AFRICA

PROBLEMS

CHOICES

PROSPECTS
AFRICA: ONE CONTINENT

A COMMON LEGACY:

- HUGE LAND MASS
- CRADDLE OF MANKIND & HUMAN CIVILISATION?
- SLAVERY
- COLONIALISM
- POST-COLONIAL MIS-MANGEMENT
AFRICA: MANY FACES

DIVERSITY:
- PEOPLES AND CULTURES
- ECOSYSTEMS..DESERTS, TROPICAL LANDSCAPES, EQUATORIAL RAINFORESTS
- HISTORICAL, SOCIAL, POLITICAL AND ECONOMIC EXPERIENCES
AFRICA: BASIC FACTS

- TOTAL POPULATION, TOTAL (MILLIONS): 702.6
- POPULATION GROWTH (ANNUAL %): 2.1
- LIFE EXPECTANCY AT BIRTH (YEARS): 45.8
- INFANT MORTALITY RATE (PER 1000 LIVE BIRTHS): 103.1
- LITERACY RATE, YOUTH FEMALE (% FEMALES AGES 15-24): 76.5
- GNI (CURRENT US$) (BILLIONS): 399.3
- GNI PER CAPITA (CURRENT US$): 490.0
- PREVALENCE OF HIV (% OF POPULATION AGED 15-49): 8.4

SOURCE: WORLD DEVELOPMENT INDICATORS, 2003
AFRICA: PROBLEMS

- IMPACT OF HISTORY
- GOVERNANCE PROBLEMS: WEAK AND CORRUPT STATES, UNDEMOCRATIC AND ILLIBERAL REGIMES
- CONFLICTS, HUMAN RIGHTS ABUSES, REFUGEES, GENOCIDE
- GENDER INEQUALITY
- POVERTY; HIGH LEVELS OF ILLITERACY; DISEASE
- POOR INFRASTRUCTURE (ENERGY, ROADS, RAILWAYS, COMMUNICATION, WATER, SANITATION)
- WEAK OR NO INSTITUTIONS
- DEBT AND DEPENDENCY ON AID
- LOW SCIENTIFIC, MANAGERIAL AND TECHNOLOGICAL KNOW-HOW
- 2% OF GLOBAL TRADE
- 1.7% OF GLOBAL FDI

“Africa consumes what it does not produce; and it produces what it does not consume”
AFRICA: THE OPPORTUNITY

- PEOPLE: HUMAN CAPITAL DEVELOPMENT
  - HEALTH, EDUCATION
- NATURAL RESOURCES: MINERALS, GAS, OIL, FORESTS, WATER
- AGRO-INDUSTRY
- MANUFACTURING
- SERVICES
- INFRASTRUCTURE DEVELOPMENT(ENERGY, WATER AND SANITATION, TRANSPORT, INFORMATION AND COMMUNICATIONS TECHNOLOGIES)
- ENVIRONMENT
AFRICA’S RESPONSE

- COUNTRY LEVEL: NATIONAL DEVELOPMENT STRATEGIES
- REGIONAL LEVEL: INTEGRATING MARKETS THROUGH REGIONAL TRADING BLOCS

THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC):
ANGOLA, BOTSWANA, DR CONGO, LESOTHO, MALAWI, MAURITIUS, MOZAMBIQUE, NAMIBIA, SEYCHELLES, SOUTH AFRICA, SWAZILAND, TANZANIA, ZAMBIA, ZIMBABWE

THE COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA):
ANGOLA, EGYPT, MALAWI, SUDAN, BURUNDI, ERITREA, MAURITIUS, SWAZILAND, COMOROS, ETHIOPIA, NAMIBIA, UGANDA, DR CONGO, KENYA, RWANDA, ZAMBIA, DJIBOUTI, MADAGASCAR, SEYCHELLES, ZIMBABWE

ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS):
BENIN, BURKINA FASSO, CAPE VERDE, COTE D’IVOIRE, GAMBIA, GHANA, GUINEA, GUINEA-BISSAU, LIBERIA, MALI, NIGER, NIGERIA, SENEGAL, SIERRA LEONE, TOGO
AFRICA’S RESPONSE

