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AFRICA IS RISING!

BY DEPROSE MUCHENA

THE WEBSITE OF A CINCINNATI-BASED AFRICA ADVOCACY GROUP, AFRICA FOUNDATION-USA, PROCLAIMS THE WORDS: "AFRICA IS CHANGING. IT'S ON THE MOVE, AND IT'S RISING. BECOME A MEMBER TODAY AND HELP PREPARE FOR THE TAKE OFF!" IN ANOTHER PITCH IN KEEPING WITH THIS POSITIVE SPIN, THE WEBSITE FURTHER PROCLAIMS: "BY ALL INDICATORS, AFRICA IS ON THE MOVE. IT HAS BEEN FOR THE LAST DECADE. THE CONTINENT FACES AN UNPRECEDENTED OPPORTUNITY TO DRAMATICALLY TRANSFORM ITSELF AND THE LIVES OF ITS PEOPLE MUCH LIKE ASIA DID 30 YEARS AGO".

The above, with its slight degree of hyperbole, reflects a growing sentiment towards the continent, seen from outside. They reflect the changed perception of the global community towards the continent. With a population now approaching 900 million, a rising middle class, a rapidly urbanising population, strong investments in infrastructure, education, health, and a strong penetration of ICTs, the narrative of Africa as a dark continent cursed by poverty and conflict, is fast disappearing.

Even allowing for the knock-on effect of the global economic crisis and current Eurozone crisis slowdown, the IMF put a positive growth outlook for both 2011 and 2012, placing 6% growth target for 2011, a percentage less than the actual outcome and projecting nearly 6% in 2012, about the same as Asia.[1] In its latest economic outlook for the Africa region, the IMF outlines that Sub-Saharan Africa continues to record strong economic growth, despite the weaker global economic environment. Regional output rose by 5% in 2011,

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with growth set to increase slightly in 2012, helped by still-strong commodity prices, new resource exploitation, and the improved domestic conditions that have underpinned several years of solid trend growth in the low-income countries. But there is variation in performance across the region, with output in middle-income countries tracking more closely the global slowdown and with some sub-regions adversely affected, at least temporarily, by drought.[2]

This is the new story. A growing economy and an urbanising Africa, with a growing middle class, has become the new compelling ready market. Economists and investors are now talking of an African economy and there are clearer indicators to describe such. While Africa's GDP is still less than Brazil's and still constitutes less than 3% of the world GDP, it is growing significantly.

A new characteristic of the African economy is resilience and fortitude. Throughout 2009 and 2010 Africa stood tall notwithstanding the global financial crisis and its accompanying global economic crisis, and has been spared much of the turbulence seen in Europe in 2012. The much vaunted decline in foreign direct investment, decline in development aid and the decline in remittances from the diaspora touted by economists and other commentators in light of the global economic crisis have been ameliorated by a strong commodity and natural resources backed growth, expanding markets, and an engaged diaspora.

The latest *Africa Progress Panel Report* cites Ghana as the fastest growing economy in the world in 2011, and Ethiopia expanded more quickly than China in the five years to 2009. But there have also been similar cases of positive sustained growth. Mozambique and Malawi (until Bingu waMutharika began to reverse the successes), Tanzania, Angola, Senegal, among others were part of group of fast growing economies. Malawi actually reached food self-sufficiency in 2008 and ceased to be a net food importer.

What is powering Africa's rise?

Improving governance record and a disdain for dictatorship has transformed the image of the continent as the "sick man of the world family of nations". The bedrock of Africa's rise has been a significantly changed political outlook, a changed governance record and the dividends of peace. The sad narrative of regimes with suspect governance credentials ruining the image of the continent, implementing ruinous social and economic policies is disappearing.

Those that come to power through stolen plebiscites, military coups and undermine the rule of law are in the minority. Democratic consolidation in many countries, peaceful elections and change of government have all ushered in fresh air that has paved the way for economic growth and development.

On its part, civil society's strong demand for good governance has become a permanent fixture of domestic politics and governance. The rise of strong and more organised civil society has increased the demand (as well as the supply of) good governance. Civil society's role in exposing corruption, demanding open and transparent budgets, greater push for accountability, the monitoring of elections and human rights abuses have all become cornerstones of the new Africa.

