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Africa Rising

Who benefits from the continent's economic growth?

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Editorial

Debating the current socio-economic conditions and future prospects for the African continent has become a regular activity in boardrooms and international conference centres.

At the beginning of this century, such debates still centred on a grand narrative that portrayed Africa as a largely hopeless continent. The predominant image was that of an impoverished child facing a bleak future due to political instability, aid dependency and kleptocratic elites stashing their stolen riches in Swiss bank accounts. Over the course of only a few years, the narrative has radically changed. Today, international consulting firms and popular economic journals constantly remind us that Africa is "on the rise". Those euphoric about the continent's future point to the fact that the region is harbouring a number of the world's fastest growing economies, thanks not only to historic highs in international commodity prices but also to improvements in macro- and microeconomic policy in many countries that have made it easier to invest.

However, much like the story of "hopeless Africa", the "Africa rising" narrative often appears to be emotive and one-dimensional. Its focus on broad-gauge measures of economic growth such as gross domestic product (GDP) glosses over the mixed experiences of the real – or perceived – progress that has been achieved over the last decade. Questions about the social, political and environmental sustainability of the continent's current development trajectories, and who benefits from them, often remain ignored.

With this edition of *Perspectives*, the Heinrich Böll Foundation gives Africa-based commentators and experts from across the continent the opportunity to critically reflect on the "Africa rising" story and the sub-narratives it carries, including the rise of the African woman, the rise of the African middle class and the power of innovation.

The articles demonstrate that, in too many instances, it is not the wider population but small segments and interested parties, such as the local political elite and foreign investors, who are benefitting from economic growth and resource wealth. Social cohesion, political freedom and environmental protection carry little importance in the comforting world of impressive growth statistics. The glamorous images of Africa's prominent women and rising middle class produced and re-produced in the media prevent the less attractive and more complex stories about ordinary people's daily struggles from being heard.

Yet these pieces do not simply point out the shortcomings and failures of Africa's growth story. They also provide insight into how Africa could go beyond the limited concern with economic gain in order to better bridge the gap between the few "haves" and the many "have-nots". In this context, it will be important for African governments and their development partners to consider that the daily lived realities of most Africans may well be the opposite of what the alluring grand narratives and statistical measures suggest them to be.

We hope that this edition will help to move the debate about Africa's future away from either irrational depression or unfounded euphoria, and to promote an understanding of development that takes its economic, human and environmental dimensions equally into account.

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Africa Rising? Think Again

Lorenzo Fioramonti

In the past few years, there has been much talk about "Africa rising". In late 2011, *The Economist* (traditionally sceptical of Africa, which it had routinely described as the "hopeless continent") published a cover that is probably jealously kept in most government offices from Cape to Cairo: a young boy flying a rainbow-coloured kite in the shape of the continent with the headline "Africa rising". The British magazine pointed out what conventional statistics revealed: "Over the past decade, six of the world's ten fastest-growing countries were African. In eight of the past ten years, Africa has grown faster than East Asia."[1] The lead article described the Onitsha market in southern Nigeria: shops "stacked six feet high with goods", streets "jammed with customers and salespeople … sweating profusely under the onslaught" in what many consider the "world's biggest" market. A year later, in December 2012, *Time* magazine also celebrated "Africa rising".[2] For the *Financial Times*, Africa is "calling" investors from all over the world eager to take advantage of a "flourishing market".[3] *The Economist*, *Time* and *FT* articles were preceded by a 2010 McKinsey report on Africa aptly titled "Lions on the move".[4]

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But is Africa really rising? If one looks at the gross domestic product (GDP), then the answer is yes. Of the world's top 10 countries in GDP growth rates for 2012, four are African. Libya tops the list, with over 100 percent GDP growth in 2012 (that means the economy doubled its size in one year), followed by Sierra Leone (around 20 percent growth), Niger (11 percent) and Ivory Coast (10 percent). Other fast growing economies include Angola, Chad and the DRC. But GDP tells us nothing about the health of an economy, let alone its sustainability and the overall impact on human welfare. GDP is simply a measure of market consumption, which has been improperly adopted to assess economic performance.[5] Rebuilding Libya after the civil war has been a blessing for its GDP. But does that mean that Libya is on an enviable growth path? When there is only one brick left in a country devastated by war or other disasters, then just making another brick means doubling the economy (100 percent growth). Another problem is the reliability of GDP statistics in Africa. Economic growth figures for most African countries are incomplete, thus undermining any generalisation about overall economic performance in the continent.[6]

Besides statistical problems, there are important structural reasons why one should be suspicious of the "Africa rising" mantra. Most fast-growing African economies are heavily dependent on exports of commodities. According to the IMF, Africa's natural resources account for the bulk of GDP growth in the continent, with peaks of over 40 percent in the more resource-rich countries.[7] This means that when commodity prices drop at the global level, African economies languish. More dangerously, it means that the "growth" we have seen in the past few years is largely the result of a statistical mirage. Most natural resources in Africa are not renewable: once they are taken out of the ground, they do not grow

back. GDP does not measure the "loss" of selling out the most precious resources African countries possess.

What would the picture look like if such losses were integrated into GDP? The World Bank 2013 adjusted net savings statistics – which subtracts from GDP the value of natural resources revenues that are not reinvested in human capital and infrastructure – gives us the following: African countries have been depleting their wealth to the tune of 1.2 percent a year. Rather than growing, our continent's economies have been shrinking. Sierra Leone has experienced net savings losses of about 20 percent; Angola, of 40 percent; Chad of 50 percent; and the DRC of over 57 percent.[8] These numbers would be even higher if one were to measure the absolute depletion of natural resources, not only that section that is not reinvested in the real economy (as the net savings approach does).

For many investors, African economies present opportunities and challenges. With the rising influence of the so-called "emerging economies" and their need for energy and raw materials, a new investment "scramble" is taking place in Africa. Unsurprisingly, most investment in the continent focuses on the commodity sector, with China accounting for the lion's share. Huge energy projects, such as the Inga Dam in the DRC, have also attracted billions from international financial institutions and private investors. As African societies urbanise, investment has also targeted productive activities dealing with more conventional consumer goods and services, from retailers to banking.

While acknowledging the variety of investment opportunities in the continent, one should be wary of the conclusion that this is necessarily contributing to the wellbeing of Africa. A joint report of Global Financial Integrity and the African Development Bank estimates that, between 1980 and 2009, Africa lost USD1.4 trillion in illicit financial outflows and corrupt deals.[9] That is more than three times the overall foreign aid received in the same period. Those economists concerned about the influence of aid on corruption should be much more worried about the impact of the type of GDP growth they celebrate. The Africa Progress Panel chaired by former UN chief Kofi Annan also reports that our economies are plagued by the aggressive attitude of companies (local and foreign-owned) that exploit the continent's vast natural resources through overt and covert mining operations, under-priced deals and mismanagement.[10] The DRC, one of the fastest growing economies in GDP terms, is also the country with the lowest Human Development Index in the world. Its life expectancy and literacy rates are at the bottom of the global ranking. It lost over USD1.4 billion through under-priced deals in the mining sector. Economists proudly point our attention to Africa's growing middle class, but they do not tell us that statistical surveys carried out in the continent consider to be middle class any household spending more

While acknowledging the variety of investment opportunities in the continent, one should be wary of the conclusion that this is necessarily contributing to the wellbeing of Africa.

Street vendors outside Makola market in Accra, Ghana.
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than USD 2 a day.[11] With such a threshold, everybody is middle class, also those who live on bread and water.

The real costs of growth in Africa are the elephant in the room of the world's economic debates. Pundits of all sorts simply pretend these costs do not exist. The current GDP paradigm sacrifices nature, which must be commoditised to become productive. It also neglects important components of the economy, such as the informal sector, that are not part of the formal market system. Policies that are designed to support GDP growth thus replace the informal (e.g. street vendors, subsistence farming, flea markets, family businesses, household production) with the formal (e.g. shopping malls, commercial farming, large infrastructure). While some can take advantage of this concentration of wealth, many are left behind. The OECD has confirmed the intimate link between rising inequality and GDP growth across the world.[12] This is further amplified in those countries where the informal economy provides a fundamental safety net to many poor households, as is the case throughout Africa.

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Perhaps this is why many Africans do not seem impressed by the official statistics. The Afrobarometer, Africa's largest public opinion survey, released new data in October 2013 that show widespread dissatisfaction with current economic conditions despite the *vuvuzelas*[13] of the "Africa rising" cheerleaders.[14] Across the 34 countries surveyed by the research, a majority of respondents (53 percent) rate the current condition of their national economy as "fairly" or "very" bad, while just 29 percent offer a positive assessment. Only one in three Africans thinks economic conditions have improved and most respondents (over 70 percent) believe governments have done a "fairly bad to very bad" job at improving living standards and narrowing income gaps. According to the team that conducted the study, "lived poverty" (as opposed to the nominal wealth indicated in GDP) remains pervasive across the continent. They suggest that, if real growth is occurring, then "its effects are not trickling down to the poorest citizens" and "income inequality may be worsening". Alternatively, actual growth rates may simply "not match up to those being reported". With slightly more than one year before the 2015 Millennium Development Goals assessment, the data suggest that significant numbers of Africans still fail to meet their most basic needs. Most respondents report shortages in medicine and medical services (53 percent) and food (50 percent). Way too many still experience shortages of clean water (49 percent) and go without cooking fuel (42 percent). And for a significant percentage of people, these shortages are happening on a regular basis (repeated shortage of water for 21 percent; lack of medicines for 20 percent; no food for 17 percent).

While complacent politicians, economists and the media celebrate Africa's GDP miracle, another part of the continent is rising. Disillusioned with the limited gains of market society, many Africans are raising their collective voices, whether through service delivery protests (as is the case in South Africa) or through permanent mobilisations (as we have seen in North Africa). This could very well be the beginning of a new era in which more and more citizens repudiate an economic model that is losing traction also in conventionally "developed" societies to explore new forms of

human progress. Social cohesion, food sovereignty, energy democracy and ecological wellbeing should become the cornerstones of a new, truly African concept of development.

Various elements of Africa's local cultures – from the widely heralded (and often abused) concepts of *ubuntu* and *SharÊÑah* to traditional experiences with co-operative schemes of production and consumption, communal care structures, small-scale agriculture and community-driven governance – may provide fertile ground for localised and decentralised forms of development, in which enhanced human capabilities will overtake nominal income as the key objective of economic progress. Moreover, the abundance of solar energy should make it possible for entire communities to become energy independent through small-scale off-the-grid solutions, thus reinforcing a transition to a citizen-driven development model, rather than an economic paradigm based on the exploitation of nature and mass consumption.

The supporters of the "Africa rising" discourse worship GDP because it gives them a sense of how fast market economies can go. It is a global race that reduces citizens to passive spectators. But as Gandhi once said, "speed is irrelevant if you are going in the wrong direction". The real African Renaissance is becoming possible through the daily contestations of those who are committed to rethinking the fundamental principles and objectives of the current development paradigm.

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3 Wallis W, "Africa calling," *Financial Times*, 10 March 2013. Available at: <http://www.ft.com/intl/cms/s/8968cbee-7f45-11e2-89ed-00144feabdc0,Authorised=false.html?_i_location=http percent3A percent2F percent2F#axzz2irGKGRDn> (accessed 27 October 2013).
4 Roxburgh C et al., *Lions on the Move: The Progress and Potential of African Economies* (Seoul, San Francisco, London, Washington: McKinsey & Company, 2010). Available at: <www.mckinsey.com/insights/africa/lions_on_the_move> (accessed 27 October 2013).
5 For a comprehensive critique of GDP, see my book: *Gross Domestic Problem: The Politics Behind the World's Most Powerful Number*, London: Zed Books, 2013.
6 Jerven M, "We have no idea if Africa is rising", *Foreign Policy*, 28 January 2013. Available at: <www.foreignpolicy.com/articles/2013/01/28/we_have_no_idea_if_africa_is_rising> (accessed 27 October 2013).
7 According to the IMF, 20 African economies are considered resource-rich, with the majority of the rest showing a growing concentration of natural resources. Lundgren C.J, Thomas A.H and York R.C, *Boom, Bust or Prosperity? Managing Sub-Saharan Africa's Natural Resource Wealth*, Washington, DC: International Monetary Fund, 2013.
8 The adjusted net savings calculations are derived from World Bank, *Little Green Data Book 2013*, Washington, DC: World Bank. Available at: <http://data.worldbank.org/products/data-books/little-data-book/little-green-data-book> (accessed 27 October 2013).
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10 Africa Progress Panel, *Equity in Extractives: Stewarding Africa's Natural Resources for All*, Geneva: Africa Progress Panel, 2013.
11 Ncube M, *The Middle of the Pyramid: Dynamics of the Middle Class in Africa*, Tunis: African Development Bank, 2011.
12 OECD, *Divided We Stand: Why Inequality Keeps Rising*, Paris: OECD, 2011.
13 A plastic horn mostly used by South African football fans to cheer on their teams.
14 Dulani B, Mattes R and Logan C, "After a decade of growth in Africa, little change in poverty at the grassroots", *Policy Brief No. 1*, Accra: Centre for Democratic Development, 2013. Available online: <www.afrobarometer.org/files/documents/policy_brief/ab_r5_policybriefno1.pdf> (accessed 27 October 2013).

Whose Africa is Rising?
A Feminist Perspective

Anna Davies-van Es

Talking to the Narrative

> *"What does it mean to describe us as 'the world's third-largest emerging market', when Africa's location in the global terms of trade remains unfavourable? Will African women becoming an 'emerging market' like China or India [allow] us to realise our potential, free ourselves and our dependents from abjection?"*[1]
> Professor Amina Mama

Africa's so-called "GDP miracle" is celebrated by global institutions, the media and the local elite as an economic growth success. However, this is only part of the story; there is a sub-narrative at play, of "African women rising" and taking the continent by storm. This, we are told, is evidenced by the first women presidents on the continent (Dr Joyce Banda of Malawi and Ellen Johnson-Sirleaf of Liberia), the election of Nkosazana Dlamini-Zuma as chair of the African Union, and Isabel dos Santos (the oldest daughter of Angola's long-time president, José Eduardo dos Santos) being identified as Africa's richest woman and first African woman billionaire[2]. These political appointments and economic acclaim, which are celebrated in the media and at events across the continent, frame the discourse for anything to do with "women" and "Africa".

