AT THE UNIVERSITY OF CAPE TOWN, SOUTH AFRICA, FEBRUARY 2014

CURRENCY AND POWER ARE SYNONYMOUS

By:

RICHARD AKINJIDE, CON, SAN, FCI ARB (UK) FCE

I qualified as a Barrister in Inner Temple London when I was 24. That was February 1956. I obtained my LL.B London in 1955. I did three months training in Lincoln's Inn with three month's grant from the Inner Temple. I was and I am still a product of the English Legal System. I did also a course in Journalism. For my education, my time in England was about three years and six months. Without doubt, it is **definitely** part of **the best education in my life**. I studied law when Nigeria was a British protectorate. Many of our things followed the English and the ancient Roman thinking. My education was therefore Nigerian, Roman and the British. They were unique. As a Barrister, I returned to Nigeria in March 1956 and I was immediately Called to The Bar as a Barrister and Solicitor. When I am in England I am a Barrister, but when I am in Nigeria, I am a Barrister, Solicitor and Notary Public. Immediately I returned to Nigeria as a Barrister, I went into politics – colonial politics. **My British education prepared me for that**. The offers of employments in Nigeria were limitless. The consequences of the Second World War made colonialism absurd. Nigeria and other protectorates and colonies in Africa must join the families of Free Nations. **I went straight into politics**. The sky was not the limit. The size and the resources of Nigeria were almost limitless though our education was far behind. **By December 1959 I stood for the Federal elections and entered the Federal Parliament as MP for Ibadan South-East. I was still well under 30 years of age. Young, as a Barrister and young parliamentarian. The British gave us our Independence in October 1960.**
I was MP before Independence, MP at the time of Independence and MP after Independence. I am also a member of The Gambian Bar.

I was one of the Prime Minister's delegation to New York for Nigeria's admission as a Member of the United Nations. It was unique. We met many of the world leaders in New York. After serving for some time at the United Nations, I returned to LAGOS. I later served as Federal Minister of Education before the Military Intervention. After long Military Rule, the Presidential System was established, and I became the Federal Attorney-General and Minister of Justice.

The history of the present legal system in Nigeria began with the introduction of the English Law into the Lagos settlement with effect from 4th March 1863, by the Ordinance No. 3 of 1863. In April 1863 the Supreme Court of Her Majesty's Settlement of Lagos was established to provide for the better Administration of Justice within the Settlement.

Nowadays, more than ever before, the world has its eyes on us. And certainly watch it. Are we not the oldest inhabited territory on earth, the cradle of humanity? The root of all human achievements?

It is in the course of the 20th century that fossil evidences of occupation of Africa by the ancestors of the humans have been found in abundance. Perhaps as old as seven million years. In the scientific community, a general consensus now exists that it is in Africa, most likely East Africa, that our far away ancestors slowly evolved into *Homo sapiens Sapiens,* the modern man whose appearance is dated between a hundred fifty and a hundred thousand years before Christ.

Homo sapiens sapienses existed long before settled communities. They were hunter-gatherers: itinerant congregations of nomadic groups of small sizes surviving on food obtained from wild plants and hunted animals.

Some fifty thousand years ago, large migrations occurred not only within the continent populating South, Middle and North Africa, but also out of it through the Red Sea, Morocco and Egypt. This marked the beginning of the spread of humanity over the rest of the earth. What a most important event! Indeed it was no less than planting the far away seed of a multitude of great human achievements: the pyramids of Egypt (about four to five thousand years ago), the cathedrals of Europe (about a thousand years ago); the first walk of American space explorers on the moon (less than half a century ago) and so many more.

In Africa, agriculture, a key development in the rise of sedentary human civilizations, was preceded by the domestication of cattle. Four to six thousand years before Christ, it was well established in North Africa where it existed alongside the hunter-gatherer culture.

Deteriorating climatic conditions in the Sahara region then caused lakes and rivers to shrink and desertification to spread. Less arable land conducive to settlements encouraged farming communities to migrate toward the more favourable tropical climate of West Africa.

In the millennium preceding the birth of Christ, not only agriculture and cattle domestication but also metalworking was common place in West Africa. Excavations of copper objects dated about 500 years before Christ and originating from North and East Africa also suggest the existence of sustained trans-Sahara trade flows.