Sitting presidents are handing over power without delays or hesitation. A recent example is Senegal and Zambia. Nigeria, once the haven of military dictatorship is now a democracy with disdain for coups. The Arab Spring has transformed the political landscape in North Africa in favour of democratic governance formed on the basis of a free and fair election. These changes inspire confidence within and among investors.

The resource and commodity boom has been an important anchor of the growth project.

Between 2000 and 2008 around a quarter of Africa's growth came from higher revenues from natural resources.

Let's look at Angola to illustrate the point. By 2007 the country was producing more than 1, 5 million barrels of oil a day, rising to 2 million barrels a day by 2008. In 2007, its economy rose by a whopping 17% of GDP, largely driven by a booming oil sector! Angola is now the second largest producer of crude oil to China after Saudi Arabia, providing 32% of Chinese crude oil needs, and is now the sixth largest provider of crude oil to the US markets. Angola has in fact now overtaken Nigeria as the 'Kuwait of Africa' based not just on high return on oil revenues but also on the volumes of crude oil being produced.

The world's biggest platinum deposits are shared by South Africa and Zimbabwe. The largest coal reserve in the world is now in Mozambique where Rio Tinto of Australia and Vale of Brazil are hard at work. The copper of Zambia is ruling the roost and has powered Zambia's growth strategy for the past decade. The cobalt of DRC, the fisheries and uranium deposits of Namibia, the diamond fields of Botswana and Zimbabwe, and the gold, diamonds and platinum of South Africa are all part of a boom story driving growth in the Southern Africa region.

Table 1. State of inequality in Southern Africa

Country (year)	Distribution of income or consumption, 2010 World Development		
		Percentage share of income or consumption	
	Gini index	Lowest 10 percent (%)	Highest 10 percent (%)
Botswana (2005-06)	61.0	1.3	51.2
Congo, Dem. Rep (2005-06)	44.4	2.3	34.7
Lesotho (2002-03)	52.5	1.0	39.4
Malawi (2004-05)	39.0	2.9	31.7
Mozambique (2002-03)	47.1	2.1	39.2
Namibia (1993)	74.3	0.6	65.0
South Africa (2000)	57.8	1.3	44.9
Swaziland (2000-01)	50.7	1.8	40.8
Zambia (2004-05)	50.7	1.3	38.9

Much of the commodity boom has been driven by the demand in emerging markets whose appetite for African resources has been on the increase. China's demand for resources has driven up prices, propelling significant GDP gains in many countries. Africa has responded by providing high quality natural resources and buying manufacturing products for an ever expanding urban working class and industry and a modernising agricultural sector.

Favourable demography is another cause. With fertility rates crashing in Asia and Latin America, estimates are that half of the increase in population over the next 40 years will be in Africa. Africa's population boom is a major stepping stone for growth. Its young population has an appetite for spending, consumption and mobility.

Technology by Japanese electronics manufacturers have a high market, the mobile phone usage is having quantum growth while the internet is growing fast on the continent. Contrast this demographic boom with, for example, the aging population of China and parts of Europe as well as the United States.

But the growth also has a lot to do with **the manufacturing and service economies** that African countries are beginning to develop. The big question is whether Africa can keep that up if demand for commodities drops in high commodity consuming markets such as China and India.

An intervening state in action: Africa is like a construction site – a construction site for a new development project and a new economy. In a number of these countries, the idea of a removed state is no longer in sync with what is going on. A developmental state is in the making, a state committed to a long term developmental agenda and implementing it relentlessly in order to address market failure and address the deficit in social development.

There is a large scale infrastructure development programme led by states in the region emphasising the importance of public sector led investments to stimulate the economy. Mozambique and Angola are showing the way with large scale constitution projects, South Africa in the run up to the FIFA World Cup in 2010 set an example of development through infrastructure investment, Zambia and Botswana too are putting in place large infrastructure development projects that energises the private sector and the national population.

While we should caution against celebrating the state, and acknowledging that most of the growth of the African economy has been crucially led by the private sector, we must immediately see a theme that runs through the vein of this growth story. This has been a deliberately active role of the state, in particular in the extractive sector, directing the pace of investment, enabling the entry of new players and the rhetoric, rather than genuine policy shift towards "the east" to embrace China for example.

