

EMANCIPATING THE GIANT: THE AFRICAN RENAISSANCE

“Development is about more than money, or machines, or good policies – it is about real people and the lives they lead.” His Excellency Paul Kagame, President of the Republic of Rwanda.

The lives and prospects of the African people are the heartbeats of the continent’s development and as such the need to hinge development of the continent on the people. As the continent flaps its wings in readiness for the achievement of its Agenda 2063 and in concert with H.E. Paul Kagame’s quote, the African people will own the processes and outcomes of our socio-economic transformation. It will be the voices of African citizens screaming for the Africa we want.

At the core of Africa’s development and transformation agenda is finance, a question that still bedevils bureaucrats, policymakers and government leaders. While significant strides have been taken in the continent’s economic performance with the average GDP growing in leaps and bounds, the quality of this growth has not been broad-based enough to alleviate poverty levels and bridge the widespread inequalities in the continent. The clarion call that consequently befalls us young African leaders is: how do we finance the development and transformation of the continent? How do we birth Africa’s want? And how do we sustain our Africa; once we get it where we want.

Financing our Agenda 2063 is a very costly endeavour that the official development assistance to the continent and private financing alone cannot possibly bankroll. This discovery is certainly not a comfortable read for a continent resolved on achieving its aspirations by 2063.

Domestic resource mobilization has become a very pertinent discussion in financing the development and transformation of the continent. Largely, most African countries have recorded remarkable improvements in tax collection, and there is apparently a lot more that ought to be done in this specific aspect. For African leadership, taxation should be at the epicentre of our domestic resource mobilization. As succinctly put by Winnie Byanyima, Executive Director of Oxfam International, “African leaders have to wake up and tax those who have the money.” There is a need to broaden the tax base for domestic taxes with added emphasis to the potential that rests in the informal sector. We also need to reduce the tax exemptions advanced to foreign investors and equally check on the tax holidays advanced to foreign investors. As an African leader, the focus will not be on increasing tax rates but rather tapping into the under-taxed sources. To broaden our harvest in taxation, more emphasis will also be laid on reducing illicit financial flows which thrive not only by tax evasion but also tax avoidance in our administrative systems among other means. I believe that to finance Africa’s development, the continent needs to curtail the outflow of the much-needed funds. These funds, if retained in our domestic economies will boost our savings, and as such the economy will be able to provide access to affordable credit for Small and Medium Enterprises (SMEs) which are key catalysts in economic development.

Secondly, to finance this great continent, I am a firm believer that we need to look keenly and deeply into Public Private Partnerships (PPPs) as an alternative model of financing our transformation agenda. African countries are confronted with the fact that their budgets cannot sustain all development programmes due to acute fiscal deficits and demand-supply gaps. Many governments in Africa are confronted with challenges in providing vital infrastructure such as roads, rail and airports; and also social services such as health, water and sanitation, yet these constitute fundamental prerequisites for economic growth. Hence, I believe PPPs provide a model for making these fundamental services available. Hence, as an African leader, it is incumbent upon me that I create a legally and politically conducive environment that will allow PPPs to operate and also give the citizenry the power to participate in the selection of PPP projects that should be undertaken by government.

Thirdly, closely related to Public Private Partnerships for the development of Africa, there is a need to address the capital gap that exists in African businesses. Noteworthy, of significant challenge to many African-owned businesses is the issue of raising capital for their businesses, and this is triggered by collateral demands by banks which most businesses do not have. This brings to the fore the concept of private equity. While most businesses in Africa raise capital through trading stocks at the capital markets, private equity has not been well appreciated by the continent and hence its potential is largely unrealised. The venture capital injected into businesses is needed for the companies and businesses to invest vital infrastructure projects in the continent. As an African leader, I believe that the capital deficit in most African countries, and particularly with SMEs and young entrepreneurs, can be adeptly filled with proper government interventions. I believe there is a need for the continent to be appraised of the salient benefits of the private equity fund model as a means to achieving transformation. Furthermore, I believe in raising awareness of the private equity industry and also providing a platform for continuous dialogue between the industry and policymakers. In order to unlock this private equity potential, there is a need to provide a favourable political climate, free from unrest and uncertainties as these are the biggest detractors of investments in the continent.

Lastly, to finance this continent to achieve its development potential, there is need to reflect on the guiding vision of Agenda 2063 which is an integrated, prosperous and peaceful Africa. As an African leader and a firm believer in the African renaissance, I firmly believe that we can grow African economies and finance development through intra-regional trade through the 8 regional economic blocs and ultimately at the continental level. With the recent signing of the African Continental Free Trade Area (AFCTA), a single market of 1.2 billion people has been created and this agreement holds a heavy promise for the continent. President of the African Development Bank, Akinwumi Adesina, noted that the Continental Free Trade Area will stimulate intra-African trade by up to \$35 Billion per year, creating a 52% increase in trade by 2022 and a vital \$10 billion decrease in imports from outside Africa. He further noted that Africa's food and agriculture market will hit \$1 trillion by 2030; household consumption will hit \$2.5 trillion, and business-to-business expenditure will hit \$3.5 trillion by 2025 which displays the investment potential that rests on with this Continental Free Trade Agreement. As an African leader, I would note that exponential intra-regional trade will boost diversification of revenues, and this will develop local economies. Intra-regional trade focuses more on value addition of goods which departs from the previous trade of raw materials. I believe that intra-regional trade is key to Africa's transformation, as there will be infrastructure developments by nations to ease trade. Foreign investors will therefore be lured to a market of 1.2 billion people easily, making transformation inevitable. I believe that as an African leader who believes in our continent, I would sign the AFCTA and ensure a seamless passage through national parliament.

In conclusion, I believe that the time for Africa to look within itself for growth has come and the finances for development and transformation have to come from within. Africans are desirous of a prosperous continent, and they need to own the process of socio-economic transformation where their voices are not just heard, but are also incorporated into the development agenda. I believe that to finance this continent we need to upscale our domestic resource mobilization by bolstering our tax administration systems, and sealing off loopholes for illicit financial flows. We also need to adopt the Public Private Partnerships (PPPs) model of funding, while also providing a framework for private equity to thrive. Lastly, we have to rally all our nations behind the AFCTA because of the promise it holds for Africa's development and transformation. Our transformation is no longer a matter of "if" but "when".