But it is not because of our far away past, no matter how fascinating it may be, that we now elicit the world's sustained attention. Rather, it is because of our prospects; more precisely our economic prospects. Africa, the world reckons, is the last frontier, the next beneficiary of economic prosperity. For several years now western media have marveled at Africa's high economic growth.

Rising primary product prices, foreign direct investments and the slow emergence of sustained domestic demands are all combining to make Africa one of the fastest growing world regions and, soon, the fastest growing one. There is no doubt that Africa is showing some evidences of economic take-off. A perusal of recent African economic growth statistics indicates that among the 15 fastest growing countries in the world, 5 are in Africa. Moreover, the national economy of more than 20 of the 54 African countries presently grow at an annual rate equal to or greater than 5 percent. It is a better performance than that which, sustained over several decades, allowed the remarkable development of Western Europe after the massive destructions of the Second World War and the widespread shortages of the years which followed the advent of peace.

What of the other 34 African countries, those who do not achieve this high level of performance? A large majority of them do not stand still. These countries also grow but at lower annual rates. Only three African countries currently display negative growth. All world economic prospects agree: Africa is about to become the fastest growing world region with an expected average annual rate of expansion of 6% in 2014.

This is today. Longer term possibilities are even more appealing. In the next few decades, neither China nor India will match the population explosion foreseen for the African continent. In mid-century, Africans will constitute a mass of two billion people, close to a quarter of the projected world population.

They will then have become the youngest people in the world as 70 percent of them will be aged 30 or less. With such a young and energetic human potential combined with a durable emergence of peace and good governance, Africa's large and mostly untapped wealth from her mineral and agricultural resolves could transform into massive wealth.

With 30 million square kilometers of land Africa is the second largest continent. She is endowed with abundant natural resources, the majority of which is yet to be discovered or barely tapped. There are vast oil and gas reserves in Nigeria, Ghana and Angola. There are diamonds in South Africa, Sierra Leone, Nigeria, Congo-Kinshasa, Angola and Botswana, the 1st world producer. There is gold in South Africa, Ghana, Tanzania and Mali. There is uranium in Namibia, Niger and South Africa. There is also bauxite (an input to aluminum), copper, platinum, iron, cobalt, silver, lead, nickel, zinc and titanium. There is an abundance of precious tropical wood and tropical fruits and there is rare earth without which our cell phones and computer tablets cannot be made. If Africa were to allocate efficiently only a few percent of her mineral wealth to develop our infrastructure, she would benefit from an infrastructural network more than that of Western Europe. Another cornucopia would result from efficient land use and well-organized agricultural production.

Many African countries do not cultivate their land. Congo-Kinshasa alone, the second largest country in Africa by area, has 2.3 million square kilometers of land. This is roughly equivalent to the combined areas of Spain, France, Germany, Sweden and Norway. The land is mostly arable but only 2 percent is exploited.

What of those large land areas which cannot be used for food production? They can be used to harness energy. Libya has about the same surface as that of Congo-Kinshasa but is mostly a desert bathed by sunlight. With an increasing efficiency of solar cells solar power is on its way to achieving cost parity with electricity from the grid. Covering some of that desert land with photovoltaic cells could generate enough electricity not only to power the whole of Africa but also to generate substantial revenues from exportable surpluses.

It is one's common mistake to interpret world events through the biases of one's own culture. For observers in advanced countries, especially those who live in depressed ones, more economic growth is the savior. It means more funds for projects, more activity, more employment, rising income levels, less social unrest and the restoration of these beneficial self-reinforcing processes which through revived demand, production and trade bring general prosperity.

Such is not yet the case in Africa. Recent studies published by the consulting firm Mckinsey and the World Bank conclude that if Africa is indeed creating more wealth, her poverty does not recede. A third of Africa's population of some 1.2 billion, that is, 400 million individuals continue to live below the poverty level of US$1.25 per day. The most common number used to measure the success of a country's economy is the gross domestic product (or national income) capital.

Basically, it is the monetary value of a country's total production of goods and services divided by the number of its inhabitants. Countries are always proud to announce that their income per capita is growing.

Based on this number alone, one can logically infer that increasing or persisting poverty results from a negative difference or, at best, no difference at all between the growth of a country's economy and that of its population. Poverty increases if economic growth stands below population growth and it persists if economic growth cannot surpass that of population. But poverty should diminish if a country's economy grows faster than its population. Prosperity implies that people create wealth at a faster rate than they multiply.