But what are we celebrating? The "Africa rising" narrative celebrates GDP growth in sub-Saharan Africa that has averaged 5 percent between 2004 and 2013, and has been particularly strong in countries such as the Ivory Coast, the Democratic Republic of the Congo (DRC), Mozambique, Rwanda and Sierra Leone that have reached GDP growth levels between 7 and 15 percent.[3] Thus, approximately one-quarter of sub-Saharan countries have fast-growing GDPs[4] and this, we are told, means that Africa is now finally on the right path, and prosperity is sure to follow.

Similarly, the "African women rising" narrative promoted by business journals (e.g. *The Economist*, *The Wall Street Journal* and *Forbes Magazine*) celebrates that 3.7 percent of Africa's nations are led by women.[5] While women political leaders might challenge patriarchal discourse about what women can and cannot do, that

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there are so *few* is more a cause of concern. Although there are exceptions (e.g. Rwanda and South Africa), most countries do not have anywhere near parity for women's political participation: sub-Saharan Africa has an average of 21 percent women in national parliaments.[6] The few women who have reached these heights remain in precarious positions. Banda, for example, is likely to lose the Malawian national elections next year, despite her popularity on the continent. Further, women occupying positions of power does not necessarily translate to a woman's agenda and has not brought about significant change for the lives of the majority of women.

More than 50 years since the beginning of Africa's political independence, what does it say that so few countries are considered successful, and so few women, compromising 50 percent of the continent's population, are in positions of political and economic power?

The "Africa rising" idea of GDP growth as a measure of success is dangerous. Its façade leads us to believe that we are on the appropriate path, while a close look at economic fundamentals and the lived reality of ordinary people appears to tell a different story.[7] Similarly, the "women rising" discourse uses examples of women in power to create a façade in front of a significantly different and worse situation. There is nothing to indicate that things are getting better for women. This alerts us to the fact that these limited gains are a function of power and do not reflect the realities of most African women. As Jessie Kabwila succinctly points out: "Ms Zuma, Sirleaf and Banda are card carrying members of the ruling elite, socially and politically"[8]. If we continue to herald these advances as if they were truly advances for all women, and if we continue to follow this path, then we will continue to reproduce structural inequalities between rich and poor and women and men.

Critiques of the "Africa rising" discourse rightly identify the main problem to be the neo-liberal development path, which maintains Africa's subordination in the international world order.[9] However, there is a glaring omission in this critique

Joyce Banda, President of Malawi.
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when women are silenced. While there may be some level of class analysis, a feminist analysis that includes race, gender and geographic location is absent. In a 2013 Afrobarometer survey of poverty in Africa that offers a glimpse behind the GDP statistics, the word "women" does not appear at all![10] This tells us something about the process, what it seeks to uncover, and what story is deemed important to tell. The critique does not see the need to look at the different experiences of women; it merely surmises that Africa's ordinary people are not rising. An alternative critique is therefore required, one that can take on both the dangerous discourse of "African women rising" and provide a real look at how women – in particular black, rural, poor women – are located in the discourse in very particular ways.

An alternative critique is therefore required, one that can take on both the dangerous discourse of "African women rising" and provide a real look at how women – in particular black, rural, poor women – are located in the discourse in very particular ways.

This article begins the process of telling that story. Using recent research from the 2013 Human Development Report's Gender Inequality Index, the 2013 Millennium Development Goals Report, the World Bank and the International Monetary Fund, it highlights the kind of research and analysis that is required and what activism we should be supporting.

Has GDP Growth in Africa Benefited Women?

If, as some observers claim (see Firoramonti in this publication), Africa is not on the whole "rising", then what has this GDP-led growth meant for African women? Has the leadership of Africa changed things for the majority of women at social and economic levels, if not political? The evidence suggests that, despite these high levels of GDP growth, the majority of women continue to face extraordinarily high levels of violence, the highest levels of poverty, the lowest incomes and, over time, decreasing access to critical social services that patriarchy makes them responsible for seeking out (e.g. childcare, healthcare, water and sanitation) in the context of high levels of HIV-infection and other diseases. As inequality increases and economic conditions worsen, women face an increased need for gender-specific social services.

Africa continues to be heavily reliant on the export of raw materials: 80 percent of exports in 2011 were resource-based raw and semi-processed goods.[11] Trade liberalisation has cost sub-Saharan Africa USD 272 billion in the last 20 years and local producers are producing less[12], with specific impacts on women who remain the primary producers of food[13].

An attempt to bring poor people above the poverty line in the recent past has focused on the Millennium Development Goals (MDGs), and now the Post-2015 Development Agenda. Poverty is decreasing in some countries and increasing in others, but the measures themselves are problematic. With the poverty line set at USD 1.25 per day, the MDG targets for reducing extreme poverty have been reached, but 1.2 billion people (24 percent of the world's population) still live in extreme poverty, of which approximately 70 percent are women. In sub-Saharan Africa, almost 50 percent of people live on USD 1.25 a day[14] and 27 percent are hungry[15]. Expanding the poverty line marginally to include those who live on USD 2.00 per day captures almost half the world (2.8 billion people). In most countries, income inequality continues to grow: approximately 100 000 Africans boasted a net worth of USD 800 billion in 2008, or about 60 percent of Africa's GDP[16].

However, poverty and inequality are not gender-neutral.

Under patriarchy, women take on unpaid and unrecognised reproductive labour roles in the home and the community. Under neoliberalism, the cutting-back of the state and privatisation of critical services such as water has meant that women act as a buffer and absorb the costs (physical and financial). Added to this, more women are poor, live in under-resourced rural areas, are single parents, and have poorly paid and insecure jobs. In the context of high levels of economic and gender inequality, women face incredibly high levels of violence and the response is to police women's bodies (through laws and practices that deny women the right to make decisions about their reproduction, for example), which is presented as a way of restoring the "moral order".

Increased GDP is also not necessarily linked to human development and gender equality. The sub-Saharan African region scores 0.577[17] in the gender inequality index (GII), making the region the most unequal in the world in terms of gender.[18] Although these measures do not capture the full range of what women require to lead healthy, safe and fulfilling lives, they give us insight into some critical points. The maternal mortality ratio (MMR) for the region (measuring maternal deaths per 100 000 live births) is 475, well above the world average of 145[19]. As Table 1 shows, some of the countries with the highest GDP growth in Africa in 2012[20] ranked very low on that year's human development index (HDI) and GII. With the exception of Libya, the MMR is also very high, with many countries far worse even than the regional average.

These are the same countries identified by *The Economist* and the World Bank as having a positive economic outlook! Once again, serious inequalities between women and men, and the position of women in Africa's national economies, are not considered important enough to be incorporated into evaluations of economic success.

Women Pushing On

The above evidence indicates that the benefits of "Africa rising" are not accruing to all who work and live on its land. Celebrating the success of women who succeed against all odds might be an important part of the narrative, but only if it served to also disclose the struggles and interests invested in their success. We must be cautious, however, to not perpetuate a narrative that reinforces the idea of African women as helpless victims, the poorest of the poor, and lacking agency. Confronted with the realities of poverty and economic and gender inequality, women across the continent have found creative ways of organising for survival – for example, through cross-border trading, savings clubs, co-operatives, informal trading, and activism for local and national change.

Table 1: GDP, HDI and GII (2012) in selected African countries

	GDP growth (%)[21]	HDI rank /186	GII rank /148	Maternal mortality ratio (2010)	Seats in national parliament (% women)
Angola	6.8	148		450	38.2
Burkina Faso	10.0	183	131	300	15.3
Chad	8.9	184		1100	12.8
DR Congo	7.0	186	144	540	13.3
Ethiopia	8.5	173		350	25.5
Ghana	7.9	135	121	350	8.3
Ivory Coast	9.5	168	138	400	11.0
Libya	69.7[22]	64	42	58	16.5
Mozambique	7.4	185	125	450	39.2
Niger	10.8	186	146	590	13.3
Nigeria	6.5	153		630	6.7
Rwanda	8.0	167	76	340	51.9
Sierra Leone	15.2	177	139	890	12.9

Sources: Human Development Report 2013, World Bank and International Monetary Fund

Members of the Rural Women's Assembly on the Global Day of Action at COP17, Durban, South Africa.
© Verna Rainers/ TCOE

Amina Mama reminds us to recognise and acknowledge "the quiet power of African women, manifest in extensive subaltern farming, trading and provisioning networks, through which African women sustain our families, communities and societies, no matter what"[23].

For example, Hargreaves speaks of women's protests, their refusal to be dispossessed in the face of land grabs and, at the extreme, using their nakedness to inspire collective shame in those who steal their lands and pollute their rivers.[24] These are the struggles that we need to support and feminist movements have a responsibility to bring a crosscutting analysis that forces the whole story to be told. Amina Mama argues that globalisation has stretched women's resilience to breaking point and suggests that this explains the proliferation of feminism, of increasingly radical women's movements in so many of the world's poorest and most exploited regions[25]. The Rural Women's Assembly, a coalition of rural women organising across southern Africa, and Women in Mining, a regional programme looking at women and gender in the extractive sector, are tackling this directly by focusing on the intersection between land, extractives and gender, and mobilising women to take action on local and global levels.

They serve as examples of an empowering discourse of women that is also clear about the challenges faced, so that alternatives can be sought which will not not ignore or reproduce unacceptably unequal relations.

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2 <www.forbes.com/profile/isabel-dos-santos/>.
3 World Economic and Financial Surveys, *Regional Economic Outlook: Sub-Saharan Africa: Keeping the Pace*, Washington D.C.: International Monetary Fund, 2013, p: 3.
4 High GDP growth was recorded in 13 countries: Angola, Burkina Faso, Chad, the Democratic Republic of the Congo, Ethiopia, Ghana, Ivory Coast, Libya, Mozambique, Niger, Nigeria, Rwanda and Sierra Leone. See <www.worldbank.org/en/country>.
5 Two out of Africa's 54 nations have women presidents (Liberia and Malawi).
6 Human Development Report (HDR) 2013, *The Rise of the South: Human Progress in a Diverse World*, New York: United Nations Development Programme, 2013, p: 159.
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8 Kabwila J, "Viewpoint: Are Africa's women on the rise?", *BBC News Africa*, 25 September 2012, <www.bbc.co.uk/news/world-africa-19700781>.
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10 Dulani B, Mattes R and Logan C, "After a Decade of Growth in Africa, Little Change in Poverty at the Grassroots", *Afrobarometer: Policy Brief No. 1*, October 2013.
11 African Development Bank, 2013.
12 Christian Aid, "The economics of failure: The real cost of 'free' trade to poor countries", A Christian Aid Briefing Paper, June 2005.
13 Food and Agricultural Organisation, 2011.
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Nigeria's GDP
A Grand Illusion

Nnimmo Bassey

Nigeria is a nation of interesting – even difficult – statistics and many contradictions. While the economy is said to be rising in leaps and bounds, the people readily admit that these are difficult times. The country's gross domestic product (GDP) growth rate has been up to 8 percent in the last decade, but this depends on an income structure in which 95 percent comes from the export of oil. It is a nation so deeply tied to petroleum resources that budgets are dependent on the benchmark set for crude oil prices in any given year. In fact, the presentation of the proposed national budget for 2014 to the Nigerian National Assembly has been delayed mostly due to the fact that the two upper houses (the Senate and the House of Representatives) are unable to agree on whether to set the benchmark for crude oil price for 2014 at USD 74 or USD 79.[1]

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The jostling and shoving at the National Assembly has serious implications for the health, real or perceived, of the Nigerian economy in the coming years. The last time crude oil price fell below USD 90 was in 2010 when it sold for USD 79 per barrel. The average for the past ten years has been USD 74 per barrel. For 2011 and 2012, the average price has been above USD 90.[2] The way the Nigerian economy is managed, fixing a high benchmark translates to spending the cash as soon as it hits the account, while having a lower benchmark implies that some of the cash – euphemistically termed "excess crude" – could either go into an excess crude account to be shared out to the three tiers of government or possibly provide a contribution to the sovereign wealth fund. In reality, the so-called excess crude account can become a very contentious matter between the states and the federal government as each sees the funds as theirs to control.[3]

The bickering of national leaders over the price of crude, over which they have no control, raises questions about whether political governance has been reduced to a struggle over what slice of the oily cake goes to whose control. While this conflict rages, huge losses are being recorded in the petroleum sector through gaping holes that policy tweaks ought to cover. One of the holes

is an estimated loss in the sector of N60.8 trillion (USD 380 billion) in the last 30 years through lack of sufficient integrated local content. Generally, it is estimated that the country has lost more than USD 250 billion in capital flight over the same period. Corruption and related misbehaviours have led to a net loss of up to half a trillion US dollars. Add to that the more than USD 2 billion lost to gas flaring and the profligacy is truly outrageous.

The statistical measure of the GDP of nations allows political leaders to gloss over these economic realities and permits the deficit of political and economic freedoms faced by the people and the state of human and social capital to be overlooked as well.

The rising growth that is often applauded also does not take into account externalised project costs. For instance, environmental pollution and security problems are factored out. If the environmental pollution in the Niger Delta were to be factored into the computation of Nigeria's GDP, it is clear that the rates would drop significantly. Presumably, pollution could be seen as job generation opportunity – after all someone would be hired to clean the mess. Right?

The rising growth that is often applauded also does not take into account externalised project costs. For instance, environmental pollution and security problems are factored out.

With huge externalised environmental costs and the clamour for the cleanup of Ogoniland and other polluted oil field communities of the Niger Delta, it does appear that Nigeria's oil wealth is an ephemeral sheen on polluted creeks.

The report of the assessment of the Ogoni environment by the United Nations Environment Programme (UNEP) submitted to President Jonathan on 4 August 2011 indicated that USD 1 billion would be needed to set up the structures for the cleanup of the environment and that the cleanup itself would take up to 30 years

The effects on the water of an oil spill near the community of Goi, Ogoniland, Nigeria.
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– for the Ogoni region alone. Other observers believe up to USD 100 billion would be needed for the actual start-up to clean the Niger Delta.[4]

According to Joseph Stiglitz:

"Just as a firm needs to measure the depreciation of its capital, so, too, our national accounts need to reflect the depletion of natural resources and the degradation of our environment. Statistical frameworks are intended to summarise what is going on in our complex society in a few easily interpretable numbers. It should have been obvious that one couldn't reduce everything to a single number, GDP. The report by the Commission on the Measurement of Economic Performance and Social Progress will, one hopes, lead to a better understanding of the uses, and abuses, of that statistic".[5]

The obvious implication of turning a blind eye to externalised costs is that these are borne by the people and the environment – a form of subsidy that is scarcely ever spoken about or considered in the economic matrix.

