



Africa pressing forward as an emergent power

There are encouraging signs that opportunities on the continent will increasingly overtake the many challenges with which Africa is grappling.

by Wiseman Nkuhlu

The twenty-first century will see Africa emerging as a prominent contestant on the global playing-field: Is this wishful thinking, or a realistic prospect? Many opinion leaders in Africa and elsewhere fully realise that the continent with its wealth of people and resources is too valuable a potential player to remain idle on the sidelines. Yet it is also common to find commentators that simply write Africa off on the basis of its track record. When one examines the Africa issue in

a balanced but optimistic way, however, paying attention to the trends indicating that the continent is shaping up to take its place in the global mainstream, there are reasons to believe that Africa can snatch the century from China.

To grasp the positive dynamics that give rise to this optimistic outlook, one should take cognisance of how out of form for international competition the continent was ten and more years ago.

In 2000, the World Bank published the book *Can Africa Claim the 21st Century?* Giving a comprehensive account of the status of Africa at the time, the authors dealt frankly with issues that had afflicted the continent in the preceding decades and brought it to the brink of collapse. Among the contributing factors they exposed were bad national policies, shortcomings in leadership and weak governance, as well as some unwise policies and practices on the part

of international institutions such as the World Bank and the International Monetary Fund (IMF).

The 1980s were singled out as a particularly bad period in Africa's history, plagued by instances of corruption, military rule, violations of human rights, large numbers of refugees, and aborted elections in many countries.

At the turn of the century, many opinion-makers – including African scholars and *The Economist* – were predicting doom for the continent. However, the authors also presented insights into what should change in order for Africa to improve its performance and claim the twenty-first century. It is interesting to note how African leaders have since responded.

■ The new rules of the game

Two major trends have had a dramatic impact not only on the world as a whole, but also on how African leaders had to consider the role and position of the continent in a suddenly changing global context:

- The collapse of the Union of Soviet Socialist Republics (USSR) in the late 1980s and early 1990s created an environment for the unchallenged ascendancy of liberal democracy and free markets.
- The accelerating phenomenon of globalisation has threatened to leave Africa behind and to marginalise the continent further because of its inability to compete and participate meaningfully in the new world economy.

These developments, together with the weak state of most governments in Africa as a consequence of wars, unfavourable terms of trade, high levels of indebtedness and bad governance, left African leaders with no choice but to search for ways of adapting to the new world. As a result, widespread multiparty elections and an increased focus on macroeconomic management have become the order of the day since about the mid-1990s. The restoration of democracy in Nigeria and the end of apartheid in South Africa were two important events that contributed significantly to creating conditions that were conducive to change.

■ Great strides made since 2000

At the international level, the search for a better world also intensified at the start of the new century. A broad commitment to values such as promoting democracy, protecting human rights, eradicating poverty and preserving the

environment was gaining momentum. This led to the adoption of the Millennium Development Goals (MDGs) by the United Nations in 2000 and the World Summit on Sustainable Development in 2002.

At the continental level, African leaders started tackling the issues through processes of negotiation. These resulted in the adoption of the Constitutive Act that transformed the Organisation of African Unity (OAU) into the African Union (AU). The engagement by leaders also started the preparations that culminated in the adoption of the New Partnership for Africa's Development (Nepad) – a socioeconomic renewal programme for the continent. Former South African president Thabo Mbeki became the champion of the African Renaissance, forcefully asserting that Africa's time had come: The 21st Century is an African Century!

■ There are reasons to believe that Africa can snatch the century from China

Other global-level trends have served to make African leaders more aware of the possibilities of the continent. The favourable economic environment of the early years of the century led to improved prices for Africa's exports such as oil, gas, minerals and other raw materials. Increased demand for resources by both developed countries like the USA and emerging economies – mainly China – enhanced Africa's strategic importance. Other noticeable positive indicators are:

- From 2003 to 2008, foreign direct investments rose from US\$20.9 billion to US\$87.6 billion.
- Africa's total external debt, as a percentage of GDP, decreased from 62.6% in 2001 to 22.4% in 2008. It rose slightly to 25.4% in 2009, but is still way below the turn-of-the-century levels.
- According to the Economic Report on Africa (ECA 2010), the inflow of Official Development Assistance (ODA) increased from US\$15.6 billion in 2000 to US\$44 billion in 2008. A drop was expected in 2009 as a consequence of the global economic crisis.
- Africa's share of global trade, both exports and imports, has been showing an upward trend, from 2.8% in 2007 to 3.2% in 2008.

The fact that Africa's exports remain highly undiversified – agricultural produce, minerals and fuels constitute 80% of exports – is a concern. However, challenges like these are recognised more and more by African leaders.

- Africa achieved impressive GDP growth in the period 2001 to 2008, on average about 5% higher than that of the developed countries.

Furthermore, Africa is definitely making progress with regard to access to education. Primary school enrolment increased from 71% in 2006 to 74% in 2007 in sub-Saharan Africa. On current trends, many countries will achieve a rate of 100% by 2015. Questions, however, are raised about the quality of education, an aspect that demands serious attention.