A question at the core of economic development is therefore how to keep the reinforcing process of capital accumulation, that which generates more production and more wealth, from growing at a slower pace than that of population so that people get richer rather than poorer.

What do the African statistics earlier mentioned, all originating from world class institutions, suggest? They suggest that poverty in Africa should definitely recede as Africa's economic growth is now significantly higher than the growth of her population. Africa's overall average yearly economic growth stands higher than 5% while its population grows no faster (and perhaps now slower) than 3%. There is a significant positive difference and it should be accompanied by clear evidences of decreasing poverty levels.

But Mckinsey and the World Bank, who can hardly be challenged as reliable sources, tell us that it is not so. What economic growth data do not and cannot show is the confiscation of the surplus away from national development.
It is non-inclusive, narrow, jobless and non poverty reducing. Despite current high growth rates, Africa has yet to find a lasting solution to the real challenge of development: that of translating her ability to produce more wealth into significant improvements in job creation, income levels, education, health and general welfare for her rapidly growing populations.

Comparative statistics indicate that sub-Saharan Africa has been the least successful world region in reducing poverty. Moreover, in spite of a significant number of fast growing economies, Africa continues to have one of the highest child malnutrition rates in the world, major infrastructural deficiencies, repeated conflicts, inadequate education, no real industrial base and corrupt governments.

Strong economic growth in a number of African countries presently results from a combination of increasing primary product prices and rising levels of foreign direct investments aimed at harvesting these primary products for export.
But such growth, while faithfully recorded in official statistics, fails to transform into domestic development for several reasons. It is created by projects which are capital intensive and create few jobs. Linkages with the rest of the domestic economy are few or negligible. As a result reinforcing processes, those where demand from dominant sectors create recurrent activity, production and income in many others, are prevented to occur and wealth is not created. In addition, growth-generating projects are de facto under foreign control and large junks of repatriated profits escape the domestic grasp.

And here comes corruption. Every country includes both productive and extractive investors. Productive investors create wealth. Extractive investors do not. They extract existing wealth from the system in which they operate thereby generating gains which might be extremely handsome but are obtained to the detriment of legitimate producers. Speculation is a major source of extractive investment in advanced countries. It is at the origin of the crisis of 2008, one of the worst the West has ever faced. Government corruption, one of the principal causes of persisting or increasing poverty in Africa, is a less sophisticated but equally destructive process. And, basically, it is not prosecuted.

The engine of sustained growth and development in any economic system is capital investment. Without well-selected and productive investment projects there is no possibility of economic progress. It is the accumulation of productive capital which drives not only production but also productivity, that is, how much each worker is able to produce in a given period of time and, to some extent, how well it is done. The impact of capital accumulation can be amazing. In Nigeria, government rents tractors at a subsidized rate to small farmers who cannot afford their acquisition. It takes a week and half a dozen of hard-working non-skilled farm workers to adequately prepare a 40 acre surface for planting. But the same work is accomplished in a few hours and at a lower cost by a man on his tractor.

Corruption is particularly damaging when it hinders the investment process. There are four essential conditions for capital investment projects to translate into durable developments.
Projects must be in the right quantity (there must be enough of them), they must be of the right quality, they must be properly apportioned and they must operate over the right period of time. Any parameter that prevents one or several of these four key ingredients, quantity, quality, distribution and duration to combine to make projects productive is a threat to economic success. Let us examine them one after the other.

Quantity. This is the number of capital investment projects that a country implements, say, on a yearly basis. Sustained economic growth basically requires that a sizeable proportion of a country's national production be made of such goods as machines, plants or infrastructures not aimed at satisfying the immediate needs of consumers but at producing or at facilitating the production of more goods in the future so as to increase welfare. Considered from a different perspective, capital investment is the amount of work that a society accepts to undertake to prepare the future rather than to satisfy present needs. Capital investment is financed by the amount of money that a community financed by indebtedness but there are dangers. The process becomes more risky and the cost of failure higher. So saving rates are important economic parameters.

How much do countries or regions invest? Orders of magnitude vary widely. The average rate of investment, that is, the share of national income allocated to capital formation is 21% on average in Sub-Saharan Africa. It is higher, 26%, in the Middle East and North Africa and impressively higher, 42%, in East Asia. In Nigeria it is 9%.

