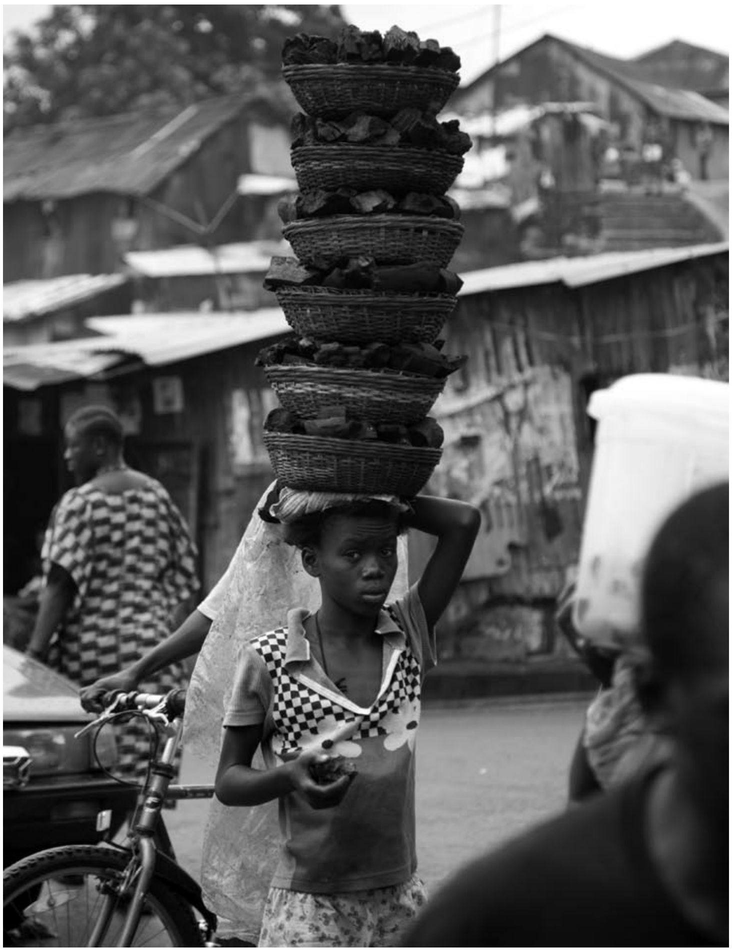
'There is economic growth, but the structures of Africa's economies remain unaltered'

Robert Bates



CHRISTOPHER HERWIG

In 1997 the Africa Economic Research Consortium—a network of professional economists, headquartered in Nairobi, but ramifying throughout Africa—launched a study of the continent's economic performance in the post-independence period. In 2007, it published the two-volume product of this effort, *The Political Economy of Economic Growth in Africa, 1960–2000*. Among its many findings is one highly relevant here: An understanding of the economics of Africa requires an understanding of its politics. I participated in the project, and as it was coming to an end, I asked myself: Were we now to address Africa in the period since the year 2000, would we find it much changed? The answer was a resounding "Yes!" In his essay, Edward Miguel highlights several reasons why.

Since the mid-1990s, the economies of Africa have grown, and all who experienced the misery of the collapses of the 1970s will rejoice at this. Peace has returned in Liberia, Rwanda, and Sierra Leone; all will celebrate this change as well. Governments in Africa now periodically contest elections. As Miguel suggests, for the first time in decades, Africa appears to enjoy the prospects of prosperity, peace, and good governance.

But Miguel overlooks some reasons for Africa's new prosperity. And I am more skeptical than he concerning the stability of Africa's politics and the quality of its governance.

Miguel rightly notes the impact of economic growth in India and China on Africa's economies. He fails, however, to stress three other factors.

One is the re-integration of South Africa—and its economy—into the African continent. With the fall of apartheid came a surge of private capital northward as South African firms invested in commerce, brewing, mining, and banking elsewhere in Africa.

Africa's emigrants have also contributed to the growth of its economies. The collapse of Africa's economies in the 1970s and 1980s led to the flight of citizens abroad. The subsequent flow of funds from these expatriates now contributes to the continent's prosperity. Visitors to Ghana, for example, soon learn that the construction in newer suburbs of Accra has, to a great degree, been financed by Ghanaians abroad. Remittances rank as the country's second largest source of foreign earnings, less than the gains from gold exports, but greater than those from coco.

I would also draw attention to a third economic change: the movement of the petroleum frontier from the Middle East to West Africa. Africa's established oil regimes—Gabon, Angola, Cameroon, and Nigeria—have been joined by the smaller states that dot its western coastline. The United States already imports one-quarter of its petroleum from the region. As more of the West African oil fields come into production, this fraction will rise. Increasing exports of oil yield major increases in export earnings for the economies of Africa.

