Is Africa turning a corner?

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What we’re used to
Important changes:

- Stability
- Less debt
- Lowering costs (inflation from avg. 22%-8%)
- Privatized uncompetitive state industries
- Increasing predictability/security (business climate reformers grow faster)
- Less conflict
- Changes at the macro level lead to improvements at the micro level
Steam gathering

- 2000-2008:
  - GDP rising an average of nearly 5%/year (productivity accelerating)
  - Twice as fast as in 1980s/1990s
  - Economies are diversifying away from minerals/agriculture (manufacturing, telecom, services)
  - Technology is spurring innovation
  - Less conflict means more opportunities to do business
What’s changing?

- Strong growth in BANKING sector – meeting needs of huge unbanked population
- Strong growth in CONSTRUCTION – meeting needs of urban populations
- Strong growth in TELECOM – connecting people, spurring innovation
- Strong growth in RETAIL as more people have disposable income
- DOMESTIC SERVICE INDUSTRIES ACCOUNT FOR ALMOST ALL JOB GROWTH
A few examples

- M-PESA:
  
  [http://www.youtube.com/watch?v=AQ0deRtB238](http://www.youtube.com/watch?v=AQ0deRtB238)
Tackling sanitation:

http://vimeo.com/8257982
September 29, 2010:
“Wal-Mart bets on Africa. Should you?”
Important trends

- Urbanization (43% v. 28% in 1980)
- Less conflict
- Integration into world markets
- Foreign direct investment (from $9B in 2000 to $62B in 2008)
- Rates of return on investments highest in developing world (12% v 10% Asia)
- More fdi = more technology, new skills, more competition
- Leveraging the power of women
Diaspora involvement

- Via Remittances: est. at over $4 billion several years ago
- Via networks: Peace Dividend, Harambe Endeavor
- Via permanent return as conditions improve
  - Bringing skills
  - Capital
  - Building businesses/creating jobs
  - [http://www.diasporamarketplace.org/awardees](http://www.diasporamarketplace.org/awardees)
New movements to strengthen regional trade:
- African Free Trade Agreement
- Lowers costs for producers & consumers by lowering barriers to trade
- Allows for increased specialization – ex: food products from SA to southern Africa
- Creates additional incentives to improve infrastructure, meet energy needs
Still lagging on growth of exports
Some higher value exports (auto parts)
Productivity is increasing but labor costs higher than other developing areas
Subsidies in developed nations limit some exports
Value added niche products hold potential for growth
Agriculture

- A new green revolution?
- Lots of potential farmland
- Opportunities for expanding production/increasing yields
- Shift to higher value crops (ex: fruits/flowers)
- Supports other businesses (hot houses, trucking companies, packaging, processing)
- But real challenges
Transportation, power/energy, telecom, water/sanitation all need a great deal of improvement

Governments are main source (65%)

Private sector in investing (currently 25% of investments & increasing yearly)

China is investing (about 6%)

ODA is supporting development (about 4%)
Growing middle class

- 85 million households earn $5k/year or more (just under 10%)
- More middle class households than India
- Urbanization leads to job growth/productivity gains/rising wages
- Rise of middle class correlated positively to stronger rule of law/governance
Figure 3. Rule of law and per capita growth, 1960–1998 (moving median of 30 observations ordered by rule of law).
Minerals & growth

- Oil exporters diversify less
- Corruption problems
- Little benefit to the people
- Leads to violence/conflict
- BUT, still strong worldwide demand
Leveraging Africa’s women

- Women spend more on their children’s health & education (on avg.) than do men
- Women do the majority of agricultural work in SSA
- Women (worldwide) own less than 6% of the land
- Women often face legal/social barriers to doing business
- But... Dynamic businesswomen are creating jobs and opportunity
A single example

- Magatte Wade
- Senegalese entrepreneur

- Founded Adina for Life
  - Natural coffee/tea/juice products
  - [http://www.adinaworld.com](http://www.adinaworld.com)

Launching Tiassano Tribe
- Lifestyle company
- Sourcing products in Africa
- Producing in Africa
- Building a conscious consumer brand
Red flags

- Governance/Corruption
- Infrastructure
- Trade restrictions
- Land problems
- Remaining conflict
- Education (76% primary enrollment; 35% secondary)
- Health/Sanitation
The other red flag

- China’s role
- Buying commodities (China now imports 13% of Africa’s oil from 1% in 1995)
- Building infrastructure
- Accessing markets, particularly for low-cost consumer products
Future prospects?

- There’s a strong need to continue work on governance/rol
- Continued integration bodes well
- Particularly as urbanization increases
- A green revolution is a key variable
- As are improved rights for all, esp. Africa’s women