AFRICAN UNION & NEW PARTNERSHIP FOR AFRICA’S DEVELOPMENT (NEPAD)

A VISION AND STRATEGIC FRAMEWORK FOR AFRICA’S RENEWAL

OBJECTIVES:

- ERADICATION OF POVERTY
- SUSTAINABLE GROWTH AND DEVELOPMENT
- FULL INTEGRATION IN THE GLOBAL ECONOMY
- EMPOWERMENT OF WOMEN
AFRICA’S RESPONSE:

NEPAD PRINCIPLES

GOOD GOVERNANCE AS A REQUIREMENT FOR PEACE, SECURITY AND DEVELOPMENT
AFRICAN OWNERSHIP AND LEADERSHIP
ANCHORING AFRICA’S DEVELOPMENT ON ITS RESOURCES AND PEOPLE

PARTNERSHIP BETWEEN AND AMONG AFRICAN PEOPLES
ACCELERATION OF REGIONAL AND CONTINENTAL INTEGRATION
BUILDING AFRICA’S COMPETITIVENESS
A NEW INTERNATIONAL RELATIONSHIP BASED ON MUTUAL RESPECT AND BENEFIT
LINKING THE PARTNERSHIPS ON THE MILLENIUM DEVELOPMENT
INTERNATIONAL RESPONSE

UNITED NATIONS:

MILLENIUM DEVELOPMENT GOALS, BY 2015:

- ERADICATE EXTREME POVERTY AND HUNGER BY HALF
- ACHIEVE UNIVERSAL PRIMARY EDUCATION
- PROMOTE GENDER EQUALITY AND EMPOWER WOMEN
- REDUCE CHILD MORTALITY BY TWO THIRDS
- REDUCE MATERNAL MORTALITY RATIO BY THREE QUARTERS
- COMBAT HIV-AIDS, MALARIA, T.B AND OTHER DISEASES
- ENSURE ENVIRONMENTAL SUSTAINABILITY
- DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT
INTERNATIONAL RESPONSE

G-8:

DEBT CANCELLATION FOR 18 LEAST DEVELOPED COUNTRIES IN AFRICA: (40 BILLION US $)

USA:

MILLENIUM CHALLENGE ACCOUNT…. AN INTERNATIONAL AID PROGRAMME, $ 20.3 BILLION

UK:

INTERNATIONAL FINANCING FACILITY… DESIGNED TO HELP MEET THE MILLENIUM DEVELOPMENT GOALS GLOBALLY, INCLUDING AFRICA…UP TO $ 50 BILLION ANNUALLY

COMMISSION FOR AFRICA….??$ 25 BILLION ANNUALLY BY 2010
SOME INSIGHTS

SEVEN FORMS OF CAPITAL:

1. NATURAL ENDOWMENTS
2. FINANCIAL RESOURCES
3. HUMANLY MADE
4. INSTITUTIONAL
5. KNOWLEDGE RESOURCES
6. HUMAN CAPITAL
7. CULTURAL CAPITAL

SOURCE: MICHAEL FAIRBANKS AND STACE LINDSAY, “CULTURE MATTERS”
CAN AFRICA COMPETE?

KEY: PRODUCTIVITY

DETERMINANTS OF COMPETITIVENESS:

- MACROECONOMIC, POLITICAL, LEGAL AND SOCIAL CONTEXTS ARE IMPORTANT BUT NOT SUFFICIENT

- MICRO-ECONOMIC FOUNDATIONS: OPERATIONS & STRATEGY; THE BUSINESS ENVIRONMENT

Michael Porter, *Competitive Advantage of Nations*
CAN AFRICA COMPETE?

- SYNERGY BETWEEN ECONOMIC AND SOCIAL POLICY
- COLLABORATION AS WELL COMPETITION
- NOT WHERE BUT HOW YOU COMPETE
- FIRMS COMPETE IN INDUSTRY
- THE NATIONAL COMPETITIVE ENVIRONMENT:
  * Factor inputs
  * Demand conditions
  * Related and supporting industries
  * Firm strategy, structure, and rivalry
  * Chance
  * Role of government

Michael Porter, *Competitive Advantage of Nations*
CAN AFRICA LEARN FROM OTHERS?