Quality. The motive of private investors is profit. That of public investors is (or should be) to optimize public utility. In both cases it is critical to ensure that the stream of revenues that an investment generates cumulates at least to cover its initial cost as rapidly as possible. Anything in excess becomes profit.
Anything below is a loss. The quality of a capital investment project can therefore be appraised by the time the project takes to return its initial cost. When a large infrastructure project is initially awarded for over US$100 million by a government then recalled by the next and re-awarded for six times its initial cost, it should not come as a surprise that the real motive behind the project had nothing to do with optimizing public utility and rising public welfare.

Distribution. Most African economies are short of capital. But this quantitative problem is made much worse when it compounds with repeated malfunctions in the way investments are distributed. In the East-Asian region where in excess of 40% of the national income is reinvested, there is twice as much private capital as there is public capital. In Africa, it is the contrary. Bridges and roads are useful to economies but they do not always provide the tools and equipment which workers need to produce, enhance their efficiency and generate more income.

A country which has bridges over its rivers but lacks pumps to irrigate its cultivated fields cannot increase its food production. The result of imbalances between public and private capital is low productivity, limited job creation and persisting poverty. African economies are in dire need of private capital investments in productive sectors. But it will take time before investors' current perception of the investment risk in Africa, which is high, turns around to become a more favourable assessment. The perception of this risk is not the monopoly of foreign investors alone. Rich nationals whose funds are invested abroad do share it. Pr Paul Collier in ***The Bottom Billion*** explains how a painstaking processing of trade statistics allowed him and his research team to establish that, by the end of the military rule in 1998, Nigerians were holding about US$100 billion of capital abroad. Who could blame them? Nobody wants to hold assets in places where opportunities are poor and returns neither sound nor safe.

Duration. An investment of good quality is therefore one which is of the right size, regularly produces income and turns into a profit making machine in a reasonably short time. But also required is that whatever mechanical, chemical, electric or infrastructural process generates such benefit is correctly maintained. Capital depreciates. It is an inescapable fact of life. But the rate at which capital depreciates has quite a bit to do with the way it is taken care of. Africa is not so good at maintaining what it has and many projects decay faster than they should.

At the core of any economic process and behind the accomplishments that any community claims, there are people. Human and social values are therefore critical to economic success. There is a close and reciprocal relationship, a strong feedback, between a society and its economy. Much more than physical endowments, what makes countries rich and prosperous are a combination of intangible human and social factors first among which are the skills and know-how of their labour force. This is perhaps where Africa's most pressing problem exists.

The assets that a country can rely on are either physical (tangible) or insubstantial (intangible). Both are required but they have a vastly different impact on economic development. The difference comes from the fact that intangible assets, unlike tangible ones, can become destructive and turn into heavy liabilities. Let me give an example. To be the owner of a car is an asset but not owning one, though it may not appear as a desirable situation, is not a liability. In contrast if the mechanic who has been hired to fix this car, because of his incompetence returns it more damaged than it initially was, this is clearly a liability.

Corruption, which dissociates reward from merit, is one of the most dangerous among such liabilities. In a corrupt society, monetary gains and social status no longer result from knowledge acquisition, effort, integrity and hard work but from one's skills at fraud and embezzlement. As corruption spreads in a society, the notion that success is associated with fraud rather than merit also spreads especially among the youth and the value system collapses.
In the long-term the economic consequences of such social dysfunctions can only be disastrous. Workers lose their skills. Countries do no longer efficiently invest to prepare for the future. Mutual trust among society members disappears. There is no longer a common cause to believe in, work for and adhere to. Individual and egoistic hunts for illegitimate financial gains to the detriment of others and the community multiply. Institutions decay. The maintenance culture becomes nonexistent. Governments no longer trust their civil servants or citizens.

Citizens and civil servants no longer trust or support their government. The law is ignored.

No matter how potentially rich this continent is, the future of Africa is in the hands of our people. As long as decisive progress is not accomplished, building, improving and perfecting our human capital, I should not give too much attention to appealing economic growth statistics or bright long term forecasts.

Our hope and progress are in our hands. Our power and currency are synonymous.

I thank you all very much.

Chief Richard Akinjide, CON, SAN, FCI ARB (UK) FCE
Barrister, Solicitor, Arbitrator and Specialist In Oil & Gas
NCR Building (4th Floor)
6, Broad Street
Lagos, Nigeria.
Mobile: 234-1-(0) 802 300 1838, 08024307878, 08050315251
E-mails: akinjideco@metrong.com, akinjideco@yahoo.com