While significant economically, each of these changes is fraught with other subtle but important implications. Reflect on the rise of India and China, for example. Viewed in historical perspective, imperialism in Africa endured but a moment. For eons, East Africa looked eastward toward the Indian Ocean rather than northward toward Europe. Might not the re-entry of Asia on the African scene represent a return to a "natural" configuration, in which Kenya, Tanzania, or Mozambique turn first to India and China and only then to London or Paris when negotiating their futures? Reflect, too, on the emergence of Africa's oil economies. Where oil appears, there arrive the armed forces of the industrial states. In response to the increase in oil production in West Africa, the United States is now extending its military reach to the region. Both the growth of Asia and the increase in petroleum exports have sparked the renewal of economic growth in Africa. But they also limn a new geopolitical order.

As we consider the myriad effects of increasing African ties to Asia, it is vital to remember that economic improvement in Africa can be fleeting. That the major portion of Africa's wealth is lodged within such fragile political entities as Nigeria and South Africa does not bode well for the future welfare of the continent. Half the wealth of Africa accrues to those two states. The last national elections in Nigeria were stolen and the current president continues to rule only because the courts allow him to, fearing the chaos that a new election would bring. The prospect of next year's elections in South Africa threatens to split the governing party, sewing the politics of South Africa with discord. Côte d'Ivoire and Kenya were once regarded as examples of successful development in Africa. The one now stands divided, with different zones occupied by different political forces, and the other is teetering on civil war. All underscore the fragility of peace and prosperity in Africa.

As Miguel notes, peace *has* returned to some of the most violent portions of Africa. But conflict still characterizes much of East and Central Africa and it has broken out afresh in the Sahelian zones. Miguel also points out that the majority of governments in Africa are chosen in competitive elections. But, as events in Nigeria reveal, incumbents have learned how elections can be managed; party competition does not imply political accountability. The tragic consequences of Kenya's last election provide further evidence that, when faced with the threat of loss of office, incumbents are willing to turn from peaceful competition to political violence.

So, yes, things have changed. However, I would characterize the change as one of magnitude rather than character. There is economic growth, but much of it derives from primary products. The structures of Africa's economies remain unaltered. Several of the most intense conflicts have ended, but others continue and new ones threaten to break out. Political competition has replaced authoritarian governments, but governments have learned to rig elections so as to retain power. While I join Miguel in celebrating the progress that is being made, my joy is more tempered. ♦

'The impact of mobile technology in the developing world is staggering'

Ken Banks

Edward Miguel's examination of sub-Saharan Africa's economic development focuses on outside influences and interventions as the major economic forces affecting the region. Foreign aid, foreign direct investment, the colonial legacy, and so on: each plays a significant role in explaining the current status of the continent. Indeed, Miguel's focus may simply be a reflection of what has emerged over the past forty or fifty years as the prevailing view of the African majority. According to this understanding, many Africans have been passive victims, or beneficiaries, of outside initiatives, lacking the money, tools, and resources to release their own economic shackles. I am not sure that this story was ever true. In any case, the current picture is very different. Moreover, while Miguel provides an analysis of formal development in sub-Saharan Africa, he ignores the crucial factor of informal economic growth. African entrepreneurs are discovering that the current technological environment enables them to remove those shackles for themselves. They need not rely on a donor agency or international trade agreement to hand them the key.

I have spent the past five years or so helping grassroots nonprofits in developing countries take advantage of the latest technological revolution—the mobile phone. With penetration rates in excess of 30 percent and handset sales among the highest in the world, sub-Saharan Africa is poised to gain from the introduction of what is commonly referred to as a "leapfrogging technology"—a technology that allows developing countries to bypass inferior methods and industries in favor of more advanced ones. Farmers are now able to access market information through their phones, and better information leads to higher income. Casual laborers are better able to advertise their services and take on more jobs because they spend less time waiting on street corners for work to come their way. Unemployed youth can receive news of job openings on their phones, alerting them when work becomes available. Web-enabled mobile phones can also provide health information and advice and remind people when to take their medicine. A citizen with a mobile phone has the information he or she needs to engage more actively in civil society by monitoring elections and helping keep governments accountable. Mobile telephony and Internet also make possible early warnings of wildlife threats, mitigating human-elephant conflict that endangers lives and livelihoods. The impact and wide-ranging uses of mobile technology in the developing world are nothing short of staggering.

The opportunities brought by the arrival of mobile technologies and services have not gone unnoticed, particularly by those at, or uncomfortably close to, the so-called bottom of the pyramid. There, too, mobile ownership is increasing, and shared phone and village phone schemes mean that those who are not yet able to afford a phone of their own still have access to the technology. A single village phone lady—an individual who purchases a mobile phone and charges neighbors for its use—may provide telecommunications services to hundreds of people in her area.

Mobile phones have become vital to the sub-Saharan way of life. According to the Center for Policy and Development, a Nigerian NGO, many Nigerians describe losing them as literally a matter of life or death for their businesses. More widely, the spread of mobile phones has created significant casual (or informal) employment opportunities. For example, a recent report by the Uganda Communications Commission found that that country's information communications technology sector, a majority of which is the mobile industry, officially employs roughly 6,000 people. The informal sector, which engages in support activities, represents over 350,000. The numbers are monumental. If we ignore this informal sector, a considerable amount of economic activity will be overlooked.

