



**United Nations
Economic Commission for Africa**

Check against Delivery

**Harnessing Demographic Dividend through Investment
in the Youth**

Address

by

Dr. Abdalla Hamdok

Executive Secretary, a.i.

United Nations Economic Commission for Africa (UNECA)

to the AU Executive Council

African Union Summit, January 2017

Your Excellency Dr. Moussa Faki Mahamat, Chairperson of the Executive Council of the African Union,

Your Excellency Dr. Nkosazana Dlamini-Zuma, Chairperson of the African Union Commission,

Honorable Ministers,

Excellencies, Ladies and gentlemen,

On behalf of the United Nations Economic Commission for Africa I am pleased to address the AU Executive Council in its January 2017 session.

As this is my first time addressing this Ordinary Session as the Acting Executive Secretary, I am bringing the good wishes from ECA's staff and those from the UN system in Ethiopia in general.

At ECA we strongly believe in our very special partnership with the African Union and its member states and remain focused to keep delivering on our common vision to build a prosperous and developed Africa.

The theme of this year's Summit on "*Harnessing the Demographic Dividend through Investments in Youth*" is indeed relevant and timely and is at the heart of the political, economic and social issues shaping the debate on the continent's development. Unlike any other time in recent history, Africa and the whole world are confronted today with critical emerging and ongoing developments that are likely to shape the future of humanity for many years to come.

In this context, I wish to focus my address on **FIVE key messages** that would present major challenges as well as opportunities for the continent to foster transformative and inclusive development. These messages relate to global megatrends; the imperative of promoting good governance, peace and security; the theme of the AU Assembly; development policy framework needed for the Continent to accelerate investment in its youth and promote transformative and inclusive development; and regional cooperation and policy coordination for Africa's development in a fast changing world.

Excellencies, Ladies and Gentlemen,

There are several megatrends worth highlighting in today's changing world. I would like to briefly mention three of them which I believe will have important implications for Africa's development and structural transformation agenda.

First, fractured and fragmented globalization. Arguably, the changing face of globalization represents the most important megatrend today. Globalization has been gradually shifting from a reality of interdependence to a realm of coexistence. The outcome of the US elections and Brexit are two examples of dissenting voices against globalization as we know it. Whereas in the past, there was broader consensus and acceptance of interdependency and the need to share global responsibilities, recent developments point to a disconnect with the global status quo. As a result of this trend, we could be witnessing a slowing or fracturing of globalization. From a political economy perspective, we may experience a loss of momentum towards negotiating development- friendly trade agreements. In part, this is manifested in the deadlock of multilateral trade negotiations in the World Trade Organization. Currently a compromise appears nearly impossible over developed countries' agricultural subsidies.

The second major megatrend relates to global partnerships for sustainable development. The fragmented and selective nature of globalization also has implications for existing global partnerships, notably Agenda 2030 and Addis Ababa Action Agenda as well as some of the strategic partnerships the African Union has with the rest of the world, including NEPAD. The Sustainable Development Goals, which were adopted by the United Nations in September 2015 and which seek to end poverty, protect the planet and ensure prosperity for all by 2030, contain transformational aspirations which will require transformational financing. Indeed, it is estimated that implementation of the SGDs will require \$3 trillion a year. For Africa alone, financing needs are estimated at US\$638 billion a year. It is clear that, Africa will need substantial resources to achieve its development objectives at a time when the global development finance landscape is shifting from a model centered on ODA to a framework that relies more heavily on domestic resource mobilization.

The third megatrend I wish to highlight relates to global growth prospects which remain modest. Whereas during the commodity super cycle we experienced global output riding on the back of trade growth and opportunities for business abounded, world growth

prospects today remain modest at 2.7 for 2017, with trade and investment opportunities contracting both in the developed and developing world. Global outlook remains uncertain, especially as growth fundamentals remain weak and commodity prices are expected to continue stalling.

It is time for us to pause and ask ourselves: what does all the talk about megatrends mean for Africa?

Given the prevalence of these megatrends, the continent needs to look inward for opportunities to boost trade, develop regional value chains and drive structural transformation. More than ever before, the rationale for boosting intra-African trade and investment gains relevance given the prospects of fragmented globalization, where global partnerships are more selective and report less financing for development opportunities. Therefore, ECA stands ready to work with you in addressing these challenges.

Excellencies, Ladies and Gentlemen,

Africa also needs to look inward and focus on *governance, democracy, peace and security* as a prerequisite for its development. There is near consensus around the importance of governance, democracy, peace and security for development, as well as the potential of development to enhance both governance, democracy peace and security.

It is therefore not by chance that issues of governance, democracy, peace and security rank high in Agenda 2063 and Agenda 2030 with a clear linkages to development. The two agendas recognize that the achievement of structural transformation and sustainable development is simply not possible in the absence of well governed, peaceful and secure environments. It is therefore arguable that for the foreseeable future, the drivers of conflict and violence in Africa will include demographic dynamics and the youth bulge, high unemployment, lack of equal opportunities, urban-rural divide, poverty, inequality and bad governance.

Excellencies, Ladies and Gentlemen,

The third area of focus of my address is the theme of our Summit ***“Harnessing the Demographic Dividend through Investments in Youth”***.