■ ... but it is still an obstacle race

Besides the many positive indicators, there are obvious areas of concern that present obstacles to Africa's advancement to prominence in the line-up of emerging powers.

Health stands out as one of the main areas in which Africa has made limited progress. Life expectancy has declined to about 51 years for males and 53 years for females – the lowest in the world. And South Africa is no better off. Although HIV prevalence rates have either stabilised or declined in most African countries, deaths from tuberculosis (TB) and malaria continue to rise in sub-Saharan Africa. The prevalence rate of TB was 421 per 100 000 people in 2007 compared to 333 in 1990. In South Africa the TB incidence is even higher, at 960 per 100 000.

While there has been a slight improvement in the under-five-years infant mortality rate, down from 160 per 1 000 in 2006 to 145 per 1 000 in 2007, the MDG target of reducing this rate by two-thirds by 2015 will not be achieved. Another disappointing situation is that of maternal mortality rates. These are in excess of 1 000 per 100 000 live births in some countries, including Angola, Malawi, Nigeria and the DRC, according to figures released by the World Health Organisation in 2009. Maternal mortality in South Africa is lower, but still too high. In 2005 the rate was estimated to be 400 per 100 000 live births.

Poverty continues to be a major challenge. Despite some positive trade indicators, the impact on employment and poverty remains limited. The rate of unemployment stays high, above 10% in most African countries. According to World »



Bank indicators, the number of people in sub-Saharan Africa living on less than US\$1,25 per day increased from 277 million in 1990 to 388 million in 2005. While in percentage terms it represented an improvement, the absolute numbers increased. Moreover, many people in jobs are in high-risk employment with no legally protected rights, for example workers in the informal sector, agriculture and family-owned businesses.

In South Africa, the situation is no better. Unemployment is estimated at more than 25% and about 26% of the population is living on less than US\$1,25 per day.

■ An abundance of opportunities

Given the evidence above, one may ask: Is there any hope?

On deeper reflection, and taking note of other positive trends that are not so easily picked up in official statistics, one will find enough reasons to change one's attitude about Africa's prospects. Consider the following, for example:

- Private equity funds, banks, cell phone companies, and other businesses are multiplying across the continent. There are probably more than 200 private equity funds operating in Africa.
- The continent has over time produced its own global business leaders: Mo Ibrahim, the founder of Celtel; Sam Jonah of Ashanti Gold Mines; Phutuma Nhleko of MTN; and Titus Naikuni of Kenya Airways, to name a few.
- Africa is poised to implement an ambitious infrastructure development programme that includes clean and renewable energy. A World Bank report entitled *Africa's Infrastructure – A time for Transformation* makes a strong case for infrastructure investment as an enabler of

sustainable development, and highlights the need for US\$93 billion per year investment in infrastructure. The bulk, namely US\$42 billion, is for investment in power and energy infrastructure.

But the other important plus factor is people. Africa's population reached one billion in 2009, with over 70% under 30 years of age. The young people are better educated and more optimistic about their future and that of the continent. And it is this part of the population that presents a huge market, not only for basic needs like education, health products, food and clothes, but also for the things that young people everywhere aspire to: cell phones, branded clothing, entertainment, sport, and many more. The opportunities for businesses wanting to enter the youth market are vast.

■ Priorities for progress

African leaders understand that large-scale improvement will not come easily. A focused effort is needed to realise the potential that exists on the continent. Some of the major issues that are acknowledged as priorities on the development agendas of African leaders are:

- Solutions to the health and education challenges;
- Reform and expansion of the financial services sector;
- National and regional economic development policies to encourage economic diversification in order to take advantage of the demand for those products that young people need and desire;
- Improvement of the employment opportunity structure. At present 62% of workers in Africa work in agriculture compared to 34% in the rest of the world. Only 10% work in industry compared to 23% globally;
- Enhancement of the economic and investment capacity in national governments;
- Improvement of the managerial and technical capacity of government institutions at all levels;
- Acceleration of intra-Africa trade, which is still less than 10% of total trade, and increasing trade with the newer economic powers, especially China, India and Brazil;
- Strengthening of regional and continental institutions to guarantee peace and to take quick action against the unlawful usurpation of political power; and
- Eradication of big-ticket and quiet corruption.



A strong resolve by African politicians and business leaders, together with the growing international consensus about making the world a better place for all, can make these changes happen.

■ Giving substance to Africa's claim to the century

Yes, Africa is an emerging power. While the continent has many challenges, it also offers abundant opportunities. The blip caused by the economic crisis should not be allowed to set us back. As Africans, we must work with much more determination to build on our own resources and opportunities, letting the positive factors outpace the negative ones. ■



**Prof Wiseman
Nkuhlu**

This article is based on an Africa Day address presented at the University of Stellenbosch Business School (USB) by Professor Wiseman Nkuhlu under the title *Africa: From a forgotten continent to an emerging power*. Prof Nkuhlu was economic advisor to former president of South Africa Thabo Mbeki, and CEO of the Secretariat of NEPAD. He has been honoured for his contribution to the development of South Africa and the continent, and holds honorary doctorates from several universities, including Stellenbosch. He is the chancellor of the University of Pretoria, and a chairman and director of companies.