initiatives, and investment in key sectors, African countries can mitigate the immediate impacts including those of COVID 19 and accelerate economic recovery while simultaneously building resilient systems for long-term growth and success.

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This is our twenty third issue in a series of articles we are releasing as part of our RUFORUM Thought Pieces on the Corona Pandemic. This Thought piece is part of the efforts by RUFORUM, a Network of 129 African Universities (see www.ruforum.org) to generate dialogue about the Future Direction for African continent in light of the global changes taking place. How do we position the continent to respond to the current and emerging challenges and strengthen the continent's competitiveness? This particular Thought Piece provides insights from Her Excellency Ameenah Gurib-Fakim, former President of Mauritius. You can get more information about RUFORUM at www.ruforum.org. You may also share your thought piece about the Pandemic with us by writing to e.adipala@ruforum.org and copying m.agen@ruforum.org

About the Author

Ameenah Gurib-Fakim has been: Managing Director of CIDP R and I, Professor at the University of Mauritius where she served successively as Dean and Pro Vice Chancellor and manager at the Mauritius Research Council. She earned a BSc Chemistry – Uni. Surrey (1983), PhD - Uni Exeter, UK (1987). Recipient of 5 DSc, she authored books and articles in the field of sustainable development. Elevated Chevalier L'Ordre des Palmes Academiques, Government of France in 2010. She also received: l'Oreal-UNESCO Prize for Women in Science in 2007, and the African Union Commission Award for Women in Science in 2009.

On 05 June 2015, she was sworn in as the 6th President and the First Female President of the Republic of Mauritius until 2018. Elevated to the Order of CSK and GCSK (GoM), she received, inter alia: Legion d'Honneur, Government of France (2016); Order of St George, Semperoperball, Dresden, Germany; 'Trailblazing award for political leadership' by World Women Leaders Council, Iceland (2019).

In June 2016, she was in the Forbes List for the 100 'Most Powerful women in the world', 1st among Top 100 Women in Africa Forbes List 2017 and 2019. She was honoured as one of Foreign Policy's 2015 Global Thinkers and Honorary President of the International Engineering & Technology Institute in 2020.

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