Combined Agenda 2063

Conclusion: Africa has significant untapped development potential

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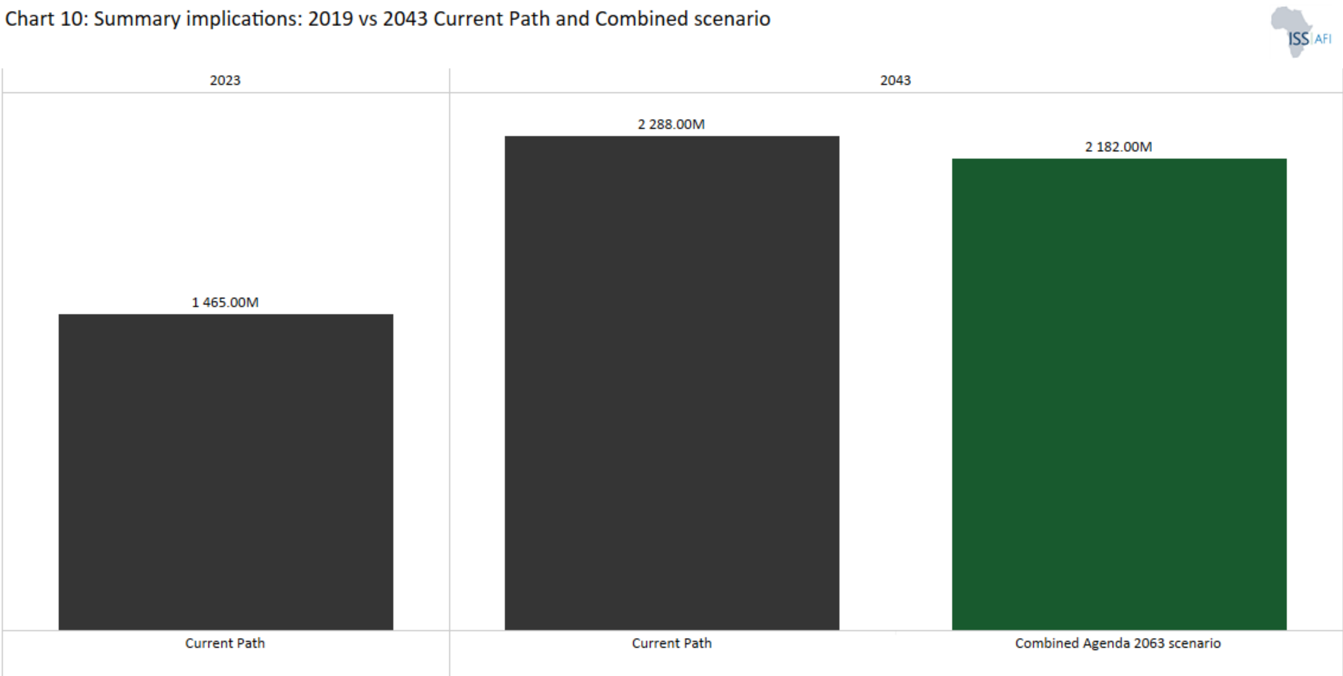
The introductory section in this theme indicated that, on Africa's Current Path, the African economy in 2043 will be 250% larger compared to 2023, but because Africa's population will have increased by 156%, gross domestic product (GDP) per capita will have improved by only 133%.

In the Combined Agenda 2063, things will change. In that scenario African economy in 2043 will have increased by 370% compared to 2023, Africa's population will have increased by only 149%, and as a result, GDP PC will have improved by 180%. The difference is a remarkable US$2 275.

In 2023, Africa's GDP PC was 25% of the average of the rest of the world, and on the Current Path forecast, that would have declined to 23% in 2043. In the Combined scenario, it would be 31%.

Instead of a 2043 African economy that is 4.2% of the global economy, it could be 6.1%. In 2023 it was 2.9%.