During the course of demographic dividend there are four mechanisms through which benefits are derived, these are: increased labor supply; increased savings as a result of low dependency rate; increasing domestic demand due to higher GDP per capita; and human capital development which all require specific investments in education and skills development; health and well-being, including Family planning

Africa’s employment challenge and inequalities are inextricably linked to demographic factors. The continent has the highest rate of population growth of more than 2.5% annually and has the fastest growing working age population. Between 1960 and 2010, Africa’s working-age population (15-64 years) grew more than four times, and will continue to increase over the next 40 years.

Leveraging Africa’s demographic dividend for future growth and prosperity has emerged as a critical challenge. Africa today is the youngest region of the world. The top 10 countries in the world with the youngest populations are all in Africa. By 2050, Africa will be home to 38 of the 40 youngest countries. Unlike other regions of the world, the proportion of youth in Africa’s total population is rising. While this growth provides the opportunity for a demographic dividend, it also presents the risk of soaring rates of youth unemployment.

The pace, depth and scope of any society's development depends on how well its youth are nurtured, deployed and utilized. Policies for social, political and economic development need to recognize the importance of young people especially in promoting social progress and maximizing economic performance. The youth bulge can be a huge opportunity for economic and social transformation. Alternatively, it can be a source of instability if countries fail to harness their potential through design and implementation of appropriate policies that unlock the demographic dividend and explore new economic opportunities.

The fourth major message speaks to harnessing this dividend as depending first and foremost on the ability of African countries to articulate and implement long-term development plans championed by visionary leadership. Extensive evidence-based research undertaken by ECA since the 2007/2008 economic and financial crises, has repeatedly called on African countries to design and implement long-term development plans that focus on promoting structural transformation and inclusive development through industrialization and value addition. While the Continent is steadily though slowly diversifying its economies, the structural transformation process as articulated in Agenda 2063 and Agenda 2030 has to be accelerated. This hinges on the capacity of the State to identify opportunities and address challenges including infrastructure and human capital deficits.

East Asia provides some of the most compelling evidence to date of harnessing demographic dividend in the context of visionary long-term development strategies. Their demographic dividend occurred over 5-15 years in the 1950s and 1960s, a shorter time period than anywhere in the world before. It has been argued that, the demographic dividend played a major role in the economic miracles of the East Asian Tigers and accounts for between one fourth and two fifths of the miracle.

Therefore, getting the fundamental rights is the first step to harnessing Africa's demographic dividend and must be supported by targeted policy actions that foster investment in the youth. There is indeed a strategic urgency to put in place policies which take advantage of the demographic dividend. This urgency stems from the relatively small window of opportunity countries have to plan for demographic dividend when many of their population are still young, prior to entering the workforce.

This is why UNECA welcomes the theme of the Summit and we are pleased to have contributed actively with NEPAD, AfDB and UNFPA to supporting the Commission in the preparation of the AU Roadmap. We commit to spare no efforts in the implementation of the theme of the year.

Excellencies, Ladies and Gentlemen,

The importance of regional cooperation and policy coordination for Africa's development cannot be overemphasized and this brings me to my fifth and final message.

In this regard, the African Union remains a strategic ally and a trusted partner of the United Nations. The Regional Coordination Mechanism (RCM) has been further revamped to become an important and effective tool for cooperation between the UN and the AU and for coordination of UN activities in support of the AU at the regional level. The mechanism is being used by the UN to support Africa's development priorities.

There is evidence that Africa, with the support of the UN and other partners, continue to govern itself better in keeping with the aspirations of NEPAD and the cherished goals of the African Peer Review Mechanism (APRM).

Since the signing of the UN-AU Cooperation Framework for the Ten-Year Capacity Building Programme for the African Union and with its successor, the *Programme for Africa's Integration and Development Agenda (PAIDA)*, the UN agencies and organizations have increased their support to the African Union. Working together in addressing the challenges and tapping on the opportunities to promote transformative and inclusive development is the ultimate guarantor to fostering peace and security and harnessing demographic dividend in Africa.

Excellencies, Ladies and Gentlemen,

In this critical and transitional time both at the United Nations, with the commencement of duty of the new Secretary General, Mr. Antonio Guterres and at the African Union Commission which will have a new leadership, anytime from now, prospects seem to be great despite the challenging economic and fiscal environment.

More than ever, ECA needs to be further empowered with additional resources to support the aspirations and quests of African member states with regards to their economic development. Next year 2018 ECA will be 60 years old and personally feel honored to have worked with the last three Executive Secretaries, K.Y. Amoako, Abdoulie Janneh, and Carlos

Lopes. I would like to pay tribute to their excellent contribution to Africa's development challenges.

I would also like to commend Dr. Nkosazana Dlamini-Zuma, Chairperson of the African Union Commission and Mr. Erastus Mwencha, Deputy Chair Person and the Commissioners for their leadership, commitment and also for the excellent relationship and cooperation we had between our two institutions.

Excellencies, Ladies and Gentlemen,

The youth potential represents both our greatest hope and our most vexing challenge. Africa's children can scale the ladder of hope based on decisions we take. Our yardstick for success will be adequately measured by future generations if our words are weighted against our action to foster transformative and inclusive development.

I thank you for your kind attention.