Anyone who has traveled to an African country in the past couple of years could not have failed to notice representatives or analogues of these 350,000 Ugandans: women selling airtime on the streets; children dodging cars at main junctions, selling chargers and phone covers; street vendors charging people's phones for a fee; and mobile phone repair shops squeezing one last drop of life from old phones. There is also a thriving second-hand market, with stalls selling all manner of new and recycled handsets. Entrepreneurs are even building their own traveling mobile services, strapping phones and spare batteries to the fronts of bikes and seeking out business.

In a much-cited 2005 study, an economist at the London Business School concluded that an extra ten mobile phones per hundred people in a "typical developing country" leads to a 0.59 percent increase in GDP per capita. The insatiable demand for mobile technology generates significant tax revenue for the government, but much of the growth can be found in the increasingly efficient informal sector, out of sight of governments and economists. At the bottom of the pyramid, where micro-loans of just a few dollars are a proven catalyst in helping people work their own way out of poverty, the diffusion of mobile technology has the clear potential to do the same.

As more and more people become connected, future studies of sub-Saharan Africa and its economic potential will find it increasingly difficult to ignore the influence of mobile technology and the spirit of African entrepreneurs who capitalize on it. There is little doubt that this spirit has always been there, but perhaps it is the emergence of mobile technology that has enabled it to thrive. ♦

'It is too early to tell if Africa's time has come'

Olu Ajakaiye

It is important to explore—as Edward Miguel does—the factors responsible for the contemporary growth in sub-Saharan Africa because we have been here before. In the first decade after independence, sub-Saharan countries recorded reasonable economic growth before a massive three-decades collapse. Understanding today's growth may help stem the risks of a new downturn in the second decade of the twenty-first century.

I also believe—along with Miguel—that Africa's recent gains in political freedom have played a role in the latest economic successes. A growing number of countries operate under democratic governance and enjoy the associated press freedoms, scrutiny of public office-holders, and rule of law. Punishment for those caught stealing at the ballot box may have played midwife to economic growth.

And China's contributions to new growth are not in doubt, as African countries now benefit directly or indirectly from high commodity prices; affordable Chinese imports; growing investment, especially in extractive industries; and, increasingly, development-augmenting aid packages for education and health. However, China's contributions pose certain challenges, namely, how to sustain growth when primary commodities continue to dominate Africa's output and income; the inevitable collapse of commodity prices as China engineers itself out of raw material–intensive production systems and into more knowledge–intensive ones; and the risk of so-called easy loans rekindling high debt in the future. How can African policy makers and researchers best avoid these hazards?

Miguel tucks into his discussion of China's role the important issue of access to U.S., EU, and Japanese markets. This is a crucial matter that requires greater consideration. With the related Economic Partnership Arrangements (EPAs) being actively promoted by the European Union, any discussion of Africa's economic future warrants a serious look at whether the European Union is friend or foe of today's African renaissance. The EPAs may present challenges to sustaining the current growth, challenges similar to those posed by the dominance of primary commodities in China- Africa trade. Another issue Miguel neglects is the need for African economies to build manufacturing capacity, and hence take advantage of access to world markets.

On the role of foreign aid, Miguel seems sympathetic to the view that Africa remains poor today despite hundreds of billions of dollars of foreign aid. Skepticism regarding the benefits of aid to countries plagued by corruption is fair, but one wonders if this is the whole story. This view assumes that there are no problems from the donor side. In fact, the donor community itself does not share this rather one-sided view, as evidenced by the spirit of the 2005 Paris Declaration on Aid Effectiveness.

On the issue of conflict costs and contagion, I, for the most part, agree that the impact on growth can be devastating. However, the proposition that if the economic growth of the last seven years continues for another decade or two African economies will be richer and more diversified and thus less at risk of falling into conflict has the feel of *mutatis mutandis*. Can we take for granted that diversification is in the offing? After all, the sub-Saharan growth process is driven mainly by primary commodities. What will ensure that growth is accompanied by equity, perceived or real? The root cause of conflicts in Africa is perceived or real economic and social inequality. We cannot assume away the challenges of economic diversification and equity. To sustain growth, policy makers must face them, and analysts must propose policies that can help achieve them.

The threat of climate change to the contemporary growth process is real and urgent. But Miguel gives the impression that, in spite of climate change, Africa will remain a primary commodities producer. This explains his almost exclusive attention to adaptation to drought through aid and research into drought-resistant crop varieties suited for the Sahel. With this kind of adaptation strategy, one wonders how African economies can become diversified, and thus less at risk of falling into conflict. I would have expected Miguel to also discuss the kinds of support that African countries would need in order to pursue clean development. African countries must have guaranteed access to green technologies so that, as their economies grow and diversify, they will not repeat the mistakes of advanced countries. Sub-Saharan Africa needs support for creating financial and other institutional structures that will enable it to develop in a climate-friendly way.

It is, indeed, too early to tell if Africa's time has come, but we must call for necessary action on the part of all stakeholders in African development to learn from recent success and give the continent its best chance to sustain those gains. ♦