The "Africa rising" refrain lulls leaders to sleep and allows rabid exploitation of the continent's natural resources. Our *roaring* economies are too heavily dependent on exports of raw materials at prices that are externally determined and are thus vulnerable to sudden jolts.

However, all these hiccups do not deter optimists in their GDP projections. In fact, when arguing that Nigeria's debt profile is nothing to worry about, some analysts say that the debt-to-GDP ratio of Nigeria is less than 20 percent and is smaller than those of rich industrialised countries. We could almost cheer on the borrowers to grab more loans and sink the nation into more debt!

Nigeria's GDP is said to have grown by 6.81 percent in the third quarter of 2013.[6] But this and other optimistic GDP projections mask the lived reality of ordinary citizens on the ground. This even shows in official statistics, such as a joint study conducted by the World Bank and the Nigerian Bureau of Statistics on poverty in Nigeria. A blog on the report written by Mark Roland Thomas opens with an oblique statement that "The World Bank and the Nigerian Bureau of Statistics have recently completed an in-depth analysis of Nigeria's last set of household survey statistics, which were compiled in 2010 but until recently not fully understood."[7]

We must ask why it took the World Bank and the Nigerian Bureau of Statistics so long to comprehend. It appears it was the stark contradiction between the huge growth rates being peddled and the "stubbornly high" poverty rates in Nigeria.

The study calculated poverty rates in Nigeria by treating children as adults when defining the consumption needs that underpin the poverty calculations. By this method, it concluded that poverty fell from 64 percent of the population in 2004 to just less than 63 percent in 2010.

African Economic Outlook[8], a report by the African Development Bank (AfDB), came to a conclusion that the average Nigerian has no difficulties agreeing with. It showed that the number of people living below the poverty line in Nigeria has increased from 65.5 percent in 1996 to 69 percent in 2010 and that income disparity between classes of Nigerians had widened. The time span covered by the study includes the last four years of military rule and ten years of post-military rule by political elites.

The AfDB report angered the federal government of Nigeria, which faulted the report as untrue and politically motivated. However, an editorial in the *Daily Trust* newspaper noted, "No matter how offensive these conclusions are to government, the general public sees no problem in agreeing with all the negative assertions concerning the nation's level of development."[9]

In line with this observation, measures such as the Human Development Index (HDI), which places people at the heart of development and, we dare say, progress, paint a rather uncharming picture.

The UNDP's human development index (HDI) assessment of Nigeria in 2012[10] ranked it 153 out of 186 countries and territories, stating that the nation was not making remarkable progress according to the measures. In 2012, average life expectancy in Nigeria stood at 52 years. The nation spent less than 2 percent of its annual budget on health. All this despite the fact that the GDP growth rate stood at about 7 percent for 2012.

African countries that have been

adjudged as making good progress in terms of the HDI measure since 2000 include neighbouring Niger, which would typically be regarded by Nigerian politicians as an unimportant poor neighbour.

Measuring economic growth in Nigeria and other countries of Africa cannot be an easy task. The extent of the informal sector is one reason why economists can really be challenged when attempting to analyse whatever data they may have collected. In Nigeria, it has been estimated that the informal sector contributes up to 58 percent of the country's gross domestic income (GDI) and over 50 percent of jobs in urban areas.[11] Obtaining reliable statistics in Nigeria can be difficult and this becomes more difficult in the informal sector where there is no systematic keeping of records. However, it is estimated that the size of the informal economy was about 75 percent of the nation's GDP in 2010.[12]

Those who labour in this realm include domestic workers, informal street-corner construction-workers, street hawkers, etc. – in other words, people who depend on their wit, blood and knuckles for survival. These are the people whose economic struggles are undocumented, unsupported and unobserved by the state. Some of these are urban-based and fall within the informal economy category. But some in the rural areas live beyond even the informal sector. They have no access to banks nor to public energy and water supply. They have few social amenities and sometimes no all-weather access roads. They live in some of the most degraded and polluted environments and endure living conditions that make life expectancy a mere gasp.

Sadly the GDP-led mantra of "Africa rising" has been repeated so often that it has become a pacifier for policy makers and their advisers. It is profitable for them to swallow this tale whole because it allows them to bury their heads in the sand while the people are blown away by storms as they battle to keep going.

The "Africa rising" refrain lulls leaders to sleep and allows rabid exploitation of the continent's natural resources. Our *roaring* economies are too heavily dependent on exports of raw materials at prices that are externally determined and are thus vulnerable to sudden jolts.

And although oil contributes the largest chunk of national revenue and keeps politics and social crises at the boiling point, it is not the largest contributor to Nigeria's GDP. According to analysts, agriculture offers the most jobs and contributes the highest quota to the GDP, at 35 percent annually.[13] An understanding of this should help policymakers see what can be leveraged to the benefit of the people.

Going by the correlation of reality and perception, it can be said that GDP is the ultimate illusion and we do ourselves much harm by sticking to it.

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Africa Rising
The Rwanda Story

Frederick Golooba-Mutebi

Despite a number of disadvantages – including its landlocked location, under-endowment in natural resources and extremely high population density – Rwanda has become one of the shining stars in the "Africa rising" narrative. Not only has it managed to rise from the ashes of a genocide in 1994, it has recorded phenomenal economic growth over the last decade. Unlike many other African countries, it has translated the growth into tangible improvements in service delivery and social indicators. Between 2006 and 2011, the proportion of people living below the poverty line dropped from 56.7 to 44.9 percent. Most observers credit this to an efficient government that actively and effectively intervenes and participates in the economy, managing to avoid the African modal pattern of rent-seeking for personal and political gain. President Paul Kagame's strong leadership style is seen as a central factor in all this. Some argue, however, that the advances have come at a price: a poor human rights record within a restrictive political environment. This article examines aspects of the Rwanda story that are relevant to the "Africa is rising" narrative and discusses the sustainability of the economic and political configuration on which the country's successes have been built.

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Africa Rising?

For decades after independence, Africa became the site of a large number of basket-case countries where poverty and deprivation, poor economic performance and all-round failure were commonplace. That image has given way to something else: the view that the continent has turned a corner. That view forms the basis of the increasingly hyped and debated "Africa is rising" narrative. Not too long ago, the word "Afro-pessimism" was common in conversations about, and analyses of, post-colonial Africa's political, social, and economic development. Today, the term "Afro-optimism" is bandied around as countries that were once dirt-poor register phenomenal economic growth. Those that were once run by venal autocrats have embraced competitive electoral politics. Afro-optimism became all the rage following the publication of guardedly cheerful assessments by the consultancy firm McKinsey and the *Economist* and *Time* magazines.[1]

McKinsey highlighted the contribution to economic growth by all sectors – natural resources, finance, retail, agriculture, transportation and telecommunications. "Key to Africa's growth surge", it asserted, "were improved political and macroeconomic stability and microeconomic reforms." Also, as its attractiveness to foreign capital grows, buyers of commodities for which demand is rising are paying top dollar for the continent's natural resources. No wonder some African economies boast the fastest growth rates in the world.

Nonetheless, while the "Africa is rising" mantra has come to characterise much conversation about the continent, there are those who are put off by it, who have not hesitated to lash out with counter-narratives of their own. Are the "Africa rising" claims questionable and misguided? Are

they underlaid with and driven by "irrational exuberance"?[2] Some believe so, even forcefully. Solome Lemma asks: "Africa is certainly rising, but how is it rising? And who is or isn't rising with it?"[3] She asserts that the problem with the "rising Africa" narrative is that it isn't creating space for the voices of those who struggle to meet daily needs like food, clear water and medicine. "[C]entering the discourse on those who are doing well", she argues, writes the resource-poor out of mainstream narratives.

There is a small country with a difficult post-colonial history, however, where the "Africa is rising" optimism may not be so easy to dismiss. Under President Kagame's leadership, Rwanda has registered significant gains across a wide range of domains. On the economic front, from a GDP per capita of less than USD 200 in 1994, by 2010 it had risen to USD 540. Between 2005 and 2009, the country registered an average annual GDP growth rate of 8.8 percent. The World Bank currently projects its economy to grow at 7 percent in 2013, and at 7.3 percent in 2014.

The country is widely acknowledged for the progress it has made in promoting gender equality, seen, for example, in the numerical dominance women enjoy in the chamber of deputies, at 56 percent. It is a leader in fighting corruption. The East African Bribery Index ranked it the least corrupt country in the region in 2013. Its progress in creating a favourable business environment in recent years has been dramatic. It is one of the most improved countries in the world in the World Bank's annual *Doing Business* index. In the latest survey of 189 countries, Rwanda is ranked as the second best place to do business in Africa, ahead of South Africa. To get there, it jumped 22 places to the 32nd position. It is also acknowledged as a leader in efforts to harness information and communications technology (ICT) to transform itself into a middle-income country by the year 2020. In these efforts, it has enlisted Korea Telecom to help roll out 4G broadband technology across the entire country.

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These factors have combined to win it confidence as an attractive destination for private sector investment and development assistance. Both have been crucial in post-war reconstruction and in preparing the ground for economic transformation, albeit amidst many challenges. For example, there has been little change in the contribution by manufacturing to GDP. In 2010, it was only 15 percent, with the formal sector's share only 22 percent. The informal monetary sector was at 47 percent; the informal non-monetary sector, 20 percent; and the government, 11 percent.[4] Rwanda's economy is largely informal and dominated by owner-operated small- and medium-sized enterprises (SMEs) in trade and agriculture. Foreign direct investment remains low despite the country's establishment of a sound investment climate. The private sector is still nascent. Inadequate economic

infrastructure, a limited skills base, limited access to and the high cost of finance, and low productivity remain key binding constraints to sustained growth and economic transformation.[5]

Nonetheless, even with these challenges, sector contributions to GDP point to shifts in the structure of the economy. For example, there has been a substantial increase in the contribution to GDP by the service sector, from an average of 38 percent in the period 2001–2005, to about 46 percent in 2010. The industrial sector's share of GDP has increased modestly from an average of 12.7 percent in the period 2001–2005 to 13.9 percent in 2010. Increase in the contribution of the service and industry sectors has seen agriculture's contribution decrease from an average of 43 percent in the 2001–2005 period to about 35 percent in 2010 (Figure 1). These trends point to progress in the development of the service sector, which should reduce the heavy dependence on primary production.

In tandem with the ongoing structural transformation of the economy, Rwanda is making efforts to develop markets for its products. Given the exacting standards required of exports into Western markets, its comparative advantage in traditional exports such as tea is to specialise in high-quality niche markets. There is great potential in organic tea and coffee markets in Europe and Asia. Regionally, it is strategically placed to supply a sizeable market in the Democratic Republic of Congo, Burundi and the Central Africa Republic. Already, it is a major food basket for the DRC through informal cross-border trade. Key to the increase and diversification of its exports in non-traditional products has been the passage of a national exports strategy that is currently being implemented.

The long distance from the sea imposes high transportation costs on goods to and from the ports of Mombasa in Kenya and Dar es Salaam in Tanzania. A way out of this has been to push for the implementation of the East African Common Market protocol to allow the free movement of goods, labour and capital among the member states of Rwanda, Uganda, Kenya, Tanzania and Burundi. In recent times, Rwanda has teamed up with Uganda and Kenya to remove the remaining non-tariff barrier to trade by establishing a single customs territory, which is now in operation. The effect has been a dramatic reduction in the time needed to move goods from Mombasa to Kampala and then Kigali, and a fall in the cost of transportation.

The drive for economic transformation is rooted in President Kagame's belief that poverty was behind the eruption of genocide against the Tutsi in 1994, and the determination to ensure that such violence never happens again: "We know that if that past is never going to happen again, we must grow our economy, create opportunities for higher wages, so that we create the conditions for tolerance, trust and optimism."[6] In the same interview, President Kagame also declared his desire to end Rwanda's dependency on foreign aid, which now provides just under 40 percent of its budget, saying, "Such dependency dehumanizes us and robs us of our dignity."

Figure 1: Gross domestic product by activity at constant 2006 prices (Rwf bn)

Source: NISR 2011

What is in All This for the Ordinary Rwandan?

If one were to ask for whom Rwanda is rising, the answer would be found in the direct

President Kagame at the 2013 Annual Meeting of the World Economic Forum.
© Moritz Hager/ World Economic Forum

benefits accruing to Rwandans from the changes described above. Between 2000 and 2010, 1.4 million (net) new jobs were created. The largest absolute increase in net new jobs was in agriculture (430 000), followed by trade (337 000) and government (127 000). The largest percentage increases came from mining (22 percent per year), construction (22 percent per year) and tourism (21 percent per year). There has been growth in all the industrial sectors, with growth rates accelerating between 2006 and 2010/11.[7]

The increase in employment in agriculture – the main source of livelihood for up to 80 percent of the population – has to be understood against the background of changes that have taken place in the sector in recent years. For example, the percentage of the national budget dedicated to agriculture has gone up, from 4.2 percent in 2008[8] to 10.2 percent in 2010/2011[9], and to 11 percent in 2013, with the government intent on raising it further to 15 percent[10]. The sector itself has grown significantly, at 3.2 percent in 2010/2011[11]. Crop yields per hectare have also experienced remarkable increases as a result of innovations such as the increased use of new seeds and fertilisers. The amount of land available for cultivation has increased, thanks to marshland reclamation. From 11 000 hectares of marshland under cultivation in 2006, by 2010, 17 363 hectares were under crops.[12] Cassava production has almost tripled and Irish potatoes, soybean and beans approximately doubled[13], with significant impact on nutrition and food security[14].

Alongside these developments have been gains in the social sectors, especially health. While overall health insurance coverage in 2012 was at 90.6 percent, community health insurance covering mostly the poor stood at an average of 85 percent. In 2005, only 10 percent of married women used contraception. By 2010, the figure had risen to 45 percent. In 2000, Rwanda had one of the highest maternal mortality rates, at 1 070 per 100 000 live births. By 2010, it had plummeted to 340 per 100 000. It is clear, therefore, that post-genocide Rwanda gives real meaning to the "Africa is rising" mantra. But at what cost has all this been achieved?

Alongside the high praise Rwanda receives for the remarkable advances it has made, there is criticism that, in its quest for economic success and social change, President Kagame's government has trampled on basic freedoms and human rights.