Chart 10: Summary implications: 2019 vs 2043 Current Path and Combined scenario



On a structural level, many of Africa's challenges can be traced back to the process of imposed state formation, which started with imperialism and lasted through the colonial period. Decades later, the end of the Cold War released Africa into an international state-based system when its constituent states had not yet been able to consolidate.

Subsequently much of Africa and its amalgamation of unconsolidated 'states in name' struggled. Some have been poorly served by elites who often appear to place their family, tribe or ethnic group ahead of their country's development rather than a commitment to advance equal development for all its citizens. The challenge to deliver is complicated by the fact that in many African states, governing consists of a continuous process of bargaining and patronage among numerous traditional, ethnic, family and other groupings to retain power. That is changing, but slowly.

Eventually, neither Western donors, nor trade with China or India, will develop Africa; only Africans can, but cannot, in isolation. Leaders must accept responsibility for shaping the future, manage debt levels and carefully allocate resources to maximise development progress. More capital is key, as is a focussed and deliberate industrial and trade policy. Even developed countries cannot finance their capital needs from domestic revenues alone and need to borrow.

As a percent of GDP, Africa’s finance requirements are high, although eminently achievable when looking at the amounts of capital available globally. There is no silver bullet to this dilemma. It requires a host of responses, starting with the quality of domestic governance and extending all the way to boosting concessional loans and grants, and restructuring the voting rights of IFIs. Africans must afford much higher debt levels (at least 50% to 60% of GDP) which is only possible at very low concessional rates. This means someone somewhere needs to offset the additional risk premium as Africans work to reduce their risk premium through better governance. The theme on Financial Flows lists recommendations that relate to reductions in the information assymmetry beween borrowers and lenders, and the importance of a global financial architecture that is fair and accountable to all.

Sustained and rapid growth is difficult to achieve. Each African country needs to develop organic practices tailored to that country's domestic conditions. ‘Countries become successful,’ argues Lant Pritchett, ‘by means of an ugly, messy, contested hard slog that takes decades. And then, after they become successful, they create myths about how wonderful it was and the reasons why they did it, when the reality was just that it was a hard slog.’[1]

This website presents a host of policy recommendations that seek to explain and explore the development of Africa. The general result that emerges from the analysis is to recognise the interrelationships between various sectors. In many senses, governments need to fix the basics. For example, they need to invest in core infrastructure such as electricity, sanitation, water and roads, in literacy and primary education, then in lower-secondary and upper-secondary education, and in empowering and helping small-scale farmers and businesses to improve productivity to ensure sufficient nutrition and food security.

Leapfrogging should be seen in this context to allow Africa to benefit from new technologies so that things can progress more rapidly and cheaply, such as by using digital identification systems and electronic payments systems to improve the capacity of governments to deliver more effective programmes or provide electricity to their citizens through decentralised mini-grids using renewables. Access to electricity and the global village (through access to the Internet) offers huge potential to embark on a rapid digitisation process. It has significant potential as a key enabler of more rapid growth.[2] Large infrastructure projects are important, but governments must carefully analyse that their investments respond to actual demand before investing in hugely expensive railway lines, for example.

Current forecasts indicate that the rise of India could lead to a global resources boom starting within the next decade, even as the transition to renewables means that a new scramble for Africa’s minerals, such as nickel is imminent. As much as African economies need to diversify, it is unlikely that this will be possible by then. Nor is it a given that Africa will be the region to benefit most from this boom, for, according to the Fraser Institute, much of Africa ranks near the bottom in their annual survey of mining and exploration attractiveness.[3]

Resource extraction can provide an opportunity to invest in the efforts required to transform Africa’s economies and education systems for greater productivity. However, this is only possible if Africa uses that income and opportunity as a foundation and opportunity for structural economic transformation — going up the productivity value chain. In a separate theme we examine the extent to which that can be based on renewables vs nuclear and fossil fuels given the need to provide a sufficient base load to drive its burgeoning manufacturing industry and unlock productivity from its services sector.