In fact in countries like South Africa, Botswana, Zambia, Namibia and even Zimbabwe there is a growing and vibrant debate on the construction of a *developmental state* as a critical building block to pro-poor and inclusive growth and economic development. The argument about the state's developmental role in the national economy to address factors of market failure is gaining traction. So, instead of a stimulus response, there has been infrastructure development and investment.

But there is a growth paradox: Southern Africa is a candidate for the paradox of unequal growth phenomenon. With a population of more than a quarter of a billion, the region is now housing the fastest growing economies on the continent. It houses Africa's largest economy which is South Africa, houses a growing number of resources rich economies, including copper-rich Zambia, diamond-endowed Botswana, cobalt-blessed DRC among others. In addition, Southern Africa is also now home to a number of middle income economies. Botswana, Namibia, Swaziland are classified as middle income countries while South Africa is classified as an upper middle income country.

The triple burden of unemployment, poverty and inequality challenge: Yet, despite having a remarkable pool of natural resources, relatively high growth rates, and the presence of a high number of middle income economies, statistics glaringly show that unemployment, poverty and inequality in Southern Africa have in fact worsened in the last two decades. In Table 1 (to the left),[3] is an illustration of the state of inequality in the past decade during which the region's economy grew significantly.

The paradox of being rich in mineral resources but poor in human development has produced a resource curse in some countries and, overall, the region remains one of the poorest in the world in human development terms. 45% of the population of SADC lives on US$1 per day. Life expectancy has declined dramatically in many countries of the region, from a previous high of 60 years with the lowest now at 33 years.[4]

There is a clear trend that the current development strategy breeds poverty and inequality. For example, in 2006, SADC had a population of 250 million people and a combined GDP of US$ 374.2 billion. Contrast this with Belgium, a small European country with approximately 10.2 million inhabitants but generating a GDP of US$ 467.3 billion. At the start of its growth surge in 1999, Africa accounted for 21% of the world's poverty. By 2008, that share had reached 29%.

Many have cautioned that despite the impressive growth figures, the current trickle-down pattern of economic growth is leaving too many people in destitution. Commenting on this as a continental trend, the *Africa Progress Panel* warned that although seven out of 10 people in the region live in countries that have averaged growth of more than 4% a year for the past decade, almost half of Africans were are still living on incomes below the internationally accepted poverty benchmark of $1.25 a day. "The deep, persistent and enduring inequalities in evidence across Africa have consequences".[5]

The report further warned that these inequalities weaken the bonds of trust and solidarity that hold societies together. "Over the long run, they will undermine economic growth, productivity and the development of markets."[6]

Angola, which we cited for its phenomenal growth trajectory, has another side. Massive inequalities afflict its society of whom the majority cannot access clean water, education and energy service. With up to 80% of its population living below the poverty datum line and most of its population crammed into Luanda because of the war, Angola is still to distribute the benefits of its growth story to all. It has over the years had the distinction of being the poster child case of a poor but rich extractive economy, where, as summarised in a 2007 Publish What You Pay op-ed by George Soros:

> *Significant foreign investment in less developed countries occurs in the extractive industries such as oil, gas, and mining. Revenue from this investment makes its way to governments in the form of taxes, fees and other payments. If this revenue were effectively and transparently managed, it could serve as a basis for successful growth and poverty reduction. However, the state and other institutions that manage these resources are often, in practice, unaccountable to the parliaments and ordinary citizens of their countries. Revenues from resource extraction are disclosed neither by the governments nor the companies involved. This lack of accountability facilitates embezzlement, corruption and revenue misappropriation. In extreme cases, access to resources fuels regional conflict and the resulting disorder is exploited to facilitate further large-scale misappropriation of state assets.*[7]

Growth in Africa's productive capacity and its place on the globe has not been matched by a corresponding destruction of poverty and inequality. Upwards of 386 million Africans are still struggling to survive on less than $1.25 a day and Africa accounts for a rising share of world poverty. The Southern Africa region remains one of the poorest in the world.

The global economic crisis did little to reduce this trend as mass unemployment took root and added to casualisation of labour as well as its accompanying growth in inequality. In 2009, it added more than 50 million people into the poverty bracket, the majority of which were in Africa. Relative to the world, Southern Africa remains unequal in terms of several key indicators, including its share of trade, employment, middle class, human development and social security.