Sustainability and the Cost in Freedom and Human Rights

Alongside the high praise Rwanda receives for the remarkable advances it has made, there is criticism that, in its quest for economic success and social change, President Kagame's government has trampled on basic freedoms and human rights. Criticism mainly revolves around limited political space and a lack of respect for freedom of expression, including in the media.

However, while Rwanda is not a liberal democracy practicing competitive, adversarial multi-party politics, the post-genocide

political system is highly inclusive, bringing together several would-be rival political parties in a government based on the principle of sharing power and responsibility. Indeed, the collective aspirations of the parties to be part of the ruling coalition, and the absence of the ritualistic and highly disruptive contestation so common in some of the "democracies" neighbouring Rwanda, can be said to have engendered the stability that the country enjoys today, without which lamentably little would have been possible.

It is significant that the country's multiparty government is mandated by the 2003 Constitution, one of whose key attributes is to ensure that no single party, however popular or powerful, can reserve all the cabinet positions for itself.[15] Perhaps least understood by critics of the government who are informed by a certain naïve liberalism[16] is the collective determination of all parties in the ruling coalition to prevent the resurgence of ethnic sectarianism. This key factor makes it difficult for political organisations that are suspected of espousing sectarian agendas to register as political parties.[17]

The importance of curtailing political and other activism that could destabilise a society still recovering from a difficult and traumatic history must not be disregarded when trying to identify the factors behind Rwanda's rapid evolution into a highly stable and effective state that is driving economic and social change – as indeed the experience of post-World War II East Asia demonstrates.[18]

There are legitimate questions about whether this approach can succeed in the long term. There are even claims that it could catalyse violence in the future. For now, though, its short- to medium-term contribution to helping Rwanda climb out of the abyss the genocide plunged it into should not be discounted. There is no guarantee that adversarial political contestation would have been a better or more effective approach. And in the absence of firm indications that the government seeks to use it permanently, speculation about what the future holds is at best premature.

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Angola Rising
So What?

Francisco Kapalu Ngongo

Rising from the ashes of 27 years of civil war in 2002, Angola has become one of the fastest growing economies in sub-Saharan Africa. While the country's news used to be dominated by cold war politics, deadly clashes between troops of the ruling Popular Movement for the Liberation of Angola (MPLA) and its rival, the National Union for the Total Independence of Angola (UNITA), and the need for humanitarian intervention, today's major headlines are all about economic growth and international oil prices.

Offshore oil extraction has become the mainstay of Angola's post-civil war economy, generating 79 percent of government revenues. Fuelled by record-high crude oil prices, the country has experienced staggering gross domestic product (GDP) growth rates – reaching 22.6 percent in 2007.

A look at the World Bank's 2013 *Angola Economic Update* reveals that the country again enjoys healthy GDP growth of around 8 percent (2012), after the 2008/09 global financial crisis put a serious damper on the economy, exposing the country's unhealthy addiction to the slippery liquid. Fiscal and external balances are strong, the exchange rate is stable and inflation moderate.[1] Curiously, the report remains largely silent on the questions of how the government is using the surpluses created by the rapid economic growth and who stands to benefit from it.

Undoubtedly, a national economy's performance should not merely be judged by its efficiency, ability to produce more goods and services, and capacity to maintain macro-economic stability. The extent to which people's general living conditions have improved is as important. More than a decade into peace – and while modern, high-rise office buildings are mushrooming in the capital city of Luanda – the majority of the Angolan people are still living below the poverty line.

Given that Luanda, where about a third of Angola's population lives, is just one place behind Tokyo as the most expensive city in the world, according to Mercer's 2012 ranking, the international poverty line of USD 1.25 per person per day is hardly anything to go by.[2] Considering the generally high costs of living in Angola, a more realistic threshold for poverty is USD 5 per person per day. Based on this, the percentage of Angolan people living below the poverty line was 94 percent in 2009, up from 91 percent in 2000.[3] Accordingly, the country was ranked a low 148th place out of 187 countries surveyed in the 2012 Human Development Index (HDI).[4]

The Job Creation Imperative

The Angolan government's Strategy for Poverty Eradication declares job creation to be a major goal of government policy in the post-conflict era.

This is good news. Having a decent job is an important path out of poverty and would enable people to enjoy Angola's peace dividend. Unfortunately, the numbers reveal that government has not been very successful and that no direct correlation between GDP growth and employment creation appears to exist (see Figure 1).

Job creation requires more than

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Figure 1: GDP, jobs and population in Angola (1992-2011)

improved economic indicators. Angola's rapid economic growth has largely been driven by capital-intensive projects, specifically in offshore oil extraction, which has created only a few jobs. Although the oil industry accounts for 98 per cent of exports, it provides less than 3 percent of direct employment overall. Unemployment in Angola therefore remains high, at about 25 percent. Many of the existing jobs are in the informal economy, as most skilled workers are "imported" from overseas and labour contracts tend to be short term. As a result, the country placed 178th in the 2012 African Development Bank's report on employed workers, the lowest in sub-Saharan Africa.[5]

Job creation requires more than improved economic indicators. Angola's rapid economic growth has largely been driven by capital-intensive projects, specifically in offshore oil extraction, which has created only a few jobs.

In Angola, as in many developing countries in Africa and elsewhere, the government's policies give preference to foreign direct investment in the high-revenue commodity sector while neglecting other crucial parts of the economy. Agriculture in Angola, which employs two-thirds of the labour force, is receiving scant attention. Despite vast fertile tracts of land, Angola only grows about 55 percent of the corn it consumes and as little as 5 percent of its wheat requirements.

In order to make economic growth in Angola durable and improve living conditions, special consideration should be given to "growth from below". Promoting and improving the operating environment for small-scale enterprises and farmers promises to create more jobs than the formal economy can. Only a two-pronged economic strategy that targets both the informal and formal economies promises to improve general living conditions and incomes.

Angolan Government vs. the People

Angola's ruling MPLA elite, headed by Africa's second-longest serving leader, José Eduardo dos Santos (1979–present), has so far been able to use the GDP growth story to manipulate the electoral agenda and control power. GDP is a convenient indicator in this context as it simply looks at economic output, ignoring the inputs and the contribution made (or not) by the informal sector.[6]

The MPLA dominates almost every sphere of public and private life: the legislature, government agencies, businesses and even universities. Despite regular general elections, democratic institutions that are accountable to the public and that could promote human development are far from consolidated. Basic socio-economic as well as civil and political rights are inadequately protected.

In the name of economic growth, the government has been hostile to any critics, controlling the country through corruption, repression and the co-optation of civil society members and opposition figures. For example, Agostinho Chicaia, a once-vocal critic of widespread human rights violations, has been deflected from his cause since being nominated to co-ordinate the

transfrontier initiative for the protection of the Maiombe forest. His former organisation, Mpalabanda, which had been promoting and defending human rights, the well-being of citizens and a peaceful solution to the conflict in the oil-rich Cabinda region, has since quickly faded.

Some political opposition figures have also been co-opted. António Bento Bembe, a former combatant of the Front for the Liberation of the Enclave of Cabinda (FLEC) and former president of the splinter group FLEC-Renovada, is now the secretary of state for human rights in the Angolan government, after holding a position as minister without portfolio from 2007 to 2009.

The majority of the intellectual elite and leaders of civil society organisations have an increasingly difficult choice to make. Some accept co-optation, not because they are unsympathetic to the plight of the poor and marginalised, but as a matter of survival. Angolans who do not side with the ruling elite are often blocked from recruitment into government, the private sector and academic institutions until they have to leave the country to find employment. In the worst-case scenario, they may be accused of being "enemies of peace", resulting in arrest or even political assassination.

Whistle-blowers, such as the well-known journalist Rafael Marques, have been intimidated and threatened with lawsuits for documenting high-level corruption involving the presidency and a broad range of senior political figures.[7]

On 23 November 2013, the national police, with support from air force helicopters, brutally suppressed a demonstration called by UNITA in memory of Alves Kamulingue and Isaías Cassule. The two political activists had disappeared in May 2012 while trying to organise a protest against the non-payment of military veterans' pensions. Their fate was only known after leaked information from the security services recently revealed that they had been murdered while in detention and their bodies fed to crocodiles.[8]

Despite the government's strategies of co-optation and repression, a growing number of protests are calling for the government to use the economic boom to improve the living conditions of people. Since March 2011, the youthful Angolan Revolutionary Movement (ARM) has staged several protests, calling for the president to quit after 34 years in power and accusing the government of mismanaging oil revenues and suppressing human rights.[9] As more and more Angolans become alienated, the mid- to long-term sustainability and stability of the current political regime and its growth paradigm are increasingly put into question.

While modern, high-rise buildings are mushrooming in the capital city of Luanda, the majority of the Angolan people are still living below the poverty line.
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Mozambique
Embracing the Resource Boom

Antonio S. Franco

Mozambique has achieved tremendous economic, social and political progress. Income per capita grew from less than USD 100 in the mid-1980s to USD 650 in 2012. Politically, the country has developed into a presidential democracy and basic individual liberties are granted by the Constitution.[1] Gross enrolment rates in first grade are well above 100 percent and the country is making enormous efforts to reach universal elementary education in the next few years. The ruling Frelimo party and Renamo, the main opposition party, have to fully re-establish peace or the current unstable political situation between them could rapidly lead the country back into civil war, destroy all past achievements and drive the country into higher levels of poverty, instability and loss of life.

Natural resources – in particular, recent coal and natural gas discoveries – can carry Mozambique to a resource boom if the country can stay politically stable. Confirmed natural gas reserves could turn it into one of the ten largest exporters in the world in the next 15 or so years[2] and the lifetime proceeds from natural gas and coal could be tens of times larger than the current gross domestic product (GDP) and budget revenue.[3] Investments currently taking place and projected over the next 15 years could reach USD 40–50 billion, or three times the 2012 GDP.

The impact of the resource boom should be impressive. It will be a unique opportunity to bring Mozambique from the bottom ten poorest countries in the world to a middle-sized economy with profound changes for the overall wellbeing of Mozambicans. The main challenge, in the next four to five decades, will be for the country to maintain its political stability, strengthen its peace process, and transform its non-renewable resources into economic and social growth.

Challenges Facing the Mozambican Economy

As a result of activity in the extractive industries (EI), GDP growth could potentially increase from the current annual rate of 8 percent to 12–14 percent. The revenue mobilised by the EI will generate enormous inflows of foreign exchange, creating strong pressures on the currency.

Currency appreciation will make imports cheaper than local import-substitution production and exports could disappear if productivity does not increase at least at the same speed as the exchange rate appreciates. Prices of non-tradables (goods and services produced and consumed domestically) such as construction and skilled labour – skilled professionals are rare in Mozambique – will all rise. Increased labour costs will put additional pressures on tradables' productivity and on the coun-

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Reality Bites
What Future for Mozambique?

António A. da Silva Francisco

The expression "*Mozambique is maningue nice*", a mix of languages meaning "Mozambique is very nice", has become increasingly popular, especially among the country's urbanised elite.[1] Indeed, Mozambique's recent mineral-resources boom, based on the discovery and exploitation of vast coal and natural gas reserves, has suddenly reshaped the prospects for economic and social development, and raised hopes for a brighter future across all strata of Mozambican society.

After a decade and half of radical, collectivist and misguided economic policies implemented by Frelimo, the political force that has been controlling the state since independence in 1975, and aggravated by a bloody post-independence civil war (1976–1992) that ruined the economy and drove the state into bankruptcy, Mozambique has made significant economic strides over the last two decades. In 1990, South Africa produced in just seven days the equivalent of wealth that Mozambique produced in an entire year. By 2010, the country at least produced in one year as much as its more developed neighbour produced in two weeks.[2] This has made Mozambique a poster child of the "Africa rising" narrative that has dominated recent headlines about the once "hopeless" continent. But is this achievement here to stay?

Mozambique's positive and promising image – based on the country's idyllic landscapes, vast natural resources, gross domestic product (GDP) growth rates of around 7 percent over the last ten years, and a privileged geographic location that provides access to the Indian Ocean for its landlocked neighbours – contrasts with another image that is not pleasant at all. The fact that about 60 percent of the population lives on less than USD 1.25 per day, while only less than 20 percent has more than USD 2.00 per day, portrays a reality that makes Mozambique a rather "*maningue* nasty" place to live for the majority of its people. The "upper middle class", which lives on USD 10–20 per day, represents less than 1 percent of the Mozambican population, demonstrating that the truly wealthy comprise a tiny minority.[3]

The biggest problem faced by Mozambique continues to be widespread economic stagnation, especially in the rural areas where 65–70 percent of the population lives. The rural economy remains dominated by precarious subsistence production characterised by low levels of productivity, lack of technology and consequently very low income. Throughout the first decade of this century, the daily average rural income was a mere USD 0.30 per capita. The rural economy contributes only about a quarter to the national income, in terms of gross national income (GNI). In other words, while the rural Mozambican produces an annual per capita income of about USD 120, the urban Mozambican generates around 10 times as much (about USD 1,100 per capita), suggesting a huge income asymmetry.

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try's competitiveness. Furthermore, the EI investments will be capital-intensive and will not generate those needed jobs.

In 2012, Mozambique's economically active population stood at roughly 13.5 million people. Of these, only about 1 million are employed in the formal sector of the economy (civil service, private sector, non-governmental agencies and international agencies). This implies that the great majority (92.5 percent) of the economically active population generates income in the informal sector. The rural economy – largely, the agriculture sector – provides income for 75 percent of Mozambicans. The formal sector is generating about 15 000 to 20 000 additional new jobs per year, while the labour-force is growing by 360 000 people per year.[4] Another challenge is that the productivity of the main agricultural crops has been stagnant for the last 30 years. The combination of these staggering figures suggests why poverty has remained at 54 percent, despite annual growth rates of 7–8 percent. About a quarter-million Mozambicans are added each year to the total number of the poor.

Resource exploration also creates environmental and resettlement issues. Companies that apply for exploration contracts are required to produce environmental impact studies and to identify actions to address potential problems. It is expected that some of the negative environmental externalities will be dealt with through taxation. Resettlement is to be jointly managed by the company and government (local and central), but institutional capacities are still to be determined and developed.

What Can Be Done?

Policymakers in Mozambique should concentrate on enhancing the economy's competitiveness and raising per capita incomes through human capital development to expand skills and productivity; infrastructure and utilities development; and strengthening the business environment.

