



THE DAWN OF AN – OR ANOTHER MIRAGE?

Once called the “hopeless continent”, Africa has become one of the world’s fastest growing economies. Now the challenge is to keep up the momentum. Can African nations push forward with the growth and democratization agenda?

THE DRAMATIC RISE of China and India as emerging new powers in the world economy has dominated much of the news coverage in the past two years. Unfortunately, this singular focus has overshadowed an equally newsworthy subject, the spectacular economic and political renaissance of the African continent. Once decried as the “hopeless continent” by *The Economist*, Africa is now attracting the attention of both the newly emerging Southern powers and the traditional Western trading partners. This rapid economic transformation has been aided by the significant progress in governance reform and a reduction in armed conflicts. Peace has brought with it the opportunity for development and democratization is gaining momentum. Moreover, rising commodity prices, increased investment in vital infrastructure by China and India and access to information by ordinary citizens thanks to the mobile phone revolution, have opened up new opportunities for rural producers to increase production and market their goods at the local and international levels. This domestic dynamism has in turn contributed

to significant growth in the number of Africans who view themselves as middle class. With increased opportunities for employment and rising income, large numbers of Africans have become the new consumers, further spurring on the domestic economy.

INCREASED GLOBAL DEMAND

The new African miracle cannot be attributed to a single factor but is the result of a combination of internal and external considerations. Global demand for Africa’s energy and natural resources has increased dramatically, thus permitting many countries to start diversifying their economies for the first time in decades and to invest in the strategic infrastructure necessary for raising productivity and growth. Many African governments have put in place appropriate macroeconomic, structural and social policies, which have contributed to improved GDP growth rates. Significant efforts are being made by African governments to reverse the productivity decline in agriculture by instituting enabling po-



AFRICAN CENTURY

A new African dawn? The sun rising over a desert tree in Naukluft Park, Namibia.

licies and investing in vital infrastructure. A similar effort is being made to reverse the decline in higher education and to expand access to basic education.

Apart from the policy dimension, one of the most significant reasons for Africa's renewal has been the emergence of an internet- and mobile phone-savvy citizenry, empowered by increased access to information about their own country and the world beyond, and ready to challenge or bypass stifling institutional barriers, formal and informal, to their economic success. With their 'can do' attitude, a new generation of Africans is transforming social and political relationships in a manner not seen before. The flag bearers of this new renaissance are to be found in the private sector, the informal economy, African diaspora organizations and social movements based in the church, human rights organizations, women's movements and local government. These groups are united behind one thing: how to dismantle the "disabling state" and replace it with a state which is not only protector and supporter, but also enabler and liberator.

SUSTAINED GROWERS

Indeed, average incomes in sub-Saharan Africa have grown steadily since 2000. The average annual growth rate in sub-Saharan Africa increased from 3.7 per cent in 1996–2000 to

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6.3 per cent in 2003–07. The latest edition of the *World Economic Outlook 2010* puts sub-Saharan Africa growth for 2008 and 2009 at 5.5 and 2.1 per cent respectively, and the latest projected growth rates are for 5.0 and 5.5 per cent for 2010 and 2011 respectively. Inflation declined from an average of 26.3 per cent during 1992–2001 to 9.4 per cent during 2002–09. More than one-third of Africans live in countries that had grown by more than 4 per cent annually for 10 years, and 18 countries are classified by the World Bank as "diversified and sustained growers".

THE CHINA-INDIA FACTOR

While Europe and the United States remain important trading partners, Africa's economic engagement is beginning to shift towards Asia and other developing countries. China alone now accounts for over 11 per cent of Africa's external trade and is the region's largest source of imports. Trade between China and Africa grew from a mere US\$6.5 billion »



PHOTO: GIDEON MENDEL/ACTION AID

With increased opportunities for employment and rising income, large numbers of Africans have become the new consumers. A hawker selling mobile phone covers in a street market in Ajerome, a poor neighbourhood of Lagos, Nigeria.

► in 1999 to over US\$120 billion in 2010. Similarly, India's trade with Africa surged from US\$941 million in 1991 to more than US\$25 billion in 2008. Besides China and India, other emerging economies (such as Brazil, South Korea, Malaysia, Vietnam and Turkey) have become increasingly active in many African countries, a clear indication that North-South relations are being superseded by South-East, even Africa-South-East relations, with profound implications for Africa's development.

EXPLORING NEW OPPORTUNITIES

There has been a remarkable shift in economic management by African governments, an indication that state capacity to manage complex issues is improving, and that the mantle of state power (at the level of state bureaucracy at least) is being passed to a new generation of competent, energetic Africans with a "can-do" entrepreneurial spirit. African governments have learned from the bitter experience of the adjustment decades of the 1980s and 1990s how to avoid the macroeconomic mistakes, excessive borrowing and uncontrollable spending that led to the collapse of growth in the past.

When the global financial crisis occurred, many African governments put in place a series of measures, including targeted assistance to sectors, capital and exchange controls, a government borrowing freeze and expansionary fiscal policy. Such pragmatic responses by African governments to the financial crisis clearly indicate how far development policy practices on the continent have come over the past

couple of decades. There is a willingness by governments to explore new opportunities; prudently manage public finances; minimize economic risks; and engage with domestic economic actors more constructively on the way forward. This is very encouraging and part of the reason why Africa has done well in recent years. Sustaining the efficient management of the economy by a committed and visionary state is the litmus test for Africa's long term growth.

AVOIDING COMPLACENCY

While the conditions for Africa's growth and development are much more favourable today than a decade ago, African policy-makers should avoid complacency and must remain focused on tackling the key structural bottlenecks that threa-

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ten or undermine growth and development. The ability of African countries to chart their own independent development path remains limited. As a new door to economic opportunity is opened to African countries with the rise of the BRICS, lurking in the background are new risks that Africa must avoid or manage strategically. More importantly, greater attention is needed to strengthen the foundations of sustained growth, manage public finances prudently and maintain strong strategic business-government alliances to tackle the constraints on growth and promote employment among the growing and increasingly youthful population.

KEEPING UP THE MOMENTUM

In the final analysis, central to sustaining Africa's growth momentum is the development of strong and effective state institutional structures (from central to local level) that will advance the growth and democratization agenda in the context of a common national vision. An effective state is a prerequisite for a well-functioning market. As the successful development experience of China and Asian industrializing countries has shown, a competent state has a vital role to play in guiding national development, nurturing the private economic actors by providing incentives for them to grow and export, re-engineering business processes, enhancing the investment climate for both domestic and foreign investment, investing in human capital and delivering adequate public services.

Maintaining momentum would also entail supporting the legal and financial institutional framework of the economy. The legal system must uphold order, act as a check on government and protect property rights, human rights and contract rights. The financial system must promote household savings and channel them into productive enterprises. These are some of the ingredients that have gone into Africa's recent growth miracle and are necessary to sustain it. The continent has changed forever and there is no going back! ■