The development model needs to change: Southern Africa is still dealing with the structural legacy of colonial economy. This legacy is based on a grafted capitalist mode of production imposed on hitherto African underdeveloped economic systems in a distorted manner. Consequently upon a grafted capitalism, enclave development followed, in which a small developed and diversified formal economy sits alongside an underdeveloped peasant-based subsistence rural economy.

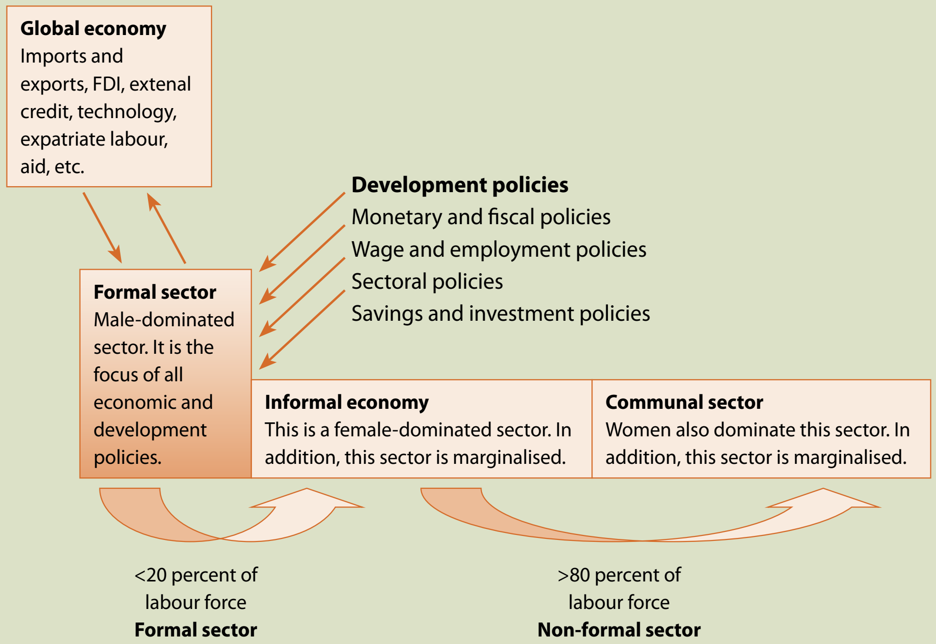

Figure 1. The dual and enclave structure of the economy in SADC

All development strategies, inputs and policy have been directed onto this small enclave of formal economy. Unfortunately, only 20% of the African labour force exists in the small enclave with the 80 % shared between communal and informal economies.

This is the reason why the development strategies adopted do not address structural unemployment, cannot address inequality and decisively eliminate poverty. Such a system brings growth in the enclave but inequality in the rest of the economy. The legacy of dualism and enclavity is demonstrated in Figure 1, above.

The wild pursuit of economic growth has become, for some countries, an end in itself. What's worse, this growth takes place only in the enclave. No effort is being made to liquidate the communal economy or spread the benefit of growth into the population that needs it. This legacy creates two nations in one defined by poverty and inequality.

Economic growth, however necessary, is not a sufficient condition for human development. The UNDP Human Development report of 1996 already observed that the link between growth and human development is not automatic; that in most cases too much emphasis on economic growth has led to lopsided development and often flawed growth patterns, producing:

- *Jobless growth* (without expanding employment opportunities);
- *Ruthless growth* (associated with increasing inequality and poverty);
- *Voiceless growth* (without extending democracy);
- *Rootless growth* (that withers cultural identity);
- *Futureless growth* (that squanders resources needed by future generations).

The role of the state in directing the proceeds of economic growth into poverty reduction remains critical. State policy must be driven by the desire and conviction of ensuring that this growth is shared, inclusive and pro-poor. The fight to ensure that economic development powered by the phenomenon of the "rising Africa" serves human development is important. It is worth fighting for!

Endnotes

1. www.africafoundationusa.org
2. IMF Economic Outlook, May 2012
3. World Development report , 2010
4. Muchena D, *The Great Nosedive: The Global Economic Crisis and Lesson for Africa* in Economic Injustice, Open Space vol 2, 2009, Open Society Initiative for Southern Africa.
5. Africa Progress Panel, May 2012, led by Kofi Annan
6. ibid
7. www.publishwhatyoupay.org/soros/