The so-called "resource curse" and the "Dutch disease" are common problems

Politics of Wishful Thinking

The two contrasting images of Mozambique have inspired many analytical representations, opinions and interpretations leading to different conceptions and approaches. While some observers and analysts try to adapt their representations to reality, others choose to take their desires, aspirations and interests as reality, and then act on the basis of these desires, instead of on the basis of facts.

The first approach, whether optimistic or pessimistic, can be called realistic. The latter, one can only designate as "wishful thinking". In extreme forms, it is self-delusion; in milder forms, an unwarranted optimism. In its most absurd form, this approach tries to make things happen merely by wishing for them. Sadly, this has become the dominant ideology in Mozambican policymaking, among political leaders, the government and donors alike.

An example of wishful thinking converted into the official ideology of the regime can be found in a speech given by Armando Guebuza, president of Mozambique, in Brussels on 16 October 2012. Particularly revealing is Guebuza's concept of the "redistribution of wealth" as an illustration of a "Made in Mozambique" experience.

"For us, in Mozambique", said Guebuza, "this concept is translated into the empowerment of citizens for them to do their share in the fight against poverty, because wealth is produced through work and one can only distribute what one has". To this, Guebuza added "inclusive development", another much-cherished concept among donors, stating, "we identify the actions which lead to the integration of more citizens in the nation's social and economic life, thus becoming active agents of their development and its primary beneficiaries."[4] However, those who looked forward to seeing President Guebuza outline his plans for managing the revenues from the mining sector had plenty of reasons to leave the event very disappointed.

Unfortunately, when the International Monetary Fund (IMF) evaluates the performance of Mozambican economy, it often does so in a rather complacent and patronising manner: "Mozambique continues to weather the global economic turmoil remarkably well".[5] Without being totally incorrect, this review fails to point out the true vulnerabil-

for resource-rich countries. The Dutch disease impacts the manufacturing sector when the currency appreciates and productivity does not improve. The Mozambican manufacturing sector is almost non-existent and therefore the impact will not be much felt. However, in an environment of appreciating exchange rates, any emerging new manufacturing will have to be capital intensive and most likely linked to the resource sectors.

The key challenge will be to avoid the resource curse, which is generally caused by an institutional incapacity to use the resource boom to create sustained growth in the non-resource sectors, particularly in the tradable sectors. Institutional capacities in Mozambique are weak and there are signals of low absorption capacities. Between 2003 and 2011, budget expenditure in education and health was increased from 4 to 9 percent of GDP, and expenditure more than doubled.[5] During the same period, the Human Development Indicators (HDI)[6] only improved by 22 percent, suggesting that only a small fraction of the resources poured into these sectors had any effect. Hence, despite the genuine demand for medicines, textbooks, personnel and infrastructure, additional financial resources alone do not guarantee better services, but can lead to increased waste and an explosion of corruption.

The priority is then to reform institutions, to modernise systems and accountability structures and link resource use to results. In other words: to recruit and train human capital to achieve the needed capacities. Enhancing institutional capacities and accountability for results is the road to success, allowing economic and social development to take root and expand, supported by the resource boom. Reforming the civil service and institutions is a long, difficult and costly process but it has to be done early and consistently. The earlier it begins, the earlier it will be possible to harvest results that will be seen in the transformation of the economy's structures and policies and in enhanced productivity and competitiveness.

The resource boom has to result in substantial transformation. Great amounts of policy and action will have to be engineered to ensure broad-based growth as the resource revenues flow in. Not doing anything, or assuming that resource wealth will automatically bring improvement to Mozambique, would be critical mistakes.

In parallel, a sovereign wealth fund or a resource fund should be set up. Resource revenues should not become budget revenue[7], but rather be captured by the fund and kept abroad.[8] The budget deficit can be financed with appropriations from the fund, with parliamentary approval, conditioned by improvements in institutional capacities and a closer relation between resource allocation and results. A resource fund has a strong potential to slow down the appreciation of the currency, thus providing the scarce time needed for the institutional development and policy design that are paramount for improving productivity and competitiveness in the tradable sectors and to create jobs and incomes across the population.

The resource boom has to result in substantial transformation. Great amounts of policy and action will have to be engineered to ensure broad-based growth as the resource revenues flow in. Not doing anything, or assuming that resource wealth will automatically bring improvement to Mozambique, would be critical mistakes. Lack of transformation will drive huge proportions of the population into poverty as the economy loses competitiveness. Lack of action may push the poor even into deeper levels of poverty, while concentrating the wealth in a few.

This is the critical issue of mineral resource booms. If it is to be "blessing" instead of a curse, enormous effort is needed ensure a real transformation. Mo-

ity of the external accounts of the Mozambican state: as the country continues to rely heavily on its relationships and support from donors, it faces severe constraints in terms of domestic savings.

A much more realistic view comes from Standard & Poor's (S&P), one of the best-known international ratings agencies. In August 2012, S&P affirmed its "B+/B" long- and short-term foreign and local currency sovereign credit ratings, as well as a stable outlook for Mozambique.

The stable outlook reflected S&P's expectation that growth would remain strong, that significant donor inflows would continue to fund Mozambique's fiscal deficits as well as its balance of payments, and that the political situation would remain stable despite the risk of sporadic unrest. However, S&P announced it would lower the ratings if donor support wavered, fiscal or external deficits widened, inflation returned to double-digit rates, or social unrest and political tensions escalated.

In August 2013, unsurprisingly, S&P revised its outlook for Mozambique from stable to negative, with the possibility that it could downgrade Mozambique within the next year if progress on big investment projects slows, if projects seem less likely to generate the growth needed to narrow external and fiscal deficits, if there is material increase in public sector external commercial debt, or if the deterioration of the security situation in the country threatens the economic boom.[6]

In other words, to use international financial jargon, even those who currently live in luxury need to bear in mind that they are also living in a "junk" (non-investment grade or speculative) environment.

So What is to be Done?

To be fair, modern and inclusive economic growth is hard to achieve in a country with most of its population still subjected to a persistent struggle for survival. Structural and comprehensive institutional changes will be necessary. The current stagnation of the rural economy is a structural problem and probably much more difficult to overcome than the current maldistribution of the wealth created through the resources sector. For the average Mozambican to start enjoying the achievements of modern development in the long run, productivity and economic growth need to be triggered at household level, in order to widen the country's economic base, which at this stage is set to rely heavily on natural-resource extraction.

However, without pro-development political institutions, Mozambique will hardly be able to pull the majority of its population from the precarious subsistence economy, nor will it be able to significantly reduce poverty.

Political institutions capable of achieving such broad-based social and economic development are, however, only likely to flourish if there is a pluralistic political system with open competition for political office and an engaged electorate. Currently, Mozambique's institutional setting corresponds closely with what Acemoglu and Robinson have termed economic and political "extractive institutions".[7] Such institutions concentrate power in the hands of a narrow elite and place few constraints on the exercise of the power. They increase the potential stakes of the political game by creating unconstrained power and great income inequality. Because whoever controls the state becomes the beneficiary of this excessive power and the wealth that it generates, extractive institutions create incentives for infighting in order to control power and its benefits.

Stumbling into a New War?

Worryingly, the above conceptual framework highlights features that were common to the war for independence (1964–1974), the war for democracy (1976–1992) and the one

zambicans are aware of these challenges and want a better future for themselves, their children and the generations to come. This will be achieved if they put enough determination, action and effort into creating growth, stability and peace. Increased oversight by all parties in parliament and the formation of strong, independent institutions will be crucial.

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2 Technology development is now bringing sand-gas and shale-gas (extracted by fracking) to the market. The production of these resources, in particular by the USA and Canada, can dramatically transform the world market and see net importers of natural gas like the USA become net exporters. This commodity market can be highly volatile as more participants enter it. For up-to-date research and information, see Bentek Energy at <www.bentekenergy.com>.
3 In 2012, Mozambique's GDP was calculated at USD 13.5 billion and budget revenue at USD 3.8 billion.
4 Population data can be found at <www.ine.gov.mz>.
5 A back-of-the-envelope analytical paper prepared by the author in Portuguese has detailed information on institutional capacity and expenditure in education and health and indicates that "money may not be the problem where weak institutions lack the capacity to properly use those resources". Available at <www.speed-program.com/wp-content/uploads/2012/11/Capacidade-de-Absorpcao.pdf>.
6 Human Development Indicators can be obtained here: <http://hdr.undp.org/en/reports/ global/hdr2011/>.
7 Budget revenue pays for state expenditure. Higher levels of revenue allow for higher levels of expenditure even where there is no capacity to properly absorb those funds.
8 It is not the purpose of this article to discuss these funds in detail, but they are critical instruments to give countries some time to manage the transformation of the economy.

that started six months ago.[8] Although this new conflict is still being downplayed by the ruling leadership, since June 2013 – and more frequently in recent weeks – there have been almost daily reports of fighting between government forces, controlled by the ruling Frelimo party, and Renamo. Renamo is the only political party that has remained partially armed, in accordance with the Comprehensive Peace Agreement of 1992 that ended the civil war between the two rivals. A government attack on a Renamo base in October 2013 led the latter to unilaterally terminate the agreement.

Frelimo and Renamo, both apparently having failed to fully transform from liberation or guerrilla movements into political parties, blame each other for sliding back into yet another military conflict. At the same time, the daily clashes between government forces and Renamo soldiers are reported as isolated skirmishes, with deaths and injuries sometimes even being concealed.

In addition, a spate of ransom kidnappings in recent months and police shootings of unarmed citizens during the country's municipal elections in November 2013 have amplified the climate of fear in Mozambique among locals and expats alike. With the level of conflict already at this point, it seems that the key issue is no longer "whether or not" but "how long" this new conflict will last. For now, nobody knows.

Despite the violence, Renamo is gaining at least some public sympathy for challenging the establishment and demanding responses on a number of governance issues that have been deteriorating and that affect the whole of society. In particular, there is support for Renamo's demands for electoral reform (this was the main justification for its refusal to participate in the latest municipal elections), an end to Frelimo's sway over the security forces, the de-politicisation of the civil service, and a dividend for all Mozambicans from the country's burgeoning new wealth from coal and gas.

As in the title of this article, reality bites. In the case of Mozambique over the last half century, it has bitten badly and with tragic consequences. For the time being, people still hope that this time will be different. If it is not, it means that Mozambique will become even more *maningue* nasty than nice.

1 This image was already used by the author in 2012, but it fits well into the current narrative about Africa rising. See: Francisco A, "Mozambique: Between stagnation and growth", *GREAT Insights*, 2012. Available at: <www.ecdpm.org/great_1_10#sthash.2vCRzVv3.dpuf>. The author would also like to thank the Heinrich Böll Foundation for the invitation to contribute and the comments provided on the first draft.

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South Africa's GDP Paints Half a Picture

Comment

Saliem Fakir

GDP in Context

In the late 1940s, as the world economy was adjusting to two major hurdles (the Great Depression and World War II), the concept of "gross domestic product", or GDP, was born. GDP was seen to measure a country's overall well-being and it became the defining indicator of the twentieth century.

Two aspects are key: the size of the GDP relative to other countries and the growth rate of the GDP. A nation's GDP is about far more than bragging rights in terms of being classified a "developed", "emerging" or "underdeveloped" country. It is based on this measure that a nation gains access to such prestigious appointments as that of the UN Security Council, the G20 and more. GDP is a defining factor of global influence, but it is often a false pretender of progress.

The GDP measure has some value but also a great many limitations. It can be a useful indicator of the relationship between investment and growth in an economy. Clearly, we do need some levels of growth to manage economic development, although it is increasingly evident that such growth must be accompanied by meaningful redistribution and social upliftment mechanisms. This is one of the big challenges for the many economies in Africa that are presently experiencing rapid growth. Positive growth should not be squandered nor should it happen in a manner that harms the long-term sustainability of society and the environment.

A nation's GDP growth may reflect the levels of investment and output in an economy; it does not tell the extent to which growth today is helping to build a stronger foundation for the future. Put another way, GDP is a measure of the here-and-now, offering no insights into a nation's future prospects. High growth may well hollow out the prospects of future sustainability.

A stronger foundation, many believe, is to reduce inequality and build an economy based on the productive capacity to make and do things and investment in human capabilities in order to reduce the dependence on exports of natural resources and to diversify the economic base. If we are depleting resources (e.g. minerals), the economy's health will be measured by how we are converting those resources into other types of assets, investments and capabilities. GDP is unable to reflect any such nuance, as it does not distinguish between different kinds of economic activity.

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South Africa's GDP as a Measure of its Success

South Africa is on the cusp of celebrating 20 years of democracy, which presents an important opportunity to analyse our success in creating a non-racial, fair and inclusive society and economy.

First of all, the very fact that we've managed to create a democratic framework is no less than a major breakthrough when one considers the context of racial polarisation prior to 1994. At that transition, many were stockpiling food, water and guns in case of civil war – and yet here we are today boasting a fairly stable democracy. Political democracy is an important social infrastructure. It has the capacity to manage various kinds of political tensions and interests and should not be underestimated. This democracy is the foundation upon which the country's new economic framework has been built.

South Africa's political transition has been largely successful. We now boast one of the world's most progressive constitutions, we've successfully hosted the football World Cup, we are recognised as being a relevant player in geopolitics, and we play a vital role in African diplomacy.

South Africa is largely acknowledged to be a nation which punches well above its weight in international politics and foreign relations. When seeking membership on the UN Security Council, BRICS and other international forums, we have pointed to the GDP in order to claim a position in international geopolitics, often in the name of Africa. However, South Africa's GDP relative to the BRICS countries is miniscule.[1]

For one thing, while Africa is touted to be rising, South Africa appears to be losing buoyancy. The natural assumption was that, as Africa rose, Africa's largest economy South Africa would float at the very top.

What looks good on paper does not necessarily translate to a resilient and equitable economy in reality. Over the last twenty years, critics have accused South African economic policymakers of pursuing Washington Consensus policies that may have succeeded in creating macro-economic stability but did nothing to address the chasm between the haves and have-nots in the economy. Despite various successes, we still sit with many of the same glaring challenges that we did twenty years ago: unemployment, a shamefully high level of food insecurity and service delivery gaps. Key areas where service delivery is poor include health services, education and water and sanitation.[2]

There is a steadily growing consensus that GDP measures are no longer the best indicator of a successful society.[3] [4] South Africa provides a clear case in point: while our GDP is significant, the highest in Africa, our Gini rating[5] puts us among the very worst of the world's least equal nations. Another way of looking at this is to see that, as our GDP has grown, the rich have become richer with only negligible trickle down benefits to the poor.[6] GDP only paints a partial picture of the future we want for South Africa and our position in Africa.