LESSONS FROM THE “ASIAN MIRACLE”:

(Singapore, Malaysia, South Korea, Taiwan, Thailand, Indonesia)

- Investment in human capital development
- Investment in physical infrastructure
- High savings/high investment
- Export-led growth
- Efficient and effective bureaucracy
- Policy packages
- Role of Government
- Chance?
“THE WASHINGTON CONCENSUS”:- World Bank/IMF

- Fiscal discipline
- Public expenditure priorities-health, education, public infrastructure
- Tax reform, to widen the tax base and increase revenue
- Interest rates..to be market-determined, and positive to avoid capital flight.
- Trade policy…import liberalisation, free trade, export-oriented policies
- Foreign direct investment to attract know-how, skills and capital
- Deregulation
- Property rights
“If we stop thinking about the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up”

C.K. Prahalad

The Fortune at the Bottom of the Pyramid
THE FORTUNE AT THE BOTTOM

The 4 billion poor in the world who live on less than 2 dollars per day.

The ecosystem of stakeholders:
- The poor as consumers and entrepreneurs
- Government-central and local
- Civil society
- Private Enterprise
- Development and aid agencies
DOING BUSINESS IN AFRICA

THE INSTITUTIONAL CONTEXTS:

- Political and Social systems
  * Identify power centers
  * How decentralized is the political system?
  * Level of trust in society
- Openness. Beware, this can be deceptive!
- Product markets. Consumer information scanty, market research and advertising in infancy.
- Labor markets: Quality of talent low and difficult to ascertain
- Capital and financial markets: except for South Africa, generally under-developed.
  * No credit rating agencies
  * Poor corporate governance

DOING BUSINESS IN AFRICA

THE BUSINESS ENVIRONMENT

- Starting a business
- Dealing with licences
- Hiring and firing
- Registering property
- Getting credit
- Protecting investors
- Paying taxes
- Trading across borders
- Enforcing contracts
- Closing a business
TECHNOLOGY IN AFRICA

THE CHALLENGE:

- Platform technologies are key: manufacturing, new knowledge through R&D, education
- Infrastructure is the foundation for technology
- Investment in science and technology education needs to change, and the role of universities needs to change
- Government needs to promote business activities in science, technology, and innovation
  - SMEs,
  - Financial capital,
  - Govt. procurement to stimulate tech.devt,
  - Participation in international trade; need for standards, and technical regulations to ensure product/services quality that can compete in world markets
  - Intellectual property protection
  - Attracting FDI
  - Promoting regional markets
MAKING AID WORK

- Quantity of AID is not as important as the quality of AID.
- Impact of AID depends on many factors: on top of list, beneficiaries should be targeted, and they should participate and own the process throughout the course of, conception, planning, implementation, and follow-up of AID programs.
- AID should be incorporated into the national development agenda-to support wealth creating processes.
- A winning strategy should include all stakeholders.
- There should be an exit strategy.
SUMMARY: AFRICA’S STRATEGIC CHOICES

- Changing the mindset: Prosperity is a choice
- Prosperity is a product of hard and smart work
- Closing the governance deficit gap
- Investing in people: Health & education, science and technology, R&D
- Private sector development: Local SMEs; strategic partnerships with MNCs...innovation, entrepreneurship
- Investing in infrastructure
- Creating enabling environment for FDI
- Trade: Consolidating national and regional markets and integration into global economy
- Sustainable management of natural resources and environment
- Securing the continent against intranational conflict, inter-state wars, terrorism and transnational crime
AFRICA IN THE 21ST CENTURY

THE 21ST CENTURY GLOBAL LANDSCAPE:

- WAR BETWEEN NATIONS
- VIOLENCE WITHIN NATIONS CIVIL WAR, HUMAN RIGHTS ABUSES & GENOCIDE
- POVERTY, INFECTIOUS DISEASES, ENVIRONMENT
- WEAPONS OF MASS DESTRUCTION
- TERRORISM
- ORGANISED TRANSNATIONAL CRIME
WHO WILL LEAD & MANAGE?

????????????????