Africa has a large and growing working-age population with the potential to accelerate economic growth, provided the continent can improve on the associated skills base and create the demand to translate that skills base into a knowledge economy. The reverse applies in Europe, and North America where the contribution from labour to growth is declining.

However, the potential contribution from Africa’s growing labour pool is insufficient to guarantee productive economic growth without adequate investment in appropriate education for the Fourth Industrial Revolution, sufficient nutrition and access to healthcare, and industrial policies that incentivise and absorb graduates. Africa trails significantly in all three areas compared to global averages. Since investments in human capital provide the most enduring contribution to sustainable economic growth over long time horizons, the continent needs to invest in the associated enablers.

Even with the best will and good fortune, it is unlikely that all African countries would be able to achieve similar success in advancing across all dimensions. In addition, the type of reforms required to move from low levels of development are quite different from those needed at a middle-income level. Eventually, only individual country studies can indicate the potential growth that is possible.

Apart from everything else, African countries need modern, capable leadership that can connect with the aspirations of their youthful populations. Leaders must move on after a set term, look to the future rather than fixate on the past, and rely on evidence-based policymaking, not ideology. Africa does not need excellent governance, superb education, or top hospitals; what transforms a country is typically governance that is 'good enough', strong local low-tech health programmes, and decent education and jobs for women. That is the essence of the call by Nelson Mandela that we should not 'seek to place blame for our condition elsewhere or to look to others to take responsibility for our development', but to become the masters of our own fate.

Chart 11: Recommendations

Recommendations

1. Africans must follow the developmental pathway of others:
    - Invest in food security, then agro-processing
    - Pursue a manufacturing growth path where possible
    - With ongoing support to the agricultural sector and knowledge-based services
2. Modern technology can help but to leapfrog:
    - Prioritise provision of nationwide household electricity, using mini- and -off-grid renewable energy in rural areas
    - Provide nationwide affordable and fast broadband internet access
    - Invest in a knowledge economy, such as in decentralised, cottage-industries
    - Reduce dependence on commodity exports - economic diversification is crucial.
    - Use pay-as-you-go services and crowd the informal sector into the formal sector.
3. A more rapid demographic transition accelerates development. It requires provision of modern contraceptives, education and female empowerment.
4. Planned urbanisation is a means to roll our services to more people, more rapidly.
5. The market will not resolve poverty - learn from China how governments can alleviate poverty
6. Ensure regular political turnover, merit-based appointments and complete transparency on all sovereign debt, including loans to parastatals
7. Work hard to attract foreign investment with forward and backward linkages to the domestic economy
8. Government must be adequately funded - broaden and simplify taxation.

Endnotes

1. Prof Lant Pritchett in conversation with Ann Bernstein, Centre for Development and Enterprise, June 2021.
2. United Nations Economic Commission for Africa, Fiscal policy for financing sustainable development in Africa, Addis Ababa: UNECA, 2019, xiii.
3. Investment decisions are not based only on mineral potential but also on policy certainty and confidence in a policy regime that will remain stable. Policy factors account for approximately 40% of investment decisions. Regionally, only Latin America and the Caribbean fares worse than Africa. See: A Stedman KP Green, Annual Survey of Mining Companies: 2017, Fraser Institute, 2018

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About the authors

Dr Jakkie Cilliers is the ISS's founder and former executive director of the ISS. He currently serves as chair of the ISS Board of Trustees and head of the African Futures and Innovation (AFI) programme at the Pretoria oce of the ISS. His 2017 best-seller Fate of the Nation addresses South Africa's futures from political, economic and social perspectives. His three most recent books, Africa First! Igniting a Growth Revolution (March 2020), The Future of Africa: Challenges and Opportunities (April 2021), and Africa Tomorrow: Pathways to Prosperity (June 2022) take a rigorous look at the continent as a whole.

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