Whether or not GDP is the best measure of a country's success is an important question. If we take the old capitalist stance, then, as long as our GDP continues to grow, we are continuing to improve as a country. That is not reality.

For one thing, while Africa is touted to be rising, South Africa appears to be losing buoyancy. The natural assumption was that, as Africa rose, Africa's largest economy South Africa would float at the very top. But on a continent boasting four of the world's ten fasting growing economies (2012), South Africa does not feature in the list.

Should this worry us? Frankly, yes, because growth is necessary to meet the economic and social needs of the country. But in some ways, it is the least of our worries. GDP growth without a purposeful attempt to resolve underlying structural problems in the economy and deal with service backlogs and other social challenges can lead to long-term instability.

GDP does not consider rates of crime, gender-based violence, the state of the education system and the long-term cost to the country of pursuing short-term profits. As long as we focus primarily on GDP as a measure of our success, we may lack the impetus to deal with stark societal issues. Perhaps it is time to broaden our perspective and move toward equitable development. Linking GDP growth with proper governance and management of the country's wealth has to be our main priority for the foreseeable future.

The Way Forward

Economists and politicians are beginning to acknowledge the need to include indicators that assess social and other factors in a nation's economy.[7] Bhutan has pioneered the GNH, a gross national happiness index that looks beyond material abundance to psychological and social well-being as a measure of progress.[8] As far back as 1989, Herman Daly and John B. Cobb developed the Index of Sustainable Economic Welfare (ISEW)[9] as a more valid measure of socio-economic progress. It considers factors such as the consumption of non-renewable resources and degradation of the environment.

Throwing the baby out with the bathwater is never a good thing. GDP is still a useful indicator of the relationship between investment and growth. In order to manage the various development demands, high levels of growth over a certain period are required and will be a natural outcome of fiscal spending and other sources of investment. The challenge is to accompany such growth with more intentional efforts for redistribution and social upliftment. This requires good governance and a state focused on the interests of its citizens.

As a nation, South Africa has the opportunity to revisit these issues. At a recent workshop exploring economics beyond GDP, Minister Ebrahim Patel confirmed that the department of economic development is actively investigating new ways of measuring our country's success.[10] Unfortunately, South Africa's own National Development Plan, which sets the vision for the next twenty years, remains focused on GDP growth as a primary indicator of well-being and progress.

For reasons of investment, donor assistance and the fostering of a competitive spirit, Africa continues to have a paradigm of economic development foisted upon it that holds GDP as the best and most relevant measure. Unfortunately, on a continent where the levels of poverty are so high, this only further entrenches a "race to the bottom". South Africa's own urge to maintain its GDP status may lead us along a false path of progress.

We need to start looking at our economy differently. It is fine if Nigeria and Kenya grow their GDP faster and bigger than ours, but perhaps, if we changed tack, we could have a more sustainable and progressive economy based on a new set of quantitative and qualitative indicators.

Our goal in life should not be the size of our GDP but the depth of our long-term social well-being and welfare.

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Whither the African Middle Class in an "Africa Rising"?

Alinah Segobye, Alioune Sall, Rasigan Maharajh and Geci Karuri-Sebina

"Africa rising" is an emerging grand narrative that, whilst occupying the millennial imagination, continues to be the subject of growing media and academic debate.[1] In the "Africa rising" narrative, the African middle class is often brought into the discussion as a growing phenomenon that contributes to, drives and deserves a prosperous Africa. In 2013 alone, the media devoted a significant amount of discussion and praise to the African middle class. This is often accompanied by accounts of their spending capacity and/or appetite for goods, which are indicative of a new and growing market for luxury goods. Some observers, however, have warned against such triumphalist assessments and have pointed to the need for a more grounded and transformational approach to the future prospects of Africa.[2]

It is against this backdrop that this article seeks to further interrogate the idea of an extant and beneficial African middle class. In doing so, the authors present some reflections about the evolution of the continent's middle class and offer a critique of this aspect of the "Africa rising" narrative.

Who is "Middle Class"?

For a start, it is necessary to define what is meant by the category itself. "Middle class" has been both an economic construct (based on income measures) and a social one (located within social class strata). The popular allusion to the "rise of African dollar billionaires" is indicative of the "Africa rising" grand narrative. However, it is sobering to find that the measure of middle class in income terms actually includes people living on USD 2–4 per day.[3] While the literature presents arguments for why this makes sense and still adequately distinguishes this category from "the poor", it is a far cry from the public imagination of who comprises the middle class in the "Africa rising" narrative. The precariousness of this emergent class is also highlighted, as they are, at best, only "un-poor" on the basis of possible steady income.

What is the Purported Role of a Middle Class?

The importance of a growing middle class has been advocated by various development theorists and economists (including Adelman and Morris, 1967; Landes, 1998; Easterly, 2001; Banerjee and Duflo, 2008).[4] Indeed, it goes back to Karl Marx and Max Weber's nineteenth century theories on socio-economic stratification, and even further to the ancient Greek roots of Western philosophy:

> Thus it is manifest that the best political community is formed by citizens of the middle class, and that those states are likely to be well-administered in which the middle class is large…; and where the middle class is large, there are least likely to be factions and dissention. (Aristotle, *Politics*, 350 BCE)

The political economy literature links the size of the middle class (which is associ-

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ated with the absence of high societal polarisation or inequality) to the prospect of a "middle class consensus". This consensus is defined as "a national situation where there are neither strong class differences nor ethnic differences… [S]ocieties that are not polarised are able to reach a consensus on public goods and overall economic development"[5]. So the idea of a "broad middle class" is used to minimise polarising factors such as ethnic and class differences that are linked to socio-economic dissonance, poor growth outcomes and conflict.

The more specific arguments traditionally made for the importance of the middle-class are usefully summarised by Banerjee and Duflo (2008):

1. the middle class is central to capitalist accumulation as a result of their "middle class values", which emphasise building human capital and savings
2. the middle class is a consumer class that demands quality consumer goods, which in turn drives investment in production and marketing, which creates employment and wealth
3. the middle class is a class of "new entrepreneurs with a capacity and a tolerance for delayed gratification", which creates employment and productive growth for the rest of society.[6]

Evidence of the middle classes as a driving force for positive development and economic growth outcomes is usually referenced against the historical trajectories of Western Europe, the United States of America, Canada, New Zealand and Australia. All of these are representative of the Anglo-American variety of capitalism.

However, it is instructive to note that the European and American middle class emerged at a particular moment in time. This class, growing in the wake of World War II, was anchored in an era of infrastructure growth, incentives provided by the state, and broad-based economic growth. That was the era of the New Deal in the US and *Les Trente Glorieuses* in France (the "glorious thirty years" from 1945 to 1975). A compact in which the state provided core resources, such as education, health and transport systems, based on a relatively fair taxation system, ensured the bourgeoning of a class that could enjoy a secure relationship with the state. Education, and social mobility through education, allowed relative security for the middle class to thrive.

It is important to note that these examples are embedded in their particular context and nuance, which raises important questions about their salience as a lens for projecting African trajectories.

Africa's "Middle Class" Manifestation

The narrative of a middle class in Africa seems to have been applied, without much discerning thought, to the growth of an amalgam of social categories that has, over time, changed shape and form against the backdrop of a very diverse and fluid landscape of development. The immediate post-independence era of the mid 1950s to 1970s was accompanied by a the miniscule growth of a class of dominant ruling elites that believed in meritocracy and a pervasive reliance on official development assistance (ODA) – a category of development financing that was unknown before the end of World War II. This period saw the growth of what has been seen as the basis for an African middle class. However, it is worth noting that this class did not have any productive capacity but was based on a consumerist capacity premised on state-generated employment and rewards. This consumption-driven "growth" masked the real challenges facing these economies: growing inequality and a swelling public purse. Though skills were developed, these were principally in non-productive sectors, as many industries remained at the extractive level without developing the critical value-addition capabilities needed for economic diversification. The fact that growth of most economies remained driven by export on global markets of raw material commodities was to lead to a "growth without development" model. The middle class associated with that model had no real productive basis.

The effect of structural adjustment programmes (SAPs) in the 1980s was to unmask this false growth and reveal the fault lines of the so-called middle class. Clearly, those who had access to information and resources were, in some cases, able to not only survive this era but to benefit from the deflationary and austerity measures imposed on the citizenry. For some countries, the 1980s through 1990s revealed the linkages between economic elites and

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political power, as well as the strong alliances between local elites and their foreign partners who were allowed access to local products and markets. SAP liberalisation policies encouraged the privatisation of state-run entities and, as the state reduced its investment in the public sector, those with privileged access to state information and capital were able to benefit.

The impact of this period is ambiguous, however. It has been seen as a period of stagnation and, in some cases, decline for the African middle class, which had relied on employment in the public sector or state-owned enterprises. The withdrawal of state funding led to many employees being laid off. The devaluation of many African currencies meant that a previously affordable lifestyle became completely out of reach and many had to take on more than one job to maintain their way of life. Many people made sacrifices to continue providing decent (private) education and healthcare for their families. However, that period also saw a tremendous development of the informal sector, which became the

Distribution of Middle Classes in Total Populations in African Countries in 2010

African countries with highest concentration of the middle class among their population. However, a significant number of this middle class belong to the floating category, living on USD 2-4 per day with the ever present danger of falling into poverty in the event of exogenous economic shocks. In the context of this definition, whereby middle class includes those in the floating class, at least 75 percent of the population are classified middle class.

African countries with a, relatively, lower concentration of middle class among their population compared to the category above. 21-50 percent of the population in this category can be classified as middle class – this including the floating class. It is worth noting that there is a significant gap between countries in this category compared to those in the category above. In this category, Botswana is at the upper limit with 48 percent of it's population classified as middle class. Gabon is at the lower limit of the next category with 75 percent of it's population classified as middle class – followed Algeria 77 percent Egypt 80 percent, Morocco 85 percent and Tunisia 90 percent.

African countries with, relatively, the lowest concentration of middle class among their population. In these countries, the middle class, including the floating class, constitutes up to 20 percent of the total population.

African countries for which no data was available.

Source: African Development Bank; Deloitte analysis

main source of employment in a number of countries. Previously seen as a "transitional sector", in the parlance of the International Labour Organisation, the informal sector emerged as a dominant feature of the economic landscape. It could not be overlooked anymore as it began to play a major role both in alleviating the pains and woes brought by the SAPs and also in the creation of new ventures and diversification of economic opportunities.

The post-2000 period also provides an interesting reflection. There is ongoing controversy as to whether technological transformation was a game-changer on the side of greater equality or whether it caused further cleavage in the formative African middle class. No doubt the boom in mobile phone and other information and communication technology (ICT) have catapulted new categories of entrepreneurs to visibility. However, given the fickleness of the sector and its heavy reliance on consumer services, as opposed to productive capabilities, one needs to be cautious about seeing this as a growth phenomenon.

Since independence, and running across the above highlighted periods, the idea of an African middle class was also premised on the rapid growth of Africa's cities. However, whereas urbanisation indeed took place at an unprecedented rate, it was not accompanied or preceded by industrialisation, as was the case in Latin America and Asia. As a matter of fact, this phenomenon of urbanisation-without-industrialisation also sets Africa's middle-class growth apart from its European and North American counterparts. This urban sprawl included a very fuzzy and diverse range of social categories that did not fit neatly into defined class paradigms. If anything, the idea of "haves" and "have-nots" best described the difference between categories.

The emergence of a large informal sector on the fringes of urbanised spaces created a development and city-planning nightmare for the aspiring middle class. Emerging as a transitional – yet increasingly permanent – state from rural to urban and from poor to lower-income groupings, the informal sector has long been the bane of those who favour the purist Western model of a middle class.

The informal sectors with their low thresholds for employment and production capacity enable resilient but low living standards that belie the neat categories and reports of an exuberant and "clean" middle class. The latter can be seen as aspiring to mimic the neo-colonial images of Euro-American culture, complete with the consumption repertoires of the West, including its languages. This affliction of *affluenza* often includes the grotesque and conspicuous consumption of all things foreign and rejection of all things local. Elitism is often replicated through other socialisation systems, such as education – particularly the Christian religious schools – which teach class-consciousness and "tradition" mirrored on Western institutions.

Looking Forward

The questions we pose therefore are these: *In the absence of an indigenous tradition with roots/links in its social milieu, is there a class that can be meaningfully defined as "the African middle class"? Furthermore, in the context of an "Africa Rising" narrative: given the fragility of the resource base upon which such a class was based, what would be the source of its sustenance?*

It is instructive that other writers have also reflected on the vulnerability/resilience factor of the African middle class as it attempted to self-define.[7] What is noteworthy is the different contexts that provided for the growth of the middle class in Europe and America. The continued dominance of these blocs over global trade, including African resources, suggests that any emergent African middle class would need a different set of opportunities to not only emerge but to grow and to have the capacity to reproduce itself.

One possible factor can be seen in the potential for education to create and unlock opportunities across the continent, a potential that also fuelled the growth of a cross-border African cosmopolitanism. This fluid, nomadic class could cross various boundaries in search of opportunities, most of which were to be found in academic and research institutions and international development agencies. The transitory nature of this category however also has caused it to elude definition as it mainly lacks a binding consciousness, such as shared common values, language or vision.

It is our considered view that changes in the global economic order, particularly post-2008, offer us an opportunity to revisit the idea of an African middle class. The perceived decline of traditional markets

in Europe and America, coupled with the emergence of new markets in China, Latin America and Southeast Asia, suggests that Africa may indeed have an opportunity to fashion something new by way of a middle class that could potentially find allies among social categories with similar non-Western development trajectories.

China's status as both a former empire and colony may offer different cultural and socio-economic values than the Euro-American model to which Africa looked for much of its fifty post-independence years. Among other things, China's ethos of productivity as the basis for growth could inspire an African productive class that would seek to invest resources in production rather than consumption. Further, an appreciation of technology and innovation as drivers of growth could be further strengthened by such alliances, particularly in key sectors such as energy and agriculture.

In this regard, Africa's rising population could be seen as a resource rather than an affliction, if premised on productive capability. China's entrenchment of education as a driver for various freedoms could also facilitate a value for education that not only derives from short-term benefits and self-preservation but projects longer-term growth strategies across generations. Such investment could change the fragile configuration and grounding of an African middle class to something more sustainable and durable. A further example could be the creation of a social and political middle-class consciousness. It is our contention that, while there is an idea of an African middle class, no class-consciousness can really be discerned across time and space. The amorphous amalgam of social categories that has risen and waned in various countries or regions can be better defined through the cultivation of a shared set of values. We should add that China's growing influence does not necessarily offer an uncomplicated option. Relations between China and Africa continue to be negotiated and renegotiated in fairly complex ways, often with African ambivalence about China's role in the continent's development. South Africa's stake in BRICS continues to provide new lessons in the challenges of forging international co-operation with non-Western allies.

Another possibility can be seen in the growing consensus among diverse social movements, particularly youth, women and conservation groups, on the need for a global citizenship shaped by shared values of sustainability. As many people become more vocal champions of sustainable development, there is an opportunity for the emergence of an African class that is not based on a culture of "consumption at all costs" but on common values of good citizenship, conservation and consciousness of climate change and its likely impacts. This category would also be influenced by the global financial meltdown, which showed in stark relief the need for intelligent citizenship and, indeed, the importance of an interventionist state. The reduced push for privatisation on the continent suggests that its promise as a driver for development has been reconsidered in favour of seeking alternative ways to balance the roles of the state (particularly in providing public goods) and the private sector as partners in development. A discourse concerning the need for a new social compact is also emerging, particularly among the youth, who espouse entrepreneurship and meritocracy and prefer empowerment as the vehicle for citizen-driven growth and innovation rather than entitlement as the *de facto* state support mechanism.

In conclusion, it is our view that the "Africa rising" narrative needs more shades of grey than are currently provided. Rather than dim the lights on this captivating narrative, we call for a more discerning critique of historical realities and current experiences, and a more grounded view of the future, using tools that can posit Africa's immediate and long term future in less romantic terms.

In conclusion, it is our view that the "Africa rising" narrative needs more shades of grey than are currently provided. Rather than dim the lights on this captivating narrative, we call for a more discerning critique of historical realities and current experiences, and a more grounded view of the future, using tools that can posit Africa's immediate and long term future in less romantic terms. Cautious projections of African middle-class growth would be premised on well-developed future scenarios that factor in the multiplicity and complexity of cultural, socio-economic and political reality. There is a danger in the mimicry that drives the current literature, and in the seductive market hype created by those who seek to profit from the *nouveaux riches* in Africa's "emerging" classes.

A woman holds cleaning products and picks out children's clothing in the Game Store (a South African retailer) in the Lugugo shopping mall in Kampala.
© Mikkel Ostergaard/ Panos

This tragically often ends in indebtedness as has been painfully experienced by countries like South Africa where the illusion of an emerging middle class was stoked by unrealistic credit lending.

An uncritical perspective might also cloud a precious opportunity for a transforming state. It is likely that a new set of values and compacts that include incentives for the citizenry and the private sector could create a new avenue to support a non-predatory middle class. Clearly, citizenship activism is already strengthening, as indicated by strong resistance to what is perceived as unfair taxation (i.e. the anti e-tolling movement in South Africa), which should also be a signal that governments should tread carefully when planning development. Meaningful inclusion is critical. When citizens have to help finance development projects, the process should be seen to be inclusive from the onset, and the benefits perceived as in line with the citizens' own goals and aspirations. In particular, such projects should have a sustainable medium- to long-term path built in, in order to avoid the monumental and well-documented failures of short-termist development thinking on the continent.

In a transformative mode, it is argued that a healthy place to start would be a shared vision of development needs, including particularly the shared tenets for a middle class. Further, the visioning exercise would involve the identification of adequate resources, leading to evidence-based and Africa-informed development priorities and anticipated outcomes. This is not to suggest that the future will inevitably be positive but instead to argue that our scenarios should be based more on pragmatic and Africa-centric understanding, and less on seductive grand narratives that are removed from present and past realities.

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Kenya's Middle Class: The Ideal vs. Reality

Interview

Christine Mwangi

Enchanted by the notion of a large, burgeoning African middle class, many international corporations view the continent as the last "frontier" in the world in which to invest and sell their goods. The theory is that, as African economies develop, the wealth will trickle down from rich to poor via the middle-income group. But beneath the surface of this good news, many questions remain.

Kenya reportedly has the largest middle class in East Africa. Christine Mwangi shares some thoughts about the myths and realities of what constitutes middle class in her country.

HBS: How big is Kenya's middle class and what is driving its growth?

Mwangi: Given that data are only scarcely available, it is hard to make definite statements about the actual size of Kenya's middle class. Based on 2008 figures, the African Development Bank estimates that the middle class makes up about 45 percent of Kenya's population. However, it is important to point out that the so-called "floating class" that has consumption levels of USD 2–4 per day constitutes just over 60 percent of those considered to be middle class. This group is still very vulnerable to slipping back into poverty in the event of exogenous shocks such as increases in food prices due to inflation.

Yet it is apparent that the business models that have targeted this floating class are very successful and this gives the impression that there is a lot of disposable income in the country. These targeted measures include providing unsecured credit, repackaging goods to smaller products to suit local affordability, and even affordable renewable-energy solutions. All these measures have definitely increased profits for enterprises that adapt their approach to serve the needs of this floating class.

There are two other sub-categories of the middle class: the lower- and upper-middle classes, which have consumption levels between USD 4–10 per day and USD 10–20 per day, respectively.

At a time of major social and economic transitions, the conditions for attaining better living standards are increasingly within reach for a majority of Kenyans. In the past twenty years, Kenya has grown at almost 5 percent a year, and the main source for earnings has shifted from farming to formal and informal employment, as evidenced by the growth of small and medium enterprises. Kenyans want a better life for themselves and their children. The drive to have a better life is a potent force that has been driving economic growth. So I am cautiously optimistic about middle-class growth.

Christine Mwangi is the deputy director of the Center for Public Policy and Competitiveness atStrathmore Business School (SBS) in Nairobi and the programme director of the Master in Public Policy and Management programme. Christine previously worked on multi-intervention development approaches as a senior researcher at Columbia University's Earth Institute in New York.

What has changed and enabled people to better realise their aspirations?

I think technological innovation has played an important role. The internet is opening people's eyes to what is possible and creates new business opportunities. Part of the allure of the internet is that it can be put to work for everyone, rich or poor. Technology has a tremendous advantage: it spreads quickly. Mobile connectivity in Kenya is estimated to be as high as 78 percent. Mobile phones do not only aid in communication but also can improve livelihoods. A Deloitte study recently found that a 10 percent increase in mobile penetration is linked to a growth in GDP of 1.2 percent in a middle-income country. This is due to the economic activity that individuals engage in as a result of being "plugged in".

In Kenya, the high mobile connectivity has enabled us to make great strides in financial inclusion. Informal sector workers, for example, are now able to develop a credit history through mobile savings platforms. Formal inclusion banking services have jumped from 26.4 percent in 2006 to 40.5 percent in 2009. This increase facilitates greater investment in productivity-enhancing assets and increases future income. Access to credit and savings facilities generally helps to minimise the negative impacts from income shocks, thus providing financial cushioning during difficult times as well as creating some level of disposable income. At the same time, one should note that, in the event of a sudden hike in interest rates as experienced in 2011, unsecured lending facilities can easily become debt traps and push people back into poverty.

Is Kenya's middle class a new phenomenon?

The middle class has been part of Kenya's history and it has had political and economic influence that was decisive in shaping the state and patterns of economic growth and transformation in the decades before and after independence in 1963.

During colonial times, these were chiefs and headmen who were given special privilege by colonists as they carried out their tax collection duties. Other middle-class members were small-farm owners who would sell excess farm produce and therefore acquire disposable income. After independence, this group expanded to include Western-educated Kenyans who then became entrepreneurs or worked as teachers and civil servants.

The post-independence middle class then emerged from these farmers and salaried groups. Some of these became huge landowners and politicians, which resulted in conflicts of interest that contributed to discriminatory policies, cronyism, patronage and corruption in government. This was not the progressive middle class that is typically associated with values that encourage fair market competition, better governance, more investment in higher education and, ultimately, economic growth. This group was interested in self-preservation and became a conduit for foreign investment that stifled local competition and creativity.

Eventually, this class grew to become Kenya's wealthy elite because it benefitted from state patronage and protection. Kenyans joining the middle class today are less likely to be landowners and are more likely salaried employees or small-business owners.

Beyond earnings and consumption, the middle class has been thought of as embodying values that drive social cohesion and economic growth in society. It is associated with a strong social compact with the state that, in return for the payment of taxes, provides

public services such education and health. Does this also apply in the Kenyan context?

No, I don't think this is the case in Kenya. The Kenyan middle class, the upper-middle strata in particular, does not consume many public services: they do not enrol their children in public schools or seek medical attention in public hospitals. They opt to take their children to private schools and seek medical services from private hospitals. The Kenyan upper-middle class addresses insecurity concerns in their homes by hiring private security companies and buying boerboels and rottweilers to patrol their gated communities in the suburbs. This upper-middle class, which acts as the pace-setter for the floating class and lower-middle class, seems to have abandoned their civic duties. This becomes the new normal. For instance, the lower-middle class now also struggles to send their children to private schools and hospitals, thus encouraging the prevalence of poor education services and quackery in healthcare.

What are the consequences of this disengagement from the state and broader society?

The Kenyan middle-class is more interested in preserving their positions than in contributing to the development of strong social structures, institutions and human capital. This behaviour directly contributes to inequality in Kenya and fuels state laxity. Poor health and education services are a risk to stability as they incapacitate the future workforce that the upper-middle class and the wealthy require for their businesses. Disengagement is a threat to national security too: remember that Kenya's post-election violence in 2007 was fuelled by ethnic hatred largely driven by income inequality accompanied by feelings of exclusion.

The Kenyan middle-class also exhibits high levels of civic complacency. For example, in October 2013, the Kenyan auditor-general's office disclosed to the National Assembly that, in the 2012 financial year, KES 303 billion (roughly USD 3.5 billion) could not be properly accounted for and confessed that more than half of the statements examined had errors attributed to unsupported expenditure, unauthorised spending and uncleared balances. Surprisingly, there was no public outrage over this.

This "ideal" middle class that values democracy, good education systems and political accountability is conspicuously silent in Kenya.

How could Kenya's middle class become a force for positive economic and political development in the country?

I think the middle class should be more active in results-oriented civic engagement and embrace progressive values that expect reliable state services and a good quality of life for all Kenyans. Strong and consistent demands from Kenya's middle class for government accountability and social justice will also help to eliminate the adverse effects of ethnic divisions and income disparities which divide the country socially and politically and compromise economic growth in the long run.

The responsibility of the middle class goes beyond increased consumption. It includes civic duties and a desire for equity and justice for all Kenyans.

Building Innovation Driven Economies in Africa as a Basis for Transformation[1]

Comment

Olugbenga Adesida and Geci Karuri-Sebina

Over the last decade, a new storyline on Africa has emerged. At long last, following the Afro-pessimism of the 1980s ("the lost decade") and the 1990s, a new Africa is taking shape in the popular imagination. "Africa rising" is seen as the new frontier and emerging market. Indeed, growth figures and macro-economic indicators have improved notably, even in anaemic global circumstances.

The reality, however, is that rising prices of commodity exports have pushed this growth, and very few African countries can claim to have transformed their economies. The majority continue to be mono-economies with a high dependence on primary products. Africa's share of world trade is less than 3 percent and specialised mostly in a narrow range of primary products. Fuels and mining products alone constituted over 66 percent of Africa's merchandise exports in 2010. Compared to the late 1960s, the decline in Africa's share of global trade represents an annual loss equivalent to USD 70 billion. On the socio-political front, poverty, high levels of unemployment and increasing inequality remain major (and escalating) problems. The robust economic growth over the last decade has not been successfully translated into human development: of the 30 countries at the bottom of the United Nations Development Programme's (UNDP) human development index, only two are not in Africa.

With the changed global conditions of the 21st century, African countries must transform their economies to effectively compete in the global marketplace and deliver development dividends to their populace. The speed of scientific and technological progress on various fronts could make it difficult for Africa to continue to benefit significantly from its primary resources even a generation from now. The advent of new technologies and environmental conventions may also close the door on Africa's ability to follow other countries' paths to industrialisation (i.e. using low-tech manufacturing as a launch-pad). What then? Structural transformation is the only sustainable path.

The current growth spurt can only be sustained through the expansion of productive capacities and capabilities, ensuring that Africa possesses the set of competencies that are increasingly acknowledged as prerequisites for development in the so-called "knowledge economy." This transformational approach can only be pursued if African societies and economies are driven by innovation and creativity.

The good news is that Africa has indeed been innovating, from Nigeria's multi-billion naira "Nollywood" movie industry to M-Pesa, the Kenyan mobile phone-based money transfer and micro-financing service that has grown so rapidly that its transactions now represent over 25 percent of Kenya's gross domestic product (GDP). Knowledge intensive start-ups are emerging and we also have many examples of social innovations, with technology being applied to everything from monitoring elections and fighting corruption to protecting people from counterfeit pharmaceuticals.

In spite of these promising signs, significant challenges remain. African countries have still not seized and capitalised upon such innovation as a basis for economic growth and

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competitiveness. Many innovations can be classified as discrete inventions and many are simply innovations searching for problems. There is too much emphasis on trying to recreate Silicon Valley, despite the fact that our realities and challenges are quite dissimilar. This can be blamed in part on the lack of science, technology and innovation (STI) policies and strategies, coupled with the fact that most of the financing for start-ups and hubs comes from outside of the continent. The focus is on the familiar rather than systemic long-term innovations that could be transformative. Mobile apps, hackathons and weekend start-ups are "sexy, quick and cheap", but support for research and development (R&D) and investment in STI in crucial sectors, such as food production and processing, pharmaceuticals and education, could lift Africa's level of competitiveness. While Africa must welcome all support for innovation, there is a crucial need to focus on a full-range transformative agenda, from building an enabling environment for robust national and regional innovation systems to investing in the kind of innovation that would allow us to transcend Africa's major challenges.

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Without this explicit focus on transformation, Africa's innovators – whether individuals or firms – will continue to face daunting obstacles. "Stars" and "islands of excellence" will continue to arise without finding the necessary structural or systemic support that would ensure a robust "ecosystem" for successful innovation. STI developments result from the complex interplay and dynamic relationships among a broad variety of actors, including government departments, research institutes, universities, firms, and the individuals in these institutions. Improved STI performance depends on understanding these linkages, promoting interaction among the actors, and building an environment in which all actors can perform their roles. In addition, the creation of national and regional systems of innovation requires policies that systematically promote STI, enable R&D, and provide funding for R&D and entrepreneurs, quality educational systems, and innovation-supporting institutions.

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Key Supports for Innovation and Development

However, most African countries barely meet any of these requirements and have hardly any innovation system to speak of. In 2012, the authors embarked upon a wide-scale effort

Mobile money services are big business in Africa. M-Pesa (M for mobile, pesa is Swahili for money), the Kenyan mobile phone-based money transfer and micro-financing service has grown so rapidly that its transactions now represent over 25 percent of Kenya's GDP.
© Jonathan Kalan

to engage with the critical question of how to build robust innovation ecosystems in Africa. This resulted, among other things, in the production of a special edition of the *African Journal for Science, Technology, Innovation and Development* (AJSTID).[2] The work has begun to offer some pointers, such as the need for policy-makers and planners to act with a better understanding of the environment within which effective innovation happens. Greater cognisance of issues such as power structures, institutional dynamics and technologies is crucial to building an innovations system, as evidenced by numerous studies on agricultural technology and innovation in West African countries.[3] In addition, the national systems need to adopt appropriate policies and measures, crucial among which are planning and proactive support for entrepreneurship and innovation potential.

Once the policy base is in place, sharper instruments are also required to effectively support innovation and development. For instance, localisation policies are often used to support industrial growth through the domestic market. But their application can be over-generalised without an appreciation for where and how these might best apply, and where they might not – as shown by the experience of the African Growth and Opportunity Act (AGOA)[4].

A common theme in the literature is the desperate need for a more attentive and supportive environment to enable innovation and empower innovators: facilitation, promotion, unblocking, etc. come up as key issues time and time again. So, while policymakers and regulators may traditionally have seen their role as "command and control", it is essential that they now see it as "enable and facilitate", empowering stakeholders so that a robust ecosystem for innovation can emerge and flourish.

A highly creative and innovative economy does not miraculously appear from discreet events and sparse attention. Robust innovation ecosystems tend to require institutions and agencies that recognise innovation and support it, and strong intermediaries. These must be created where needed. Where these already exist, they must be identified, recognised and supported. Again, there are numerous agricultural case studies where this is evident.

An innovation effort in Africa also needs to recognise the continent's unique advantages, such as the youthfulness of its population (the "demographic dividend") and the fact that no other developed region had today's level of connectivity in their bid for technological take-off. The AJSTID special issue emphasised this confluence of capabilities. Despite tremendous challenges and heightened competition, Africa must rapidly leverage these advantages.

For this to happen, innovation role-players need to work together to creating effective innovation systems. We must co-ordinate our efforts and build partnerships. The "heroic" lone innovator and the "invisible hand" of the market have not been the main agents for building successful innovation-driven economies. Despite the prevailing myths and elusive promises of the free market system, collective action and collaboration are critical elements

of a robust innovation ecosystem. It is crucial for African countries to promote collaboration among stakeholders, including private firms.

African countries must also secure the resources to regularly finance innovation ecosystems. Within the general financial envelope, there is a need to ensure financing for start-ups and small- to medium-size enterprises (SMEs) that apply knowledge to address development challenges or to seek economic opportunities – and, of course, national support for R&D by both the private and public sectors. Development agencies and foundations must re-orient their primary strategies from mere poverty alleviation and begin to include experiments and interventions to support social innovation and entrepreneurship that can advance sustainable development and the emergence of a high-performance innovation system in African countries.

The promotion of quality education in Africa is another indispensable ingredient for a powerful transformative agenda. Education systems need to be adapted to the requirements of the 21st-century world. They need to promote creativity and innovative thinking at all levels, and enable the broadest possible access. High quality and relevant educational systems should be supported through regional co-operation to leverage various regional advantages. Technical and vocational training and science, technology, engineering and mathematics (STEM) skills must be strengthened, while trans-disciplinary approaches must also be encouraged to bolster innovation.

Effective regional co-operation will also be necessary because very few African countries can do it alone. Most are too small and lack the necessary resources. Existing science, technology and innovation bodies and organisations must be strengthened, and new and effective avenues for co-operation between countries must be developed. A pan-African approach may have merit.

In conclusion, what Africa needs is innovation in all aspects of society. In particular, the situation demands an understanding of innovation that encompasses the full spectrum, from "low-tech" innovation in traditional sectors to "high-tech" innovation in the advanced technology and capital-intensive sectors. This is crucial for the development of a responsive, knowledge-based economy. To be successful and sustainable in the future, African countries will have to address these issues in a bid to fundamentally transform their economies. Creativity, innovation and entrepreneurship are the only keys to Africa's effective socio-economic transformation.

1 This article is adapted from "Building innovation driven economies in Africa" in a special edition of the *African Journal of Science, Technology, Innovation and Development*, 2013, Vol. 5, No. 1, 1–3. <http://dx.doi.org/10.1080/20421338.2013.798094>.

2 The journal invited practice communities (entrepreneurs, innovators, investors and policy-makers) to provide reflections and recommendations to based on rigorous African innovation studies and analyses. The authors simultaneously embarked upon a companion book project focused on case studies of "innovation centres of excellence" on the continent. The book is to be released in 2014 and will serve as background material for the third project:the Africa Innovation Summit. The first summit, to be held in Cape Verde in 2014, aims to promote an important, Africa-wide, multi-stakeholder dialogue and action platform on innovation.

3 A case study on food crop cultivation in Burkina Faso in the AJSTID journal exemplifies this well.

4 US legislation designed to assist the economies of sub-Saharan Africa and improve trade relations between the two regions.

"We Need Demand-Driven Innovations in the ICT Sector"

Interview

Shem J. Ochuodho

The information and communications technology (ICT) revolution taking place in Africa has not only made the continent the region with the fastest growth in teledensity (phones per 100 people) and highest returns on investment, but also catapulted it to the forefront of innovation.

One of the field's pioneers, Shem J. Ochuodho, who has received various awards and accolades for his contribution in growing the ICT industry in Kenya and elsewhere in East Africa, took some time out to share his thoughts about trends and developments in the sector.

HBS: As part of the "Africa rising" narrative, the ICT sector is often hailed as a major driver of Africa's path to prosperity. What would you say are the main economic, social and political impacts the ICT revolution has had?

Ochuodho: Its main economic impact lies in the financial sector. With applications such as M-Pesa – a mobile money platform developed by a University of Nairobi student – we have witnessed a rate of financial inclusion that has never been experienced before. However, there generally is little comprehensive research into the economic and social implications of, for example, mobile money. Intuitively, I would say that cutting transaction costs facilitates faster circulation of resources and stimulates higher individual expenditures.

Another factor is job creation. In 2008, Kenya had about 50 000 people directly employed in ICTs, and for every person directly employed, it is estimated that there are 5 to 10 more indirectly engaged. Only five years later, there are now over 60 000 agents for M-Pesa mobile money services alone in Kenya. This is a clear pointer to the huge potential of ICTs.

When we look at the political impacts of ICTs and use a bit of a broader definition of ICTs – including, for instance, media, music, language and drama – then various forms of these communication channels have played a significant role in recent political developments in Kenya, being particularly influential around the time of elections. For example, political songs were important in driving the National Rainbow Coalition into power in 2002, ending the 24-year rule of Daniel Arap Moi's government. There is also no doubt that vernacular radio has significantly contributed both positively and negatively to the political dynamics in Kenya. Finally, we should also not forget that a fair amount of fundraising for political parties and their candidates is done through mobile money systems and bulk text messages. Social media such as Facebook and Twitter will certainly become more important as the number of internet users is growing in Kenya.

Shem J. Ochuodho is a senior advisor to the Ministry of Telecommunications and Postal Services in South Sudan. Through the African Regional Centre for Computing (ARCC - Kenya), which he founded, he pioneered internet into Eastern Africa. Ochuodho has led various teams to develop national ICT and communications policies, communication laws and strategic plans in Kenya, Rwanda and Somalia/ Somaliland. In 2010, he received the African Internaut Award from the Commonwealth Telecommunications Organisation.

But there is even more potential in ICTs in Kenya. I am involved in a project called M-Kura, an application that would allow people to securely cast their vote in an election through their mobile phones without standing in queues for many hours. M-Kura could also provide a solution to diaspora voters: more than 3 million Kenyans who contribute one-quarter of the national annual budget in remittances – more than the development assistance and foreign direct investments to Kenya. This might seem farfetched at this point, but, since we pioneered M-Pesa to the world, M-Kura might be yet another first from Kenya.

What role do governments play in creating a supportive environment for technological innovation?

I consider the enabling conditions for technology to take root in terms of the "five Ps".

The first "P" being Policy: as long as the right policies, laws, regulations and structured plans are not in place, it matters little what else governments are undertaking. Looking into the region, Tunisia was the first African country to have a comprehensive ICT policy (1998) and implementation plan, followed by Rwanda (2000) and Mozambique (2001). No wonder all three countries continuously rank high with regards to global ICT indicators. The second "P" denotes People or human capital, not only the users of ICTs but also those that develop, support and/or re-engineer systems when necessary. Closely related to this, and especially critical is what I would call visionary "E-leadership". The third "P" stands for Pipes – the communications infrastructure and computer systems (hardware, software and content). This also includes broadband, WiFi, Wimax and so on; not to mention the supportive physical infrastructure, notably electric power. From experience I can say that once you have the policies right, leadership, and people's participation, it is relatively easy to get the infrastructure; not so much the reverse. Thus, the P's are sequenced in order of priority.

The fourth P stands for *Pesa* (money) or Pounds, designating the financial resources and capacity to not only procure the first three P's, but also to glue them into a complete whole. Partnership is the final "P". Governments need the private sector and development partners to ensure sustainable technology growth and infusion.

Kenya's new leadership has promised a transition into a "digital government". What score would you give them so far?

As much as the new Kenyan government talked about embracing the digital age, to date not enough has been done in terms of actual public policy-making and programme execution. Take for example the African Union summit resolution on ICTs, which stipulates that a minimum of 1 percent of national budgets should be spent on science, technology and innovation. Kenya committed in the National Science, Technology and Innovation (STI) Act to even spend 2 percent of its national budget! However, only Rwanda has come close to attaining even the 1 percent goal. Another example is the government's flagship project: the one-laptop-per-child project targeting primary school pupils. Contrary to the position of many, I believe it is a good and timely endeavour. However, looking at the way it is being implemented, it is destined for failure. The process is mired in secrecy and the participation that would bring people's buy-in is lacking.

Overall, I believe that Kenya's leadership, especially the previous administration, has received more accolades than deserved for its role in developing ICTs in the country. One major problem has been the

lack of a comprehensive ICT master plan akin to the East African Community's 10-year Broadband ICT Infrastructure Network (EAC-BIN) or Rwanda's 5-year rolling National Information and Communication Infrastructure (NICI) plans. However, the low level of stakeholder consultation in its evolution notwithstanding, Kenya has finally come up with national ICT and broadband masterplans. Compared to other countries in the region, Kenya has better conditions such as a strong private sector, world class human resources and the support of development partners, but it never makes it to the top in global ICT rankings, mainly due to a deficit of progressive leadership. Hence I would say that most achievements in Kenya, at least in ICT, have been made despite of government, not because of it.

Technological innovations are omnipresent in Kenya and well known beyond its borders. M-Pesa is one of them but so is Crowdmap, developed by Ushahidi as a platform for crowed-sourced crisis information. What is driving innovation in the ICT industry in Kenya? Who is the target group?

In Kenya, the main driver of innovation is the private sector. This has to do in part with the enterprising nature of some sections of the Kenyan community, and the motivation is clearly profit. This also explains why many of the marketed ICT solutions are supply- rather than demand-driven, while it should be the other way around. But we find the same problem with some ICT programmes funded by development partners. A case often cited is that of one of Kenya's neighbours emerging out of civil strife, which is pursuing a massive e-government ICT project, mainly because a large development organisation supports it. It should not be the availability of funds for a project or the tool that drives innovation but rather the actual needs on the ground.

What ideas do you have for the ICT sector that could truly transform the realities of ordinary people's lives in Kenya and the East African region?

There are three things that I can think of straight away. The first one would maybe work most easily in Kenya since we now have a devolved governance system. We could start devolving the provision of technology-anchored government services. The digital village – an idea to integrate health, education, internet access and lighting needs of rural villages through a solar powered local grid – is one of the projects that would go a long way in empowering the grassroots. Even if it would not help fight poverty directly, it would at least cut costs for rural people. For example, someone travelling from Kenya's Northeast to Nairobi just to fill in a form or to get a particular service could then get those online, which would save time and money. Secondly, we should focus on specific pro-poor ICT solutions, including viable business models, and appropriate technology – for example "thin client" technology, hardware that does not take a lot of power, and also use "free" public domain software or "open source".

Thirdly, I'm thinking of mainstreaming ICTs in national poverty reduction strategies. But again, this should not be technology-driven but technology-anchored, meaning that, in every key sector, be it health or education, specific ICT solutions are developed. These three ICT-based ideas would really help to enhance the lives of people at the bottom of the pyramid.

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Gerald Machona

Machona is a Zimbabwean-born visual artist practicing in South Africa. He has a master's degree in fine art in sculpture from Rhodes University and holds a bachelor's degree in fine art from the University of Cape Town, which he completed at the Michaelis School of Fine Arts in 2009.

In 2013, Machona was featured in the *Mail and Guardian*'s 200 Young South Africans supplement and was selected by *Business Day* and the Johannesburg Art Fair in 2011 as one of the top ten young African artists practicing in South Africa. Machona works with sculpture, performance, new media, photography and film, and the most notable aspect of his work is his innovative use of currency – particularly decommissioned Zimbabwean dollars – as an aesthetic material.

Machona's current work engages with issues of African migration, social interaction and xenophobia on the continent. He has participated in group exhibitions such as *Making Way* at the Standard Bank Art Gallery, Johannesburg (2013); *The Night Show*, Goodman Gallery, Cape Town (2011); *Geography of Somewhere,* Stevenson Gallery in Johannesburg (2011); and *US II*, Iziko South African National Gallery, Cape Town, South Africa (2010). Machona is also a recipient of a Mellon scholarship and is a member of the Visual and Performing Arts of Africa research group at Rhodes University.

Photo by www.garethjacobs.com – Business Day Wanted Magazine

About the artwork
Title: Ita Kuti Kunaye (Make It rain), 2010
Courtesy of the artist and